

Invesco AMT-Free Municipal Income Fund

Q2 2024

Key takeaways

1 Fund performance
Invesco AMT-Free Municipal Income Fund Class A shares at net asset value (NAV) outperformed 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 tax-free income. The strategy typically seeks investment-grade bonds the income of which is exempt from federal personal income taxes and the federal alternative minimum tax.

Fund facts

Fund AUM (\$M)	2,451.84
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Portfolio managers

Mark Paris, Julius Williams, Elizabeth Mossow, Joshua Cooney, Tim O'Reilly



Class Y shares (OMFYX): Best among 67 General & Insured Municipal Debt Funds for the 10-year period ending November 30, 2023, based on consistently strong risk-adjusted performance.

Manager perspective and outlook

- Global economic growth broadly accelerated in the second quarter, driven by an expansion in services activity. While US disinflation stalled in the first quarter, inflation levels improved in the second quarter.
- The 10-year US Treasury yield remained volatile, fluctuating widely during the quarter, largely driven by the market's changing expectations for US Federal Reserve (Fed) policy.
- The Fed left the federal funds rate unchanged, while remaining committed to a 2% inflation target and acknowledging economic indicators have remained strong.¹
- High yield municipals outperformed, returning 2.59% for the quarter, compared to -0.02% for investment grade and 0.19% for taxable municipals.²
- Municipal fund inflows have been positive year-to-date, totaling \$11 billion.³
- New issuance was \$146 billion, 40% higher than the second quarter of 2023.² New issuance is projected to total \$460 billion for 2024, including \$50 billion in taxable municipals.⁴
- State fundamentals still appear strong, with rainy day fund balances expected to end higher than the previous fiscal year.⁵ State credit ratings are also strong, with 90% rated AA or higher by ratings agencies.⁴
- With a rate cut possible before year end and given steady new issuance, we believe high absolute yields, strong fundamentals and investor migration out of cash will present positive opportunities for municipal bonds.

Top holdings

(% of total net asset)

Buckeye Tobacco Settlement Financing Authority 5.00 06/01/2055	1.13
Washington Metropolitan Area Transit Authority 4.00 07/15/2045	1.03
California County Tobacco Securitization Agency 0.00 06/01/2050	0.96
Illinois State Toll Highway Authority 5.00 01/01/2045	0.92
Inland Empire Tobacco Securitization Corp 0.00 06/01/2057	0.90
State of Texas 5.00 10/15/2047	0.73
County of Miami-Dade FL 4.00 10/01/2049	0.70
Water Works Board of the City of Birmingham/The 5.00 01/01/2043	0.69
Salt River Project Agricultural Improvement & Power District 5.25 01/01/2053	0.69
County of Broward FL 4.00 09/01/2047	0.68

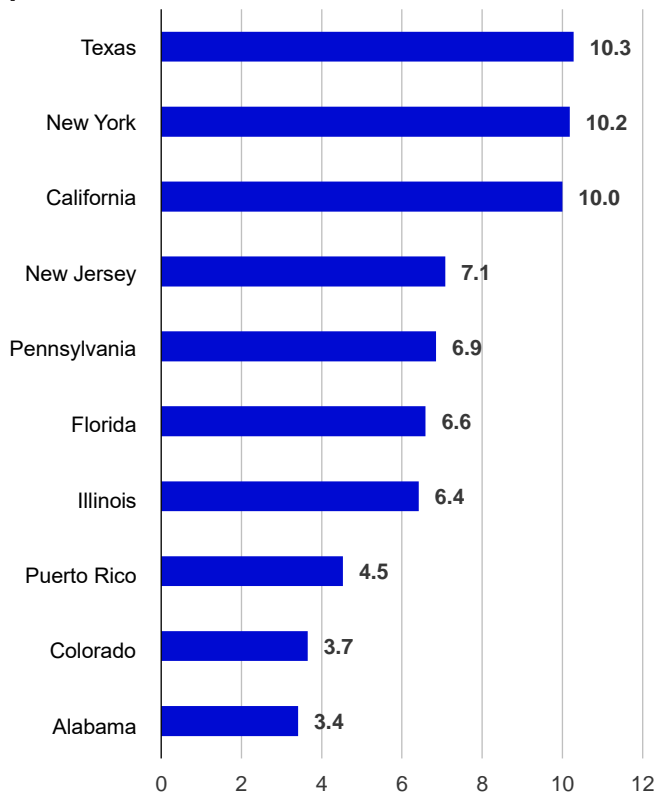
Portfolio positioning

Yield Curve and Duration Positioning: Overall, we maintain a constructive outlook on duration and are looking to selectively add longer duration securities to the fund when appropriate. We have been finding value in the long end of the yield curve, specifically with maturities of 15 to 20 years.

