Invesco

Municipal Bond Investing

A closer look at tax-exempt debt

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1 Investing in America through municipal bonds

Municipal bonds have financed vital infrastructure throughout the United States for over 200 years. Municipal bonds are the **building blocks** of a community. They have played a pivotal role in building the framework for America's modern infrastructure.

Financing America's infrastructure

As illustrated in the timeline below, municipal bonds were a major source of financing for canals, roads, and railroads during the country's westward expansion in the 1800s. Today, the proceeds from municipal debt continue to fund these projects, as well as a wide range of state and local infrastructure components, including schools, hospitals, universities, airports, bridges, highways, and water and sewer systems.

Municipal bonds are debt obligations issued by states, cities, counties and other governmental entities. When you purchase a municipal bond, you lend to build schools, highways, hospitals, sewer systems, and many other projects for the public good. In return, the government entity promises to pay a specified amount of interest — usually paid semiannually and exempt from income taxes — and return the principal to you on a specific maturity date.

The importance of municipal bonds in the development of US infrastructure

Notable events in history for the municipal bond market

1776	Declaration of Independence is signed
1807	Municipal bonds finance building canals, roads, and railroads in westward expansion
1812	New York City issues the first general obligation bond
1820	New York State bonds are used to finance the Erie Canal project
1900	Rapid population growth begins 25-year infrastructure boom
1913	Inception of the federal income tax
1926	New York Port Authority issues first revenue bond
1927	Municipal market size reaches $14.9 billion
1950	Most states in the US enact legislation allowing for the issuance of revenue bonds
1969	Tax Reform Act of 1969 introduces the minimum tax, known today as the alternative minimum tax
1975	Municipal Securities Rulemaking Board is established
2018	Tax Cuts and Jobs Act (TCJA) changes go into effect, including the eliminating of advance refunding
2024	Municipal market size stands at $4.2 trillion[1]

Source: "The Handbook of Municipal Bonds" by Feldstein and Fabozzi, copyright 2008.

1. Source: Federal Reserve, as of December 31, 2024.

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What are municipal bonds?

Municipal bonds are issued by US state and local governments (municipalities) and eligible not-for-profit corporations. Municipal bonds can also be issued by territories and possessions of the US (e.g., Puerto Rico, Guam, the US Virgin Islands, and American Samoa). When an investor purchases a municipal bond, he or she is lending to build schools, highways, hospitals, sewer systems, and a myriad of other public projects.

Traditionally, municipal bond interest payments are exempt from federal income taxes and state income taxes for in-state residents. For taxpayers, to determine the desirability of a given municipal issue, it is necessary to calculate the tax-equivalent yield and then compare it with its taxable counterpart in the US Treasury, agency, corporate, or sovereign bond market.

Municipal bonds are often thought of as tax-exempt vehicles appropriate only for investors who fall into higher tax brackets; however, municipal bonds can offer potential advantages to investors of all income brackets. There are several attributes that we believe make the municipal bond market a standout among other large fixed income markets.

These attributes include:

Low refinancing risk	Municipal debt is typically self-amortizing, where periodic debt service payments consist of both principal and interest. This structure enables repayment of principal with less reliance on future market access.
High credit quality	These issues tend to be highly rated.
Low default rates	Compared to other fixed income asset classes, municipal bonds have had low historical default rates.
Diversification	These issues have had a low historical correlation with other major asset classes.
Attractive yields	Municipal bond yields compare favorably to major fixed income segments, even exclusive of their tax advantage.

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Two basic types of municipal bonds

In general, municipal bonds fall into one of two categories: General obligation bonds and revenue bonds. The primary distinction between the two is the source of revenue that secures their principal and interest payments.

