Invesco Municipal Income Fund
Q3 2023

Key takeaways

1. **Fund performance**
   Invesco Municipal Income Fund Class A shares at net asset value (NAV) matched the return of its style-specific index, the S&P Municipal Bond 5+ Year Investment Grade Index.

2. **Seeking attractive opportunities through collaborative management**
   Invesco Municipal Bond team uses a collaborative management approach. Relying on our size and experience, we seek to identify the best opportunities to achieve potentially better outcomes for shareholders.

3. **Analysis focused on creditworthiness**
   Our team uses a bottom-up fundamental credit process focused on creditworthiness of individual issuers with an overlay of macroeconomic factors to capitalize on market inefficiencies. Our process has been time tested over full market cycles.

**Investment objective**
The fund seeks to provide investors with a high level of current income exempt from federal income tax, consistent with preservation of capital.

**Fund facts**
- Fund AUM ($M): 3,116.80

**Portfolio managers**
- Elizabeth Mossow, Jack Connelly, John Schorle, Joshua Cooney, Julius Williams, Mark Paris, Tim O'Reilly

**Manager perspective and outlook**
- Disinflation continued in most developed economies, including the US, where the economy remained resilient, helped by strong labor markets.
- In July, the Federal Reserve (Fed) raised the federal funds rate by 0.25% to 5.50%, the highest level since 2007.¹ The Fed held rates steady in September, but kept its tight monetary stance, prompting municipal and Treasury markets to sell off. Five- and 10-year US Treasury yields rose to their highest levels since 2007, and the 30-year US Treasury yield hit its highest point since 2011.
- Municipal fund outflows were $3.9 billion during the quarter and $12.0 billion year-to-date.²
- New issuance was in line with the third quarter of 2022 at $95 billion.³ Year-to-date new issuance fell 10% year-over-year to $270 billion.
- Robust tax revenues and effects of federal pandemic aid continued to bolster municipal issuers as credit upgrades outpaced downgrades by a ratio as high as 6 to 1 over the past nine quarters.⁴
- Once Fed rate hikes are in the rearview, we believe high absolute yields, low issuance, strong fundamentals and investor migration out of cash will present positive opportunities for municipal bonds.
- Looking ahead, we expect a “bumpy landing” – a brief and shallow economic slowdown brought on by the Fed’s aggressive monetary policy tightening, with the US likely to avoid a substantial broad-based recession.

Not a Deposit   Not FDIC Insured   Not Guaranteed by the Bank   May Lose Value
Not Insured by any Federal Government Agency

For more information, including prospectus and factsheet, please visit Invesco.com/VKMMX
**Portfolio positioning**

**Yield Curve and Duration Positioning:** Overall, we maintain a constructive outlook on duration and are looking to selectively add longer duration securities to the portfolio when appropriate. The municipal yield curve has remained inverted out through five years (shorter maturity bonds yield more than longer maturity bonds) and has been steep in the 10- to 15-year part of the curve. A majority of the fund’s assets have durations between eight and 15 years.

**Sector Allocations:** We maintain an overweight position in revenue bonds relative to state and local general obligation bonds. Within the revenue bond segment, the fund’s largest exposures are in the hospital, transportation (airport) and industrial development revenue/pollution control revenue sectors.

**Credit Conditions:** We have a favorable outlook for fundamentals in the municipal market. The health care sector has been affected most by higher inflation and labor costs, but we have found pockets of opportunity through our extensive bottom-up research.
Performance highlights

The quarter was marked by interest rates continuing to rise due to economic strength and by persistent inflation, which caused the 10-year and 30-year Treasury yields to rise by 0.73% and 0.84%, respectively. As a result, all sectors of the municipal market had negative returns. Despite a negative return for the fund and the municipal market during the quarter, the fund's performance was in line with or better than its index depending on share class.

Contributors to performance

This quarter’s contributors to relative return included the following:

The fund’s underweight in high grade bonds, specifically AAA- and AA-rated bonds, added to relative return.

Detractors from performance

This quarter’s detractors from relative return included the following:

A holding of a specific issue within the public power sector detracted from relative return as news related to potential default recovery negatively affected bond prices.

The fund’s holdings of zero coupon bonds from the tobacco settlement sector underperformed coupon bonds from the same sector during the quarter.

The fund’s overweights in below investment grade and unrated bonds, relative to the index, detracted from relative performance.

