

Invesco Value Municipal Income Trust  
Form N-CSR  
May 09, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-06590

**Invesco Value Municipal Income Trust**

(Exact name of registrant as specified in charter)

1555 Peachtree Street, N.E., Atlanta, Georgia 30309

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(Address of principal executive offices) (Zip code)

**Philip A. Taylor 1555 Peachtree Street, N.E., Atlanta, Georgia 30309**

(Name and address of agent for service)

**Registrant's telephone number, including area code: (713) 626-1919**

**Date of fiscal year end: 2/28**

**Date of reporting period: 2/28/13**

Item 1. Report to Stockholders.



## Letters to Shareholders

Dear Shareholders:

Philip Taylor

This annual report contains information about your Trust and the factors that affected its performance during the reporting period. Inside, you'll find a discussion from your portfolio managers about how they managed your Trust, performance data for your Trust, a complete list of your Trust's investments as of the close of the reporting period and other important information. I hope you find this report of interest.

The reporting period covered by this report was challenging. As it began, investors cheered generally positive economic indicators, and markets generally rose. Soon, however, US economic data turned mixed and investors' attention shifted to the efforts of eurozone governments to implement new policies intended to reduce debt levels, strengthen the banking system and stimulate economic growth. Later in the year, in the US, mixed economic data and

competing proposals on how to reduce the federal budget deficit increased investor uncertainty and hindered market performance. Throughout the reporting period, your Trust's portfolio managers adhered to their long-term investment strategies, and later in this report they explain why your Trust performed as it did during the reporting period.

Adhering to your long-term investment plan can be difficult, particularly during periods of market volatility and economic uncertainty. That's one reason Invesco suggests investors work with a skilled and trusted financial adviser who is familiar with their financial situation, investment goals and risk tolerance. A good financial adviser can provide insight and perspective when markets are volatile; encouragement and reassurance when times are uncertain; and advice and guidance when your financial situation or investment goals change.

Timely insight and information from many of Invesco's investment professionals is available at our website, [invesco.com/us](http://invesco.com/us). We offer in-depth articles, video clips and audio commentaries from many of our portfolio managers and other investment professionals on a wide range of topics of interest to investors. At [invesco.com/us](http://invesco.com/us), you also can access information about your Invesco account at any time.

### What we mean by Intentional Investing

At Invesco, all of our people and all of our resources are dedicated to helping investors achieve their financial objectives. It's a philosophy we call Intentional Investing<sup>®</sup>, and it guides the way we:

- n **Manage investments** Our dedicated investment professionals search for the best opportunities, and each investment team follows a clear, disciplined process to build portfolios and mitigate risk.
- n **Provide choices** We offer a range of strategies so you and your financial adviser can build an investment portfolio designed for your individual needs and goals.
- n **Connect with you** We're committed to giving you the expert insights you need to make informed investing decisions, and we are well-equipped to provide high-quality support for investors and advisers.

Invesco believes in putting investors first, and that's why investment management is all we do. Our sole focus on managing your money allows your financial adviser to build a portfolio that is appropriate for your investment needs and goals now and when your circumstances change.

### Have a question?

If you have a question about your account, please contact an Invesco client services representative at 800 341 2929. If you have an Invesco-related question or comment, feel free to email me directly at [phil@invesco.com](mailto:phil@invesco.com).

All of us at Invesco look forward to serving your investment management needs for many years to come. Thank you for investing with us.

Sincerely,

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Philip Taylor

Senior Managing Director, Invesco Ltd.

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Dear Fellow Shareholders:

Bruce Crockett

While short-term challenges for the financial markets regularly come and go, it's clear that significant and longer term economic obstacles remain both here at home and abroad. There appear to be no easy solutions to many of these issues. As a result, the financial markets have had little conviction to respond to what has been slow, yet noticeable improvement in some economic benchmarks in recent months.

No one likes uncertainty, especially financial markets. But even in these uncertain times, it appears that investors are still approaching the market with cautious optimism, with some taking on more risk in order to refocus on their long-term savings goals.

Maybe this describes you, or perhaps you have been sitting on the sidelines thinking about getting back into the market, but are still a bit hesitant to act because of market uncertainty.

Clearly, risk remains a primary focus for investors of all types. As Trustees of the Invesco Funds, one of our primary responsibilities is to ensure your Trust's adviser is cognizant of the risks in each of the trusts it manages. A thoughtful risk management plan may help investors navigate through market turbulence or an economic downturn. This is why we make risk management a critical element of our annual contract renewal process, like the one we complete with Invesco every year.

To be sure, there will always be risks involved with investing, but you shouldn't let short-term news or your emotions dictate your investments. Because no one can predict with 100% accuracy the movements of financial markets, I strongly encourage you to speak with a professional financial adviser who can assist you in building an investment portfolio that reflects your individual risk tolerance and is designed to help achieve your individual financial objectives.

