Invesco Intermediate Term Municipal Income Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Dec. 31, 2022

Invesco

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.

Portfolio management

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Fund facts

Total Net Assets	$1,897,596,901
Total Number of Holdings	993

Fund characteristics

Average Effective Maturity (years)	6.96
Option Adjusted Duration	5.81

Investment categories (%)

Revenue Bonds	84.45
General Obligation Bonds	10.72
Prerefunded Bonds	1.78
Cash/Other	3.05

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	0.24
Prerefunded/ETM	1.78
AAA	2.54
AA	25.10
A	25.48
BBB	19.54
BB	6.34
B	3.15
Other	0.28
Not Rated	15.55

Market overview

+ The Bloomberg Municipal Bond Index returned 4.10% for the fourth quarter and -8.53% for 2022, while the Bloomberg High Yield Municipal Bond Index returned 3.48% for the quarter and -13.10% for the year. The Bloomberg Taxable Municipal Bond Index returned 1.45% for the quarter and -18.11% for the year.[2] The municipal market set multiple records in 2022, making it one of the most challenging years in history. Though municipal bonds posted positive returns for the fourth quarter (with November being the best single month return for investment grade municipals since 1986), this did not make up for the rest of the year's performance, which suffered from ongoing concerns about inflation, volatility and the Federal Reserve's (Fed) monetary tightening.
+ Continuing efforts to stem inflation, the Fed raised the federal funds rate by 0.75% in September and 0.50% in December, bringing the target rate to 4.50%, the highest since 2008.[3] Seven consecutive rate increases in 2022 marked the Fed's most aggressive monetary policy since the 1980s.
+ The AAA municipal yield curve made history after the Fed's December meeting when the curve inverted between one- and 10-year maturities. Any inversion is noteworthy, but this was a first for municipal bonds. Policymakers indicated that future rate increases were likely to be "appropriate," suggesting they were not yet convinced inflation was contained, which increased uncertainty about when the current tightening cycle might end. Additional rate hikes are expected in 2023, although not with the same pace or vigor.
+ Investment outflows from municipal bond mutual funds continued in the fourth quarter, including $10 billion in December alone and $122 billion for the year, another historic level. Investment grade municipals accounted for the majority of the outflows, $101 billion, while high-yield municipal outflows were $20 billion.[4]
+ New issuance was $70 billion in the fourth quarter, bringing 2022 issuance to $370 billion, 32% less than 2021. Taxable supply accounted for $58 billion in new issuance, 57% less than last year. We project similar gross issuance in 2023 of approximately $375 billion, particularly considering the Fed's bias toward tightening. We believe states and municipalities will remain reluctant to issue debt at higher rates, especially given healthy cash levels across most balance sheets.[5]

Positioning and outlook

+ We maintain the portfolio's preference for revenue bonds over general obligation bonds.
+ Entering 2023, we maintain a positive outlook for municipal credits given most municipalities appear flush with cash, rainy day funds are near record highs, and revenues are still strong. Furthermore, we consider the fiscal support of the American Rescue Plan Act, the Infrastructure Investment and Jobs Act, and the Inflation Reduction Act as beneficial to municipals over the coming years. As always, we rely on our experienced credit research staff to navigate the marketplace in order to add value for shareholders.

Performance highlights

+ Invesco Intermediate Term Municipal Income Fund Class A shares at net asset value (NAV) returned 3.27% for the fourth quarter, compared to its style-specific benchmark, the S&P Municipal Bond 2-17 Year Investment Grade Index, which returned 4.02%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

+ Overweight exposure to bonds rated BBB added to relative performance during the quarter.
+ Security selection and an overweight in the health care sector also contributed to relative performance.
+ At the state level, underweight exposure to California-domiciled bonds added to relative return.

Detractors from performance

+ Underweight exposure and security selection in AAA- and AA-rated credits detracted from relative performance.
+ Underweight allocations to state and local general obligation bonds also detracted from relative return during the quarter.
+ Overweight exposure to issues domiciled in Illinois and Florida detracted from relative return.

Expense ratios	% net	% total
Class A Shares	0.79	0.79
Class C Shares	1.54	1.54
Class Y Shares	0.54	0.54

Per the current prospectus

Investment results

Average annual total returns (%) as of Dec. 31, 2022

	Class A Shares		Class C Shares		Class Y Shares	
	Inception: 05/28/93		Inception: 10/19/93		Inception: 08/12/05	Style-Specific Index
Period	**Max Load 2.50%**	**NAV**	**Max CDSC 1.00%**	**NAV**	**NAV**	**S&P Municipal Bond 2-17 Year Investment Grade Index**
Inception	3.90	3.99	3.58	3.58	3.25	-
10 Years	1.51	1.77	1.18	1.18	2.03	2.05
5 Years	0.33	0.84	0.08	0.08	1.09	1.41
3 Years	-1.93	-1.10	-1.85	-1.85	-0.86	-0.30
1 Year	-11.31	-9.00	-10.61	-9.72	-8.78	-6.45
Quarter	0.64	3.27	2.08	3.08	3.33	4.02

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 source: 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.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage.
2 Source: Bloomberg
3 Source: Federal Reserve
4 Source: Lipper
5 Source: JP Morgan
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.
S&P Municipal Bond 2-17 Years 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. municipals whose maturities are greater than or equal to 2 years, but less than 17 years. 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 into an index.
The Bloomberg 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 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. Average effective maturity (AEM) is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. 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.