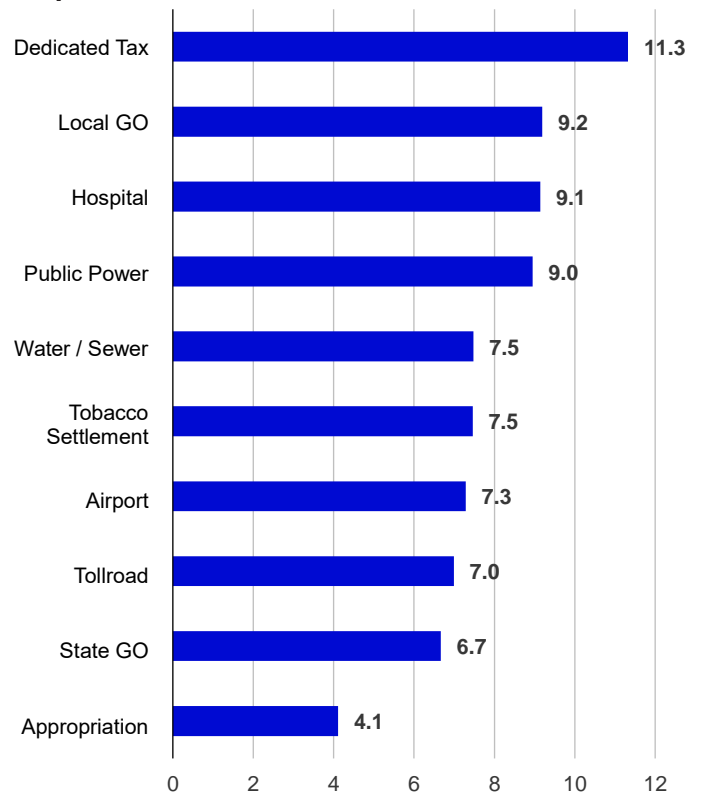
Sector Allocations: We maintain an overweight position in revenue bonds relative to state and local general obligation bonds. Within the revenue bond segment, the fund's largest exposures are in the dedicated tax, hospital and public power sectors.

Credit Conditions: We maintain a positive view on fundamentals in the municipal market as upgrades of credit ratings have continued to outpace downgrades. Higher education has been doing well in general, but some smaller liberal arts colleges have been under pressure. Higher inflation and labor costs have continued to affect the health care sector. We are monitoring these sectors closely and continue to rely on our extensive bottom-up research capabilities to find pockets of opportunity.

Top states (% of total net assets)



Top sectors (% of total net assets)



Portfolio characteristics*

	Fund	BM
Option adjusted duration (years)	8.61	7.56
Weighted average maturity (years)	19.24	-
30-day SEC yield (Class A shares)	3.30	-
Tax equivalent 30-day SEC yield (Class A shares)	5.57	-
30-day SEC unsubsidized yields (Class A shares)	N/A	-
Number of positions	657	-
Alternative min. tax exposure (%)	0.00	-

Quality breakdown (% total)

Net cash & equiv.	-0.6
Prere/ETM	2.4
AAA	7.5
AA	42.1
A	26.4
BBB	7.8
BB	0.7
B	0.2
Below B	0.4
Not Rated	13.2

Performance highlights

The second quarter was marked by rising interest rates and increased municipal issuance as the US economy remained resilient. Municipal supply was elevated during the quarter due to new money volume and planned issuance occurring earlier in the year due to the upcoming US election. This caused yields in the 10-year and 30-year segments of the municipal yield curve to rise by 0.33% and 0.04%, respectively.⁶ Lower credit quality municipals generally outperformed.

Contributors to performance

Contributors to relative return this quarter included the following:

The fund's overweight exposure in non-rated bonds added to relative performance during the quarter. The fund's security selection in the public power sector added to relative return for the quarter, as did security selection within the dedicated tax sector.

Detractors from performance

Detractors from relative return this quarter included the following:

The fund's overweight exposure in tobacco settlement bonds detracted from relative performance during the quarter. The fund's security selection within non-rated bonds detracted from performance.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 10/27/76	NAV	0.52	0.46	3.70	-1.35	2.01	4.40	5.47
	Max. Load 4.25%	-3.79	-3.81	-0.76	-2.75	1.13	3.96	5.37
Class R6 shares inception: 05/24/19	NAV	0.45	0.61	4.02	-1.08	2.33	4.56	-
Class Y shares inception: 11/29/10	NAV	0.44	0.43	3.95	-1.13	2.25	4.63	5.91
S&P Municipal Bond 5+ Year Investment Grade Index (USD)		0.02	-0.39	3.35	-1.25	1.11	2.68	-
Total return ranking vs. Morningstar Muni National Long category (Class A shares at NAV)		-	-	77% (135 of 169)	53% (85 of 163)	5% (8 of 155)	1% (2 of 117)	-

Expense ratios per the current prospectus: Class A: Net: 0.93%, Total: 0.93%; Class R6: Net: 0.62%, Total: 0.62%; Class Y: Net: 0.69%, Total: 0.69%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.invesco.com) 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 so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Class R6, and Class Y shares have no sales charge; therefore, performance is at NAV. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. 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: RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	15.64	5.18	2.50	5.96	7.42	12.06	7.51	4.15	-11.71	7.27
Class R6 shares at NAV	15.64	5.18	2.50	5.96	7.42	12.20	7.87	4.62	-11.41	7.43
Class Y shares at NAV	15.97	5.46	2.76	6.23	7.55	12.38	7.80	4.41	-11.42	7.54
S&P Municipal Bond 5+ Year Investment Grade Index (USD)	11.46	4.21	0.43	6.45	0.89	8.47	5.84	1.86	-10.05	6.79

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to S&P Municipal Bond 5+ Year Investment Grade Index (USD).

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

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 U.S. municipals 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

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.

Certain of the municipalities in which the Fund invests, including Puerto Rico, currently experience significant financial difficulties. Puerto Rico's economic problems increase the risk of investing in Puerto Rican municipal obligations, including the risk of potential issuer default, heightens the risk that the prices of Puerto Rican municipal obligations, and the Fund's net asset value, will experience greater volatility. See the prospectus for more information.

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.

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 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. 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.moody's.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: US Federal Reserve
 2. Source: Bloomberg L.P.
 3. Source: Lipper as of July 7, 2024.
 4. Source: JP Morgan
 5. Source: National Association of State Budget Officers (NASBO)
 6. Source: Thomson Reuters
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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](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.