You can be sure your Board remains committed to doing its part in helping you along the way. In addition to ensuring that your Trust's adviser is focused on the risks in the trusts it manages, we also remain committed to managing trust costs and working with your Trust's adviser to provide a compelling and diversified product offering to potentially meet your investing goals.

Let me close by thanking Carl Frischling upon his retirement from the Invesco Funds Board for his 35 years of distinguished service. As always, please contact me at [bruce@brucecrockett.com](mailto:bruce@brucecrockett.com) with any questions or concerns you may have.

On behalf of the Board, we look forward to continuing to represent your interests and serving your investment needs.

Sincerely,

Bruce L. Crockett

Independent Chair

Invesco Funds Board of Trustees

## Management's Discussion of Trust Performance

### Performance summary

The Trust's return can be calculated based on either the market price or the net asset value (NAV) of its shares. NAV per share is determined by dividing the value of the Trust's portfolio securities, cash and other assets, less all liabilities and preferred shares, by the total number of common shares outstanding. Market price reflects the supply and demand for Trust shares. As a result, the two returns can differ, as they did during the reporting period. Main contributors to return on an NAV basis were exposure to the long end of the curve and our allocation to the special tax and electric sectors.

### Performance

Total returns, 2/29/12 to 2/28/13

Trust at NAV	8.78%
Trust at Market Value	-1.35
Barclays Municipal Bond Index	5.01
Market Price Discount to NAV as of 2/28/13	-4.41
Source(s): Lipper Inc.	

*The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Investment return, NAV and common share market price will fluctuate so that you may have a gain or loss when you sell shares. Please visit [invesco.com/us](http://invesco.com/us) for the most recent month-end performance. Performance figures reflect Trust expenses, the reinvestment of distributions (if any) and changes in NAV for performance based on NAV and changes in market price for performance based on market price.*

*Since the Trust is a closed-end management investment company, shares of the Trust may trade at a discount or premium from the NAV. This characteristic is separate and distinct from the risk that NAV could decrease as a result of investment activities and may be a greater risk to investors expecting to sell their shares after a short time. The Trust cannot predict whether shares will trade at, above or below NAV. The Trust should not be viewed as a vehicle for trading purposes. It is designed primarily for risk-tolerant long-term investors.*

### How we invest

We seek to provide investors with current income exempt from federal income tax. We primarily invest in a diversified portfolio of municipal securities.

We seek to achieve the Trust's investment objective by investing, under normal market conditions, at least 80% of its net assets in investment-grade municipal securities. Municipal obligations include general obligations and revenue securities such as municipal bonds, municipal notes, municipal commercial paper and lease obligations. The Trust may also invest up to 20% of its net assets in municipal securities



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rated below investment grade or that are unrated but determined to be of comparable quality at the time of purchase. However, the Trust does not purchase

securities that are in default or considered highly speculative. From time to time, we may invest in municipal securities that pay interest that is subject to the federal alternative minimum tax.

We employ a bottom-up, research-driven approach to identify securities that have attractive risk/reward characteristics for the sectors in which we invest. We also integrate macroeconomic analysis and forecasting into our evaluation and ranking of various sectors and individual securities. Finally, we employ leverage in an effort to enhance the Trust's income and total return.

Sell decisions generally are based on:

- n A deterioration or likely deterioration of an individual issuer's capacity to meet its debt obligations on a timely basis.
- n A deterioration or likely deterioration of the broader fundamentals of a particular industry or sector.
- n Opportunities in the secondary or primary market to exchange into a security with better relative value.

### Market conditions and your Trust

For the fiscal year ended February 28, 2013, the municipal market produced yet another year of positive performance. The Barclays Municipal Bond Index returned 5.01%, outperforming other fixed income indexes such as the Barclays U.S. Aggregate Index, which returned 3.12%; the Barclays Asset-Backed Securities Index, which returned 2.64%; the Barclays U.S. Mortgage-Backed Securities Index, which returned 1.92%; and the Barclays U.S. Agency Index, which returned 1.88%.<sup>1</sup>

During the reporting period, municipal issuance, or lack thereof, coupled with strong net inflows into municipal bond funds, resulted in a favorable environment for municipal performance. Municipal bond issuance ended 2012 with \$379 billion in gross new issues.<sup>2</sup> While the gross figure reflects a 29% increase from the 2011 level, it also marks the second consecutive year of net negative supply.<sup>2</sup> Concerns regarding tax reform and general economic uncertainty led investors to flock into municipal bond funds, and net inflows for calendar year 2012 were over \$50 billion<sup>3</sup>, a stark contrast from the \$12 billion in net outflows that the category experienced in calendar year 2011.<sup>3</sup>

The financial situation at the state level generally continues to improve, as evidenced by the growth in tax revenues, which have increased for 11 consecutive quarters, according to data collected by the Rockefeller Institute.<sup>4</sup> The 11 quarters of growth in state tax collections came after five straight quarters of declines in collections were posted immediately following the recession.<sup>4</sup>

### Portfolio Composition

*By credit sector, based on total investments*

Revenue Bonds	74.7%
General Obligation Bonds	17.0
Pre-refunded Bonds	7.2
Other	1.1