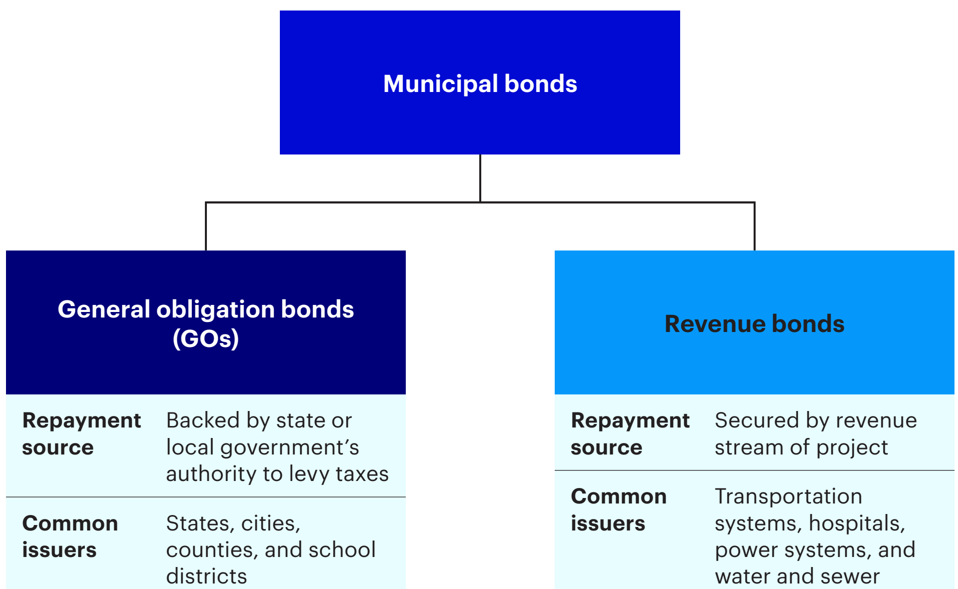
General obligation bonds

General obligation bonds at the state level are secured by the state government's pledge to use all legally available resources to repay the bond. At the local government level, general obligation bonds are backed by ad valorem tax[1] pledge that can be either "limited" or "unlimited."

- Limited tax: Secured by a pledge to levy taxes annually "within the constitutional and statutory limitations provided by law."
- Unlimited tax: Secured by a pledge to levy taxes annually "without limitation as to rate or amount" to ensure sufficient revenues for debt service.
- Examples of issuers of general obligation bonds include states, cities, counties, and school districts.

Revenue bonds

- Revenue bonds are secured by a specific source of revenue earmarked for repayment of the revenue bond.
- Enterprise revenue bonds are typically issued by water and sewer authorities, electric utilities, airports, toll roads, hospitals, universities, and other not-for-profit entities.
- Tax revenue bonds are backed by dedicated tax streams, such as sales taxes, utility taxes, or excise taxes.



Source: Invesco. For illustrative purposes only.

1. Ad valorem tax is based on the assessed value of real estate or personal property.

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Comparing fixed income markets

The municipal bond market has $4.2 trillion of debt outstanding versus the corporate and foreign bond markets, which have $16.1 trillion of debt outstanding. While the municipal market is smaller in terms of total debt outstanding, there are far more municipal issuers than corporate and foreign bond issuers.

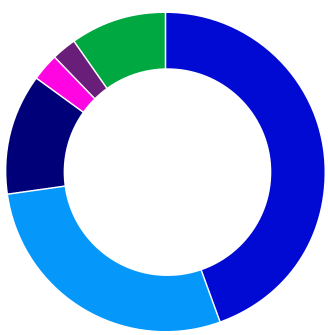
Unlike the corporate and foreign bond markets, the municipal market is largely dominated by retail investors because of its federal tax-exempt status. Through both direct investment in individual municipal securities and indirect investment via mutual funds and ETFs, individual investors represent a combined 73% of total municipal bond ownership.

Some of the key attributes that attract retail investors to the municipal bond market are the strong credit quality, tax-free income, and ability to potentially add diversity to a broader portfolio. However, individual investor demand has been historically cyclical, meaning that demand has risen following periods of strong returns and declined after weak performance periods. This highly cyclical pattern of retail investor demand is somewhat unique to the municipal market.

Banks represent 12% of total municipal bond market ownership. These institutions typically buy municipal bonds as a portion of their broader fixed income portfolio when municipal yields become more attractive compared to taxable alternatives or when the bank believes it will benefit from tax-exempt interest. Insurance companies represent 10% of total municipal bond market ownership. Historically, insurance companies have owned municipal bonds as a way to increase fixed income portfolio diversification. Property and casualty insurers have tended to purchase short and intermediate maturity municipal bonds, while life insurance companies have typically focused on longer duration bonds to match the long-term nature of their policies. Bank and insurance company demand for municipal bonds has historically been driven by long-term secular trends, which, in turn, have less correlation with retail investment.

