

Invesco California Municipal Fund

Q2 2025

Key takeaways

- 1 Fund performance**
 Invesco California Municipal Fund Class A shares at net asset value (NAV) underperformed its style-specific benchmark, the S&P Municipal Bond California 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 and California personal income taxes.

Fund facts

Fund AUM (\$M)	2,093.02
----------------	----------

Portfolio managers

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



Class Y shares (OCAYX): Best among 29 California Municipal Debt Funds, for 10-year period ending November 30, 2024, based on consistently strong risk-adjusted performance.

Manager perspective and outlook

- Investment grade, high yield and taxable municipals returned -0.12%, -1.14% and 0.81% for the quarter, respectively.¹ Municipal markets experienced a volatile start to the period as President Trump announced sweeping tariff policies on April 2nd. This triggered volatility across global markets. On April 9th, the administration announced a 90-day pause in tariffs to allow for negotiations; markets reversed and volatility subsided.
- Municipal fund net flows were positive for the quarter, totaling approximately \$3.3 billion, bringing year-to-date total inflows to \$13.1 billion.²
- New issuance was a record \$161 billion in the second quarter, bringing year-to-date new issuance to \$282 billion. This was higher than previous years and 16% higher than the first half of 2024.¹
- The US Federal Reserve (Fed) maintained a cautious stance, leaving the federal funds rate unchanged during the quarter. The Fed cited indicators of continued economic expansion, with low unemployment and solid labor conditions. Future decisions will be based on incoming data, the evolving outlook and the balance of risks, while maintaining a commitment to a 2% inflation target.³
- We believe state and municipal budgets are sound. Credit fundamentals in our view remain strong, with credit upgrades outpacing downgrades year to date.⁴
- The quarter ended with a tense geopolitical event as Israel launched an aerial attack on Iran, followed by US strikes on Iranian nuclear processing and production facilities. Despite a subsequent ceasefire, these events influenced an investor flight to quality in US Treasuries, which ultimately benefited municipals.⁵
- Given predicted Fed rate cuts for the second half of the year and steady new issuance, we see opportunities in the municipal bond market due to high absolute yields and strong fundamentals.
- We rely on our seasoned credit research staff to capitalize on marketplace dislocations to add value during these uncertain times.



For more information, including prospectus and factsheet, please visit [Invesco.com/OPCAX](https://www.invesco.com/OPCAX)

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

Top holdings

(% of total net assets)

San Francisco City & County Airport Comm-San Francisco Inter 5.00 05/01/2049	2.25
California County Tobacco Securitization Agency 0.00 06/01/2055	1.50
California Community Choice Financing Authority 5.00 01/01/2055	1.36
California County Tobacco Securitization Agency 0.00 06/01/2055	1.27
San Diego County Regional Airport Authority 5.00 07/01/2056	1.12
California Health Facilities Financing Authority 5.00 11/15/2046	1.02
Los Angeles Department of Water & Power 5.00 07/01/2047	0.99
University of California Board of Regents 5.00 05/15/2048	0.97
California Municipal Finance Authority 4.00 07/15/2029	0.94
City of Los Angeles CA 5.00 05/15/2049	0.94

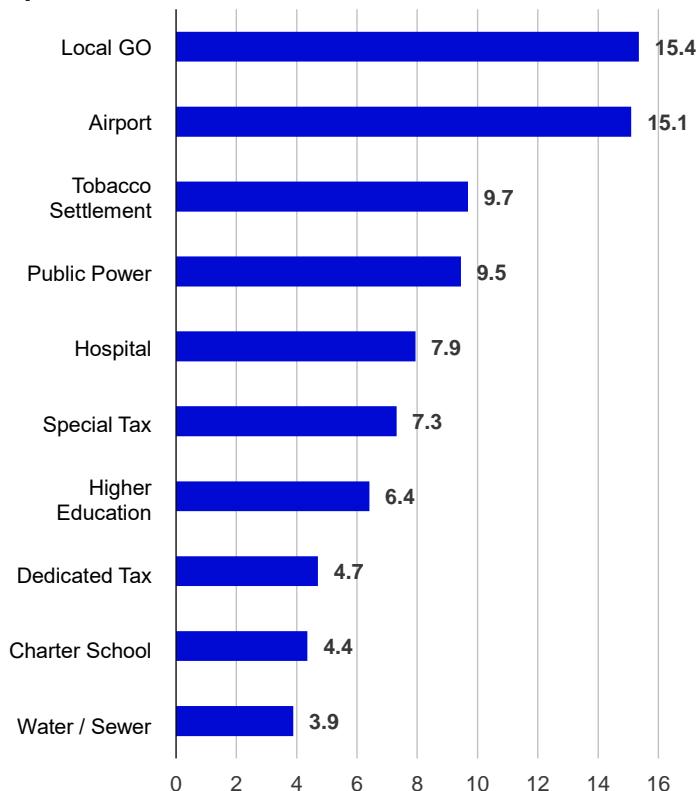
Portfolio positioning

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 airport, dedicated tax and higher education sectors.