Standardized performance (%) as of September 30, 2023

<table>
<thead>
<tr>
<th>Class A shares inception: 08/01/90</th>
<th>Quarter</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>Since inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV</td>
<td>-4.62</td>
<td>-1.08</td>
<td>2.43</td>
<td>-2.56</td>
<td>0.46</td>
<td>2.28</td>
<td>4.22</td>
</tr>
<tr>
<td>Max. Load 4.25%</td>
<td>-8.68</td>
<td>-5.29</td>
<td>-1.95</td>
<td>-3.97</td>
<td>-0.41</td>
<td>1.83</td>
<td>4.09</td>
</tr>
<tr>
<td>Class R6 shares inception: 04/04/17</td>
<td>NAV</td>
<td>-4.54</td>
<td>-0.86</td>
<td>2.74</td>
<td>-2.23</td>
<td>0.77</td>
<td>2.48</td>
</tr>
<tr>
<td>Class Y shares inception: 08/12/05</td>
<td>NAV</td>
<td>-4.56</td>
<td>-0.90</td>
<td>2.69</td>
<td>-2.29</td>
<td>0.71</td>
<td>2.54</td>
</tr>
<tr>
<td>S&amp;P Municipal Bond 5+ Year Investment Grade Index (USD)</td>
<td>NAV</td>
<td>-4.62</td>
<td>-1.83</td>
<td>2.98</td>
<td>-2.81</td>
<td>1.02</td>
<td>2.64</td>
</tr>
<tr>
<td>Total return ranking vs. Morningstar</td>
<td>-</td>
<td>-</td>
<td>65%</td>
<td>(97 of 171)</td>
<td>50%</td>
<td>(77 of 163)</td>
<td>62%</td>
</tr>
</tbody>
</table>

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.
Calendar year total returns (%) (cont’d)

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</thead>
<tbody>
<tr>
<td>Class A shares at NAV</td>
<td>-3.47</td>
<td>11.00</td>
<td>3.70</td>
<td>0.07</td>
<td>6.31</td>
<td>0.23</td>
<td>8.38</td>
<td>4.65</td>
<td>3.62</td>
<td>-12.49</td>
</tr>
<tr>
<td>Class R6 shares at NAV</td>
<td>-3.47</td>
<td>11.00</td>
<td>3.70</td>
<td>0.07</td>
<td>6.52</td>
<td>0.53</td>
<td>8.72</td>
<td>4.98</td>
<td>3.94</td>
<td>-12.22</td>
</tr>
<tr>
<td>Class Y shares at NAV</td>
<td>-3.30</td>
<td>11.36</td>
<td>3.96</td>
<td>0.32</td>
<td>6.58</td>
<td>0.48</td>
<td>8.65</td>
<td>4.91</td>
<td>3.88</td>
<td>-12.27</td>
</tr>
<tr>
<td>S&amp;P Municipal Bond 5+ Year Investment Grade Index (USD)</td>
<td>-3.55</td>
<td>11.46</td>
<td>4.21</td>
<td>0.43</td>
<td>6.45</td>
<td>0.89</td>
<td>8.47</td>
<td>5.84</td>
<td>1.86</td>
<td>-10.05</td>
</tr>
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Unless otherwise specified, all information is as of 09/30/23. Unless stated otherwise, Index refers to S&P Municipal Bond 5+ Year Investment Grade Index (USD).

The S&P Municipal Bond 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 U.S. municipalities whose maturities are greater than or equal to 5 years. An investment cannot be made directly in an index.

The Global Industry Classification Standard was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor’s.

About risk

All or a portion of the fund’s otherwise tax-exempt income may be subject to the federal alternative minimum tax.

An investor 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.

In reverse 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.

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.

The Fund may hold illiquid securities that may be unable to sell at the preferred time or price and could lose its entire investment in such securities.

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 are subject to the risk that legislative or economic conditions could affect an issuer’s ability to make principal and/or interest payments.

There is no guarantee that the Fund’s income will be exempt from federal and state income taxes.

Based on a Master Settlement Agreement (MSA) with 46 states and six other US jurisdictions, large US tobacco manufacturers have agreed to make annual payments to government entities in exchange for the release of all litigation claims. Several states have sold bonds backed by those future payments, including (i) bonds that make payments only from a state’s interest in the MSA and (ii) bonds that make payments from both the MSA revenue and from an ‘appropriation pledge’ by the state which requires the state to pass a specific periodic appropriation to make the payments and is generally not an unconditional guarantee of payment by a state. Settlement payments are based on factors, including, but not limited to, annual domestic cigarette shipments, cigarette consumption, inflation and the financial capability of participating tobacco companies. Payments could be reduced if consumption decreases, if market share is lost to non-MSA manufacturers, or if there is a negative outcome in litigation regarding the MSA, including challenges by participating tobacco manufacturers regarding the amount of annual payments owed under the MSA.

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.

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.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.

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. 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 (Perefunded/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 rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select ‘Understanding Credit Ratings’ under Rating Resources ‘About Ratings’ on the homepage; www.ratings.moodys.com and select ‘Rating Methodologies’ under Research and Ratings on the homepage; www.fitchratings.com and select ‘Ratings Definitions Criteria’ under ‘Resources’ on the homepage. Then select ‘Rating Definitions’ under ‘Resources’ on the ‘Contents’ menu.

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.
*30-day SEC yield* is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. **30-day SEC unsubsidized yield** reflects the 30-day yield if the investment adviser were not waiving all or part of its fee or reimbursing the fund for part of its expenses. Total return would have also been lower in the absence of these temporary reimbursements or waivers. **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. **Tax equivalent 30-day SEC yield** quoted above is based on the 2023 top federal tax rate of 40.8%, including the 3.8% tax on earned income under the Patient Protection and Affordable Care Act, as applicable. Had fees not been waived and/or expenses reimbursed, the yield would have been lower. **Weighted average maturity** 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.

1. Source: Federal Reserve
2. Source: Lipper
3. Source: Bloomberg L.P.
4. Source: Standard & Poor's

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**Morningstar**

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Before investing, consider the Fund’s investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.