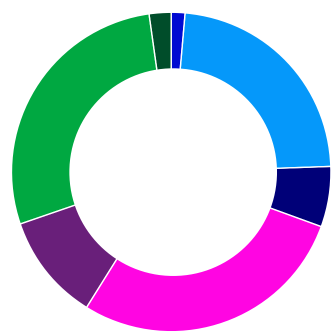
Other non-typical buyers such as hedge funds and foreign investors have generally purchased municipal bonds when they are cheap relative to corporate bonds, even though these investors do not receive the tax benefit.

Ownership of municipal securities and loans — $4.2 trillion (%)



Household ($1,829.5 B)	**44.7**
Mutual funds and ETFs ($1,157.6 B)	**28.3**
Banks and credit unions ($496.4 B)	**12.1**
Rest of the world ($115.5 B)	**2.8**
Other ($101.6 B)	**2.5**
Insurance companies ($396.4 B)	**9.7**

Ownership of corporate and foreign bonds — $16.1 trillion (%)



Household ($238.8 B)	**1.6**
Mutual funds and ETFs ($3,508.5 B)	**23.1**
Banks and credit unions ($890.7 B)	**5.9**
Rest of the world ($4,354.2 B)	**28.6**
Other ($1,628.0 B)	**10.7**
Insurance companies ($4,271.2 B)	**28.1**
Local, state & federal governments ($315.7 B)	**2.1**

Source: Federal Reserve, as of December 31, 2024 (latest available data). May not equal 100% due to rounding.

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Tax advantages of municipal bonds

Tax advantages are among the many reasons to consider investing in municipal bonds. Interest income from municipal bonds is often exempt from federal taxes. Additionally, bonds issued from entities within a certain state are often exempt from taxation to residents in that state. Occasionally, bonds issued from entities within a certain municipality or region are exempt from taxes in that municipality, possibly providing triple tax exemption — federal, state, and local.[1]

Earning tax-free income
One of the best ways to gauge the tax-exempt advantage of a municipal bond is to compare its yield to that of a comparable taxable investment.

Yields on municipal bonds are typically quoted in terms of their tax-equivalent yield, which represents the equivalent yield on a fully taxable bond. Because of their tax-exempt status, municipal bonds typically offer a lower yield than their taxable counterparts. For US taxpayers, assessing the tax-equivalent yield of a municipal bond will help when comparing municipal bond yields with yields on their taxable investment options. The taxable equivalent yield formula (TEY) is expressed as:

$$\text{Taxable equivalent yield} = \frac{\text{Tax-exempt yield}}{(1 - \text{marginal tax rate})}$$

Tax-exempt yield = municipal bond yield
Marginal tax rate = percentage tax rate paid on last dollar of taxable income

The tax-equivalent yields of municipal bonds can make them more appealing than taxable bonds

	Tax bracket[2]	
	40.80%	35.80%
Tax-free yield (%)	Taxable equivalent (%)	Taxable equivalent (%)
1.00	**1.69**	**1.56**
1.50	**2.53**	**2.34**
2.00	**3.38**	**3.12**
2.50	**4.22**	**3.89**
3.00	**5.07**	**4.67**
3.50	**5.91**	**5.45**
4.00	**6.76**	**6.23**
4.50	**7.60**	**7.01**
5.00	**8.45**	**7.79**

The chart above shows two tax-brackets and their tax-equivalent yields. For example, an investor in the 40.80% marginal federal income tax bracket holding a municipal bond that yields 5.00% would need to earn a yield of 8.45% on a taxable investment to produce an equivalent amount of after-tax income. Another example below shows an investor in the 35.80% marginal federal income tax bracket holding a municipal bond that yields 5.00% who would need to earn a yield of 7.79% on a taxable investment to produce an equivalent amount of after-tax income.

