Invesco Limited Term California Municipal Fund

Q4 2024

Key takeaways

1 Fund performance

Invesco Limited Term California Municipal Fund Class A shares at net asset value (NAV) outperformed its style-specific index, the S&P Municipal California Investment Grade 4-7 Years Bond 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.

Fund facts

Fund AUM ($M)	738.00

Portfolio managers

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

Manager perspective and outlook

- Municipal markets ended 2024 with positive returns despite negative fourth quarter results. Investment grade, high yield and taxable municipals returned -1.22%, -1.08% and -3.57% for the quarter and 1.05%, 6.32% and 1.57% for the calendar year, respectively.[1]
- The US Federal Reserve (Fed) continued to ease monetary policy, with two 0.25% cuts to the federal funds rate during the quarter. The Fed cited indicators that showed a solid pace of economic activity and stated future decisions will be based on incoming data, the evolving outlook and the balance of risks, with a continued commitment to a 2% inflation target.[2]
- Municipal fund net flows were positive for the quarter and totaled $42 billion for the year.[3]
- Annual new issuance totaled $509 billion for 2024, much higher than predicted at the start of the year.[1] Exceptionally large new issuance ahead of the US election contributed to record high supply that totaled $123 billion in the fourth quarter, 23% higher than the same period in 2023.[1]
- We believe state budgets are sound entering 2025. Credit fundamentals remain strong with overall upgrades outpacing downgrades, primarily driven by rating activity in the local government sector.[4]
- With at least two Fed rate cuts predicted for 2025 and steady new issuance, we see opportunities in the municipal bond market due to high absolute yields, strong fundamentals and investor migration out of cash.

For more information, including prospectus and factsheet, please visit Invesco.com/OLCAX

Top holdings

(% of total net asset)

City of Los Angeles CA 5.00 05/15/2041	2.27
City of Los Angeles CA 5.00 05/15/2040	1.83
California Public Finance Authority 6.25 07/01/2054	1.82
Tobacco Securitization Authority of Southern California 5.00 06/01/2048	1.67
California Health Facilities Financing Authority 5.00 11/15/2035	1.67
California Municipal Finance Authority 4.00 07/15/2029	1.62
Los Angeles Unified School District/CA 5.00 07/01/2042	1.56
Southern California Public Power Authority 5.00 04/01/2055	1.43
San Francisco City & County Airport Comm-San Francisco Inter 5.00 05/01/2041	1.36
Roseville Joint Union High School District 4.00 08/01/2045	1.36

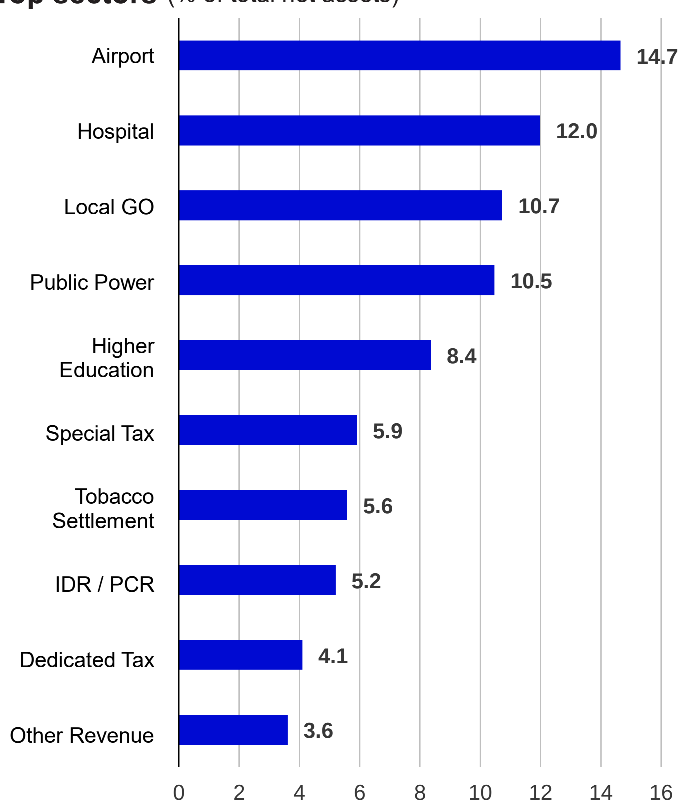
Portfolio positioning

Yield Curve and Duration Positioning: Overall, we maintain a constructive outlook for duration and are looking to selectively add longer duration securities to the fund when appropriate and according to prospectus guidelines. We maintain an overweight in the shorter maturity segment of the yield curve given the fund's short duration mandate.