Credit Conditions: We maintain a positive view on fundamentals in the municipal market as upgrades of credit ratings have continued to outpace downgrades. Various sectors have been under pressure due to uncertainty surrounding federal funding and tariff policy, as well as higher labor costs. We are monitoring these sectors closely and continue to rely on our extensive bottom-up research capabilities to find pockets of opportunity.

Top sectors (% of total net assets)



Portfolio characteristics*

	Fund	BM
Option adjusted duration (years)	10.98	8.19
Weighted average maturity (years)	21.93	-
30-day SEC yield (Class A shares)	4.20	-
Tax equivalent 30-day SEC yield (Class A shares)	7.09	-
30-day SEC unsubsidized yields (Class A shares)	N/A	-
Number of positions	711	-
Alternative min. tax exposure (%)	16.78	-

Quality breakdown (% total)

Net cash & equiv.	-0.9
Prere/ETM	0.2
AAA	1.8
AA	42.6
A	14.8
BBB	7.1
BB	5.5
B	0.5
Below B	0.1
Not Rated	28.3

Performance highlights

The second quarter kicked off with the announcement of widespread US tariffs, causing volatility and uncertainty that lessened through the remainder of the quarter. Markets stayed focused on tariffs and other implications of Trump administration policies. Municipal supply remained elevated during the quarter and exceeded issuance for the same period last year. The 10-year segment of the municipal yield curve was unchanged, while yields in the 30-year segment rose 0.26%.⁶ Higher quality municipal credits generally outperformed.

Contributors to performance

Contributors to relative return this quarter included the following:

The fund's overweight in bonds with durations of less than one year added to relative performance during the quarter. Security selection within the public power sector also added to relative return.

Detractors from performance

Detractors from relative return this quarter included the following:

The fund's allocation to zero-coupon tobacco settlement bonds detracted from relative return during the quarter. Security selection within the higher education and water & sewer sectors also detracted from relative performance.

Standardized performance (%) as of June 30, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 11/03/88	NAV	-1.78	-3.01	-1.52	2.40	0.37	3.26	4.93
	Max. Load 4.25%	-5.95	-7.16	-5.71	0.91	-0.51	2.82	4.80
Class R6 shares inception: 05/24/19	NAV	-1.82	-2.97	-1.32	2.71	0.70	3.47	-
Class Y shares inception: 11/29/10	NAV	-1.71	-2.89	-1.27	2.66	0.62	3.51	4.84
S&P Municipal Bond California 5+ Year Investment Grade Index (USD)		-0.42	-1.34	0.43	2.64	0.16	2.35	-
Total return ranking vs. Morningstar Muni California Long category (Class A shares at NAV)		-	-	85% (87 of 100)	57% (59 of 100)	42% (42 of 98)	2% (2 of 77)	-

Expense ratios per the current prospectus: Class A: Net: 1.11%, Total: 1.11%; Class R6: Net: 0.80%, Total: 0.80%; Class Y: Net: 0.86%, Total: 0.86%.

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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	3.75	3.46	4.46	6.58	10.08	6.02	3.56	-11.57	7.59	2.48
Class R6 shares at NAV	3.75	3.46	4.46	6.58	10.22	6.57	3.98	-11.24	7.89	2.80
Class Y shares at NAV	4.00	3.71	4.71	6.96	10.21	6.39	3.70	-11.23	7.72	2.73
S&P Municipal Bond California 5+ Year Investment Grade Index (USD)	4.46	-0.04	6.79	0.79	8.68	5.82	1.59	-9.99	6.89	1.36

Unless otherwise specified, all information is as of 06/30/25. Unless stated otherwise, Index refers to S&P Municipal Bond California 5+ Year Investment Grade Index (USD).

S&P Municipal Bond California 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 California issued 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

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

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.

California's economic problems increase the risk of investing in California municipal obligations, including the risk of potential issuer default, heightens the risk that the prices of California municipal obligations, and the Fund's net asset value, will experience greater volatility. See the prospectus for more information.

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.

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.

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.

Because the Fund invests primarily in a portfolio of one state's municipal securities, the Fund is more susceptible to political, economic, regulatory or other factors affecting that state than a Fund that does not limit its investments to such issuers.

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.

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 (NR) 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 rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; <https://ratings.moodys.io/ratings> and select 'Understanding 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 2025 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: Bloomberg L.P., as of June 30, 2025.
2. Source: Lipper, as of July 2, 2025.
3. Source: Federal Reserve, as of June 18, 2025.
4. Source: Standard and Poor's, as of June 30, 2025.
5. Source: Bond Buyer, as of June 23, 2025.
6. Source: Thomson Reuters, as of June 30, 2025.

Morningstar

Source: ©2025 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.