1. Some income and interest on out-of-state bonds may be subject to state and local taxes and to the federal alternative minimum tax (AMT). Capital gains, if any, are subject to tax.
2. Based on 2025 federal tax rates. Taxable equivalent = (tax-exempt yield) x [1 / (1 – tax bracket)]. The 40.8% tax bracket consists of the 37% Federal Tax Rate + 3.8% NIIT. The 35.8% tax bracket consists of the 32% Federal Tax Rate + 3.8% NIIT. The 2025 37% tax rate for single taxpayers with more than $626,350 in taxable income or couples with $751,600 or more. The 2025 32% tax rate for single taxpayers with $197,300 to $250,525 in taxable income or couples with $394,600 to $501,050. NIIT is the Net Investment Income Tax of 3.8% on investment income for single taxpayers with more than $200,000 in taxable income or couples with $250,000 or more. Numbers presented are hypothetical and for illustrative purposes only and do not represent future yields. Actual yields may be lower or higher than the examples shown. Income exempt from regular federal income tax may be subject to the US federal alternative minimum tax, as well as state and local taxes.

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Historical default rates and credit quality

Municipal debt financing tends to utilize relatively secure debt structures compared to other fixed income asset classes. The result is that municipal default rates are exceptionally low, especially when compared with US corporate bonds. In fact, the 10-year average cumulative default rate for high yield corporate bonds is more than four times higher than the high yield municipal bond default rate. Even more pronounced is the magnitude of the corporate investment grade default rate relative to the municipal investment grade default rate at almost 25 times.

Since 1970, there has never been an AAA-rated municipal bond default. Similarly, in the same time frame, only 0.02% has defaulted with an AA rating. By contrast, AA-rated corporate issuances have had an 0.73% default rate since 1970.

Municipal default rates have historically been lower than those of corporate bonds
10-year average cumulative default rates

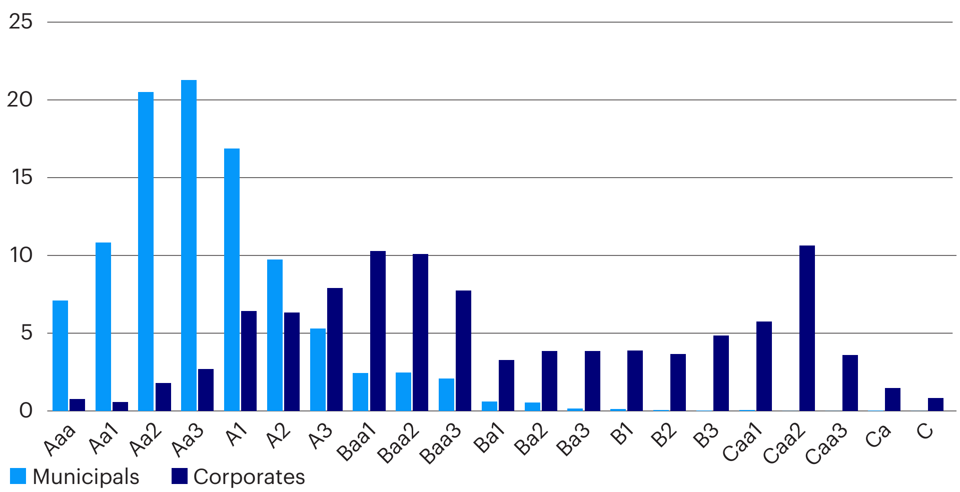
Rating categories	Municipal bonds (%)	Corporate bonds (%)
Aaa	0.00	0.34
Aa	0.02	0.73
A	0.10	1.91
Baa	1.03	3.54
Ba	3.30	15.48
B	16.67	34.06
Caa-C	24.64	47.77
All investment grade	0.09	2.21
All high yield	6.83	29.70
All rated securities	0.15	10.77

All rated municipal bonds have a lower 10-year cumulative default rate than AAA-rated corporate bonds.

Source: Moody's Investor Services ("Moody's"), data through December 31, 2023, released October 24, 2024, latest data available. Past default rates are no assurance of future default rates. Data shown for the time period 1970 through 2023 is the most recent data available. 2024 data may increase cumulative default rates for both municipal and corporate bonds. A credit rating is an assessment provided by a nationally recognized statistical rating organization 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 C (lowest); ratings are subject to change without notice. For more information on rating methodologies, please visit https://ratings.moodys.io/ratings and select 'Understanding Ratings' on the homepage.

The majority of state and local governments are highly rated, whereas corporate credits tend to have lower average ratings. As shown below, 92% of municipal issuers rated by Moody's are currently rated single-A or higher. By comparison, only 26% of global corporate issuers are rated single-A or higher.