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, hospital 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. 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 sectors (% of total net assets)



Portfolio characteristics*

	Fund	BM
Option adjusted duration (years)	3.89	4.18
Average effective maturity (years)	3.84	-
30-day SEC yield (Class A shares)	3.07	-
Tax equivalent 30-day SEC yield (Class A shares)	5.19	-
30-day SEC unsubsidized yields (Class A shares)	N/A	-
Number of positions	420	3,906
Alternative min. tax exposure (%)	19.70	-

Quality breakdown (% total)

Net cash & equiv.	4.1
Prere/ETM	0.3
AAA	1.9
AA	31.6
A	26.6
BBB	12.3
BB	6.9
B	0.3
Not Rated	16.1

Performance highlights

The fourth quarter was marked by rising interest rates as the US economy remained resilient and inflation was higher than expected. Market focus shifted from the Fed's ongoing easing cycle to the US election and its policy implications. Municipal supply remained elevated during the quarter and reached a record high in calendar year 2024. This caused yields in the 2-year and 5-year segments of the municipal yield curve to rise by 0.52% and 0.56%, respectively.[5] Lower credit quality municipals generally outperformed.

Contributors to performance
Contributors to relative return this quarter included the following:

The fund's overweight in bonds with effective durations under one year added to relative return during the quarter. Security selection among non-rated dedicated tax bonds and airport bonds also contributed to relative performance.

Detractors from performance
Detractors from relative return this quarter included the following:

Security selection among credits rated BB detracted from relative performance during the quarter.

Standardized performance (%) as of December 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 02/25/04	NAV	-0.52	2.33	2.33	-0.02	1.06	2.11	3.31
	Max. Load 2.5%	-2.99	-0.22	-0.22	-0.89	0.53	1.84	3.18
Class R6 shares inception: 05/24/19	NAV	-0.13	2.64	2.64	0.40	1.44	2.29	-
Class Y shares inception: 11/29/10	NAV	-0.14	2.59	2.59	0.25	1.33	2.37	3.00
S&P Municipal California Investment Grade 4-7 Years Bond Index (USD)		-0.96	1.26	1.26	-0.03	0.79	1.59	-
Total return ranking vs. Morningstar Muni Single State Short category (Class A shares at NAV)		-	-	33% (13 of 40)	72% (29 of 38)	25% (14 of 37)	5% (3 of 30)	-

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: 0.68%, Total: 0.68%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit 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: FactSet Research Systems Inc. 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.

Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	0.35	2.28	-1.08	7.26	7.34	3.77	1.66	-5.88	3.78	2.33
Class R6 shares at NAV	0.35	2.28	-1.08	7.26	7.18	4.09	1.99	-5.60	4.44	2.64
Class Y shares at NAV	0.60	2.53	-0.83	7.17	7.91	4.01	1.92	-5.61	4.05	2.59
S&P Municipal California Investment Grade 4-7 Years Bond Index (USD)	2.64	-0.63	3.10	1.83	5.18	4.11	-0.02	-5.21	4.10	1.26

Unless otherwise specified, all information is as of 12/31/24. Unless stated otherwise, Index refers to S&P Municipal California Investment Grade 4-7 Years Bond Index (USD).

S&P Municipal California Investment Grade 4-7 Years Bond 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 between 4 and 7 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.

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 investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.

The Fund will invest in bonds with short- or intermediate-term (five years or less) maturity which may have additional risks, including interest rate changes over the life of the bond. The average maturity of the Fund's investments will affect the volatility of the Fund's share price.

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.

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.

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. **Effective duration** is the managers' estimate of a bond fund's price sensitivity to changes in interest rates. This measure takes into account mortgage prepayments, puts, adjustable coupons and potential call dates. **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. **Average effective maturity** 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.

1. Source: Bloomberg L.P., as of December 31, 2024.
2. Source: Federal Reserve, as of December 18, 2024.
3. Source: Lipper, as of January 2, 2025.
4. Source: Standard and Poor's, as of December 9, 2024.
5. Source: Thomson Reuters, as of December 31, 2024.

Morningstar

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.