



Investment Philosophy and Process: Separately Managed Accounts **Invesco Intermediate Term Municipal Income SMA**

Objective

Seeks monthly income by investing in intermediate municipal bonds with the potential to deliver competitive yields with less risk compared to long-term bonds.

Universe

- Intermediate maturity investment grade municipal bonds
- Focus on project and essential service revenue bonds

Team

- Manages over \$25 billion in assets
- Ranked among the top 10 municipal bonds managers by assets¹
- 14 dedicated municipal bond analysts
- Average of 20+ years industry experience

Philosophy

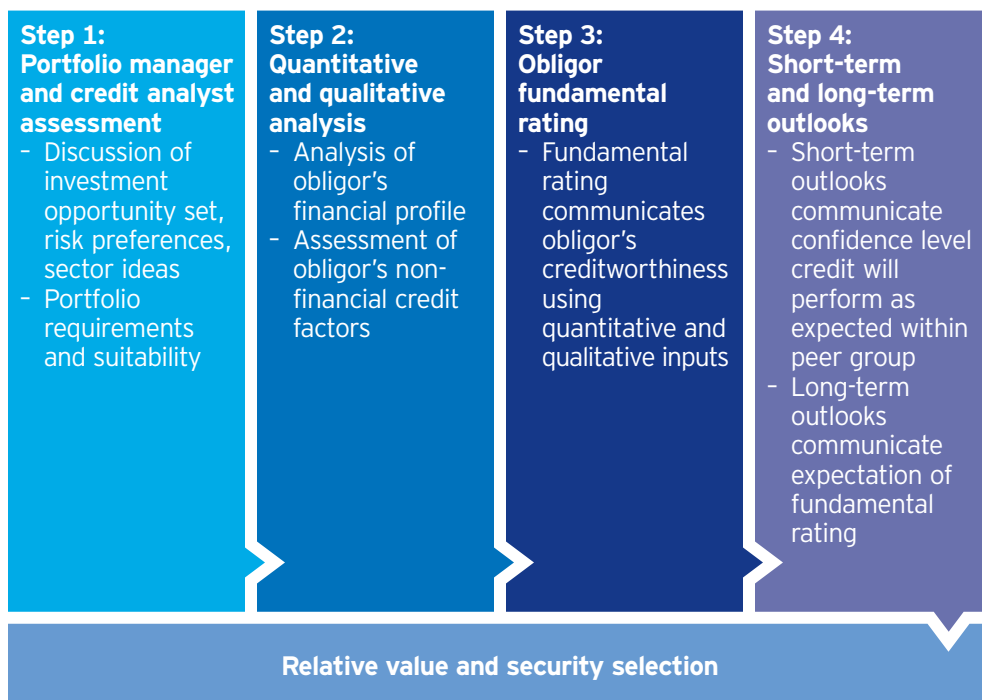
Our management philosophy is based on the belief that creating long-term value through comprehensive forward-looking research is the key to providing clients with investment solutions that are both consistent and successful.

We maintain an integrated, team-based investment process that combines the strength of our fundamental credit research staff with the market knowledge and investment experience of our portfolio managers. This value-oriented combination of proprietary research and integrated risk management allows us to seek to maximize risk-adjusted returns.

Process

We combine top-down and bottom-up decision making to identify and exploit market trends and inefficiencies. Our proprietary and comprehensive forward-looking research process allows us to sift through the market noise to uncover attractive relative value opportunities that allows us to structure highly-diversified portfolios away from the headline risk associated with general obligation bonds.

Investment process overview



Step 1 Portfolio manager and credit analyst assessment

- Investment decisions are made in a collaborative manner with portfolio managers and credit analyst input.
- Regular forums exist in the form of asset class industry reviews and security selection discussions among analysts and portfolio managers to allow for challenging and vetting ideas.

Step 2 Quantitative and qualitative analysis

- Dedicated municipal credit research analysts conduct bottom-up research, providing portfolio managers with security level recommendations based on a fundamental assessment of issuers' creditworthiness.
- The team completes thorough analysis of current opportunities in the municipal universe as well as ongoing surveillance of those issuers held, to identify opportunities to add alpha or deterioration in credit quality.

Step 3 Obligor fundamental rating

- An assessment of the credit worthiness of individual securities is based upon financial characteristics and covenants of the issues to determine an independent credit rating.

Step 4 Short-term and long-term outlooks

- Credits are assigned an internal proprietary credit rating as well as short- and long-term outlooks, which provide an assessment of an analyst's expectations for future credit appreciation or deterioration developed through the evaluation of trend analysis.
- Ongoing surveillance parameters are set for each issuer to ensure that our investment thesis and outlook are on track to achieve the target alpha for each of our credit decisions.

Portfolio management sits at the center of the investment process and monetizes the top-down and bottom-up recommendations in the most appropriate manner for an individual portfolio, keeping within regulatory and portfolio specific guidelines.

Security selection

The universe of available municipal bonds is evaluated on criteria that include price, credit quality, maturity, rich/cheap analysis, taxability, liquidity and sector. We assess the credit worthiness of individual securities based upon financial characteristics and covenants of the issues and determine an independent credit rating. Geographic, political and economic considerations are evaluated to assess the potential for future tax and revenue streams for the municipality or taxing authority backing the bond.

Sell discipline

The investment team may seek to sell securities, based on factors such as:

- Degradation in credit quality
- A conscious decision to shorten or lengthen the portfolio's duration
- Limiting or reducing exposure to a particular sector or issuer
- Opportunities in secondary or primary markets to swap into a security with better relative value

At a glance

Portfolio construction:

- Intermediate municipal bonds
- 10 to 15 holdings
- Investment grade credit quality
- Average weighted portfolio maturity of five to 12 years
- 2.5% yield target
- \$200,000 minimum investment

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Alpha is a measure of performance on a risk-adjusted basis.

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