Reflecting their low propensity to default, nearly all municipal issuers have investment grade ratings (%)



Source: Moody's Investors Service, US Municipal Bond Defaults and Recoveries as of December 31, 2023, released October 24, 2024 (latest available data). Municipals are represented by the Bloomberg Municipal Bond Index. Corporates are represented by the Bloomberg Global Aggregate Credit Index.

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The Invesco Municipal Bond team

The Invesco Municipal Bond team uses a collaborative approach to manage funds. By combining our size and experience, we focus on delivering potentially better outcomes and identifying the best opportunities for our clients.

$62.0 billion
in AUM

5th largest
municipal bond manager in the industry, based on AUM

2nd largest
high yield municipal bond manager in the industry, based on AUM

24
experienced credit analysts who thoroughly vet each bond before purchase

Source: Invesco and Simfund, as of March 31, 2025.

Dynamic municipal capabilities to meet investors' evolving needs
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 strategies that are both consistent and successful.

Our investment process
Proprietary credit research and risk management are the foundations of our investment process, supported by a deep and experienced team of investment professionals with expertise that spans the entire municipal investment universe. 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.

Our position among the top five municipal managers allows us the ability to access preferred market opportunities and gain valuable market insight. The Invesco Municipal Bond team has established relationships with over 120 national and regional tax-exempt debt dealers. These established relationships, as well as our size, allow us to achieve superior execution in daily transactions. Our ability to aggregate trades across multiple funds allows us to obtain lower institutional pricing, which can be additive to fund performance. This value-oriented combination of proprietary research and integrated risk management allows us to create highly diversified portfolios that aim to maximize risk-adjusted returns.

The four pillars of our philosophy

1 **Hands-on team approach**
Finding exceptional investment opportunities requires exceptional research. To that end, the Invesco Municipal Bond team performs its own hands-on credit analysis, reviewing and rating each and every credit owned.

2 **Specialists**
Our Invesco Municipal Bond team of dedicated investment professionals has more than 20 years of average industry experience.[1]

3 **Market leaders**
As of March 31, 2025, the Invesco Municipal Bond team manages $62.0 billion on behalf of our clients and is ranked the fifth largest municipal bond manager by assets.

4 **Active investing**
Our investment experts make informed decisions by combining experience-based knowledge with market trends to discover and exploit relative value opportunities.

1. Invesco, as of March 31, 2025.

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Importance of active management

The municipal bond market continues to grow in complexity, with over 50,000 government and non-government obligors. Now more than ever, investing in this market requires in-depth analysis. Prior to the global financial crisis, the overwhelming majority of municipal bonds were insured, meaning they were viewed as having the same credit risk as the highly rated insurer as opposed to the underlying borrower. Following the 2007-2008 financial crisis, investors in the municipal market began to place more weight on the fundamentals of the underlying borrower rather than the insurers' credit quality. Since 2005, there are currently very few insured bonds coming to market, which has led to a greater need for municipal credit analysis. According to The Bond Buyer, in 2005, 57.1% of municipal bonds that came to market were insured. In 2024, only 8.1% of the municipal bonds that came to market were insured.

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Invesco's municipal investment strategies

Invesco offers municipal investment strategies that span the risk spectrum
Just as planning and funding infrastructure was essential to growing the nation, selecting the right municipal bond investment is essential to achieving your portfolio objective.

Choosing the right municipal bond investment
At Invesco, we understand that investors need a variety of choices to meet their financial goals within their risk tolerance. That's why we offer a suite of mutual funds that invest in municipal bonds and provide a wide range of:

Credit qualities

From investment grade to high yield

Maturities

From short term to long term

Geographies

From national to state-specific

Invesco offers various strategies that invest primarily in municipal bonds and designed to meet a variety of objectives.

Category	Ticker	Fund name
High yield	ACTHX ORNAX IROC	Invesco High Yield Municipal Fund Invesco Rochester® Municipal Opportunities Fund Invesco Rochester High Yield Municipal ETF
Short duration high yield	ISHAX	Invesco Short Duration High Yield Municipal Fund
Long term	VKMMX	Invesco Municipal Income Fund
Intermediate term	VKLMX	Invesco Intermediate Term Municipal Income Fund
AMT-free	OPTAX OPNYX ATFAX	Invesco AMT-Free Municipal Income Fund Invesco Rochester® AMT-Free New York Municipal Fund Invesco Limited Term Municipal Income Fund
Short term	ORSTX	Invesco Short Term Municipal Fund
State-specific	LTNYX RMUNX ONJAX OPATX OPCAX OLCAX	Invesco Rochester® Limited Term New York Municipal Fund Invesco Rochester® New York Municipals Fund Invesco New Jersey Municipal Fund Invesco Pennsylvania Municipal Fund Invesco California Municipal Fund Invesco Limited Term California Municipal Fund
Environmental focus	OPAMX	Invesco Environmental Focus Municipal Fund

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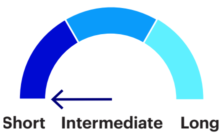
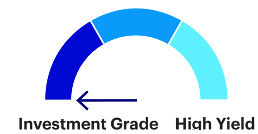
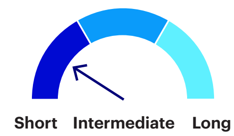
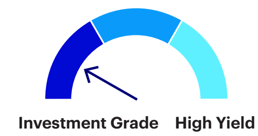
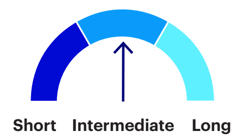
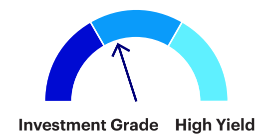
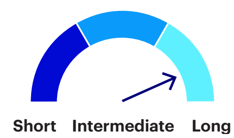
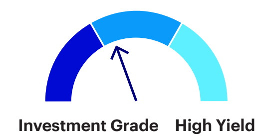
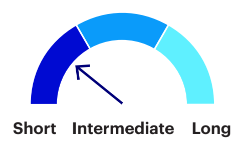
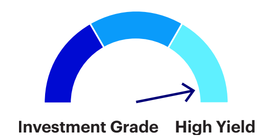
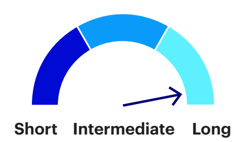
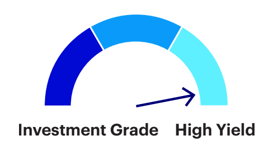
Invesco's municipal bond suite positioning

Investors have varied financial objectives and needs when seeking tax-free income. Invesco's Municipal bond suite offers investment vehicles across the risk spectrum.

Investing across duration and quality
Investors have a choice of various maturity and credit quality targets to help them build wealth.

Strategies	Maturity target	Credit quality target
Short term		
Limited term		
Intermediate term		
Long term		
Short duration high yield		
High yield		

11

An award-winning team

Source: LSEG Lipper Fund Awards. © 2025 LSEG Lipper. The LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the LSEG Lipper Fund Award. For more information, see lipperfundawards.com. Although LSEG makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, their accuracy is not guaranteed by LSEG Lipper.

Invesco California Municipal Fund Y shares were named best in-class among 29 California Municipal Debt Funds, for 10-year period ending November 30, 2024. Invesco AMT-Free Municipal Income Fund Y shares were named best in-class among 70 General & Insured Municipal Debt Funds for the 10-year period ending November 30, 2024. Invesco Rochester® Municipal Opportunities Fund Y shares were named best in-class among 38 High Yield Municipal Debt Funds for the 10-year period ending November 30, 2024. Invesco New Jersey Municipal Fund R6 shares were named best in-class among 14 New Jersey Municipal Debt Funds for the 5-year period ending November 30, 2024. Invesco Rochester® New York Municipals Fund R6 shares were named best in-class among 24 New York Municipal Debt Funds for the 5-year period ending November 30, 2024. Invesco Rochester® New York Municipals Fund Y shares were named best in-class among 23 New York Municipal Debt Funds for the 10-year period ending November 30, 2024. Invesco Pennsylvania Municipal Fund Y shares were named best in-class among 15 Pennsylvania Municipal Debt Funds for the 10-year period ending November 30, 2024. Invesco Short Term Municipal Fund Y shares were named best in-class among 28 Short Municipal Debt Funds for the 10-year period ending November 30, 2024.

Smith's Annual All-Star Municipal Analysts Awards

Invesco's Municipal Credit Research team was voted in the Top Three Credit teams for three consecutive years. Additionally, 1,000 institutional municipal investors across the industry elected 13 members of the Invesco team to the 2024 Smith All-Star Team as part of their sector specific municipal research efforts.

Smith's Research & Gradings has been providing recognition for the achievements and fine work of municipal professionals since 1992. Smith's Municipal All-Star Program is the only program that consistently and prominently provides recognition in the municipal space. Those eligible for the award come from Wall Street firms, buyside institutions, rating agencies, insurance companies, and commercial banks, as well as independent research analysts — anywhere municipal credit analysis is performed.

Smith's Research & Gradings, awarded December 4, 2024. Smith's Research & Gradings was founded in 1992 by Terence Smith to provide independent third-party research and credit analytics for institutional investors. Smith's has become a bellwether research company, often predicting significant trends and spotlighting controversial subjects sometimes months and years before they come to light elsewhere. Smith's analysis is an indispensable part of Wall Street and the world's capital markets.

Methodology: Each year, nominations to the ballot are made by a committee of portfolio managers from thirteen investment firms. The final ballot is sent out to 1,000 institutional investors for voting. The size of the institutions ranged from some of the largest, with $100's of billions, to small institutions with only a couple of funds and less than $100 million under management. Only institutional investors are allowed to vote in Smith's All-Star program — they are in a position to see the work done across the entire spectrum of analysis. Each institutional investor is only allowed to vote for one analyst in a sector — every vote is for the first-team analyst. Overall, the ballot provided well deserved recognition to more than 330 municipal analysts at more than 75 firms in 27 different categories. Invesco was ranked 3rd in 2022, 1st in 2023, and 2nd in 2024.

Smith's All-Star Analysts Program includes a team category, which recognizes the contributions by all members of the analytical group. It is important to understand that voters are not choosing First, Second or Third teams — all votes are cast for an analyst to be on the First Team.

LSEG Lipper Fund Awards
Winner 2025
United States

Winner of 8 Lipper Awards for 2024 performance

Fund name	Class	Year	Lipper rating
Invesco California Municipal Fund *California Municipal Debt Funds*	Y shares	10 years	among 29 funds
Invesco AMT-Free Municipal Income Fund *General & Insured Municipal Debt Funds*	Y shares	10 years	among 70 funds
Invesco Rochester® Municipal Opportunities Fund *High Yield Municipal Debt Funds*	Y shares	10 years	among 38 funds
Invesco New Jersey Municipal Fund *New Jersey Municipal Debt Funds*	R6 shares	5 years	among 14 funds
Invesco Rochester® New York Municipals Fund *New York Municipal Debt Funds*	R6 shares Y shares	5 years 10 years	among 24 funds among 23 funds
Invesco Pennsylvania Municipal Fund *Pennsylvania Municipal Debt Funds*	Y shares	10 years	among 15 funds
Invesco Short Term Municipal Fund *Short Municipal Debt Funds*	Y shares	10 years	among 28 funds

About risk

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

The funds may invest in municipal securities issued by entities having similar characteristics. The issuers may be located in the same geographic area or may pay their interest obligations from revenue of similar projects. This may make the fund's investments more susceptible to similar social, economic, political or regulatory occurrences. As the similarity in issuers increases, the potential for fluctuation in the fund's net asset value also increases.

Junk bonds involve a greater risk of default or price changes due to changes in the issuer's credit quality. The values of junk bonds fluctuate more than those of high- quality bonds and can decline significantly over short time periods.

Market prices of municipal securities with intermediate lives generally fluctuate more in response to changes in interest rates than do market prices of municipal securities with shorter lives but generally fluctuate less than market prices of municipal securities with longer lives.

The income you receive from the fund is based primarily on prevailing interest rates, which can vary widely over the short and long term. If interest rates drop, your income may drop as well.

All fixed income securities are subject to two types of risk: credit risk and interest rate risk. Credit risk refers to the possibility that the issuer of a security will be unable to make interest payments and/or repay the principal on its debt. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

The funds' distributions primarily are exempt from regular federal income tax.

A portion of these distributions, however, may be subject to the federal alternative minimum tax and state and local taxes.

The fund may also make distributions that are taxable to you as ordinary income or capital gains.

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.

There are risks involved with investing in ETFs, including possible loss of money. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Actively managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund.

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 financial professionals for a prospectus/summary prospectus or visit 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, materials or services available at all firms. Financial professionals, please contact your home office.

Diversification does not guarantee a profit or eliminate the risk of loss.

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