Total Net Assets

Applicable to Common Shares \$788.6 million

Total Number of Holdings 322

### Top Five Fixed Income Holdings

	Coupon	Maturity	% of Total Net Assets
1. Anaheim (City of) Public Financing Authority	4.50%	10/01/37	4.8%

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2. Massachusetts (State of) Development Finance Agency	5.50	11/15/36	2.4
3. Chicago (City of)	5.00	01/01/37	2.0
4. Nevada (State of)	5.00	06/01/26	1.9
5. California Infrastructure & Economic Development Bank	5.00	01/01/28	1.7

The Trust's holdings are subject to change, and there is no assurance that the Trust will continue to hold any particular security.

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Year-over-year state tax revenues increased by 2.7% in the third quarter of 2012, the most recent data available.<sup>4</sup> Despite these positive trends, overall tax collections remain weak compared to recent history. Nevertheless, state tax revenues were 1.4% higher in the third quarter of 2012 than they were in the same quarter of 2008.<sup>4</sup>

As we approached the end of the reporting period, we expected political, headline and event risk to remain elevated in 2013 as lawmakers consider various options to close the federal spending gap. We recognize that difficult budget and policy decisions are needed, and as a result we are avoiding investments that are highly dependent on federal aid.

Trust performance was also driven by BBB-AA<sup>5</sup> credit quality spread tightening for most of the reporting period, largely a result of continued declining yields, strong demand and low tax-exempt issuance. As a result, BBB-rated and lower credit quality sectors outperformed higher-rated credits and contributed to performance as we held overweight exposure to these market segments. The Trust's non-rated exposure and our allocation within AA-rated issues also contributed to performance.

At a sector level, our allocation in special tax and electric sectors contributed to Trust returns for the reporting period. Our exposure to state general obligation bonds detracted from returns.

In terms of the yield curve positioning, the Trust's exposure to the intermediate (15- to 20-years) and the long end (20+ years) of the curve contributed to returns as yields declined during most of the reporting period. Some of our yield curve and duration positioning was implemented through the use of structural leverage.

One important factor affecting the return of the Trust relative to the Barclays Municipal Bond Index was the Trust's use of structural leverage. The Trust uses leverage because we believe that, over time, leveraging can provide opportunities for additional income and total return for common shareholders. However, the use of leverage also can expose common shareholders to additional volatility. For example, if the prices of securities held by a trust decline, the negative effect of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a trust generally are rising.

During the reporting period, the Trust achieved a leveraged position through the use of inverse floating rate securities and Variable Rate Muni Term Preferred (VMTP) shares. Inverse floating rate securities are instruments that have an inverse relationship to a referenced interest rate. VMTPs are a variable rate form of preferred stock with a mandatory redemption date. Inverse floating rate securities and VMTPs can be a more efficient means by which to manage duration, yield curve exposure and credit exposure and potentially can enhance yield. As of the close of the reporting period, leverage accounted for 30% of the Trust's total assets. During the reporting period, the use of leverage added to returns. For more information about the Trust's use of leverage, see the Notes to Financial Statements later in this report.

The Trust trades at a market price that may be at a premium or discount to NAV. For most of the reporting period, the Trust fluctuated between trading at a premium and trading at a discount to its underlying NAV. The Trust traded at a discount at the end of the reporting period.

Thank you for investing in Invesco Value Municipal Income Trust and for sharing our long-term investment horizon.

1 Source: Barclays

2 Source: Securities Industry and Financial Markets Association

3 Source: Morningstar

4 Source: The Nelson A. Rockefeller Institute of Government

5 Standard & Poor's. 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. Non-Rated indicates the debtor was not rated, and should not be interpreted as indicating low quality. For more information on Standard & Poor's rating methodology, please visit [standardandpoors.com](http://standardandpoors.com) and select

Understanding Ratings under Rating Resources on the homepage.

*The views and opinions expressed in management's discussion of Trust performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Trust. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

See important Trust and, if applicable, index disclosures later in this report.

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### **Thomas Byron**

Portfolio manager, is manager of Invesco Value Municipal Income Trust. He joined Invesco in 2010.

Mr. Byron was associated with the Trust's previous investment adviser or its investment advisory affiliates in an investment capacity from 1981 to 2010 and began managing the Trust in 2009. He earned a BS in finance from Marquette University and an MBA in finance from DePaul University.

### **Robert Stryker**

Chartered Financial Analyst, portfolio manager, is manager of Invesco Value Municipal Income

Trust. He joined Invesco in 2010. Mr. Stryker was associated with the Trust's previous investment adviser or its investment advisory affiliates in an investment capacity from 1994 to 2010 and began managing the Trust in 2009. He earned a BS in finance from the University of Illinois at Chicago.

### **Robert Wimmel**

Portfolio manager, is manager of Invesco Value Municipal Income Trust. He joined Invesco in 2010.

Mr. Wimmel was associated with the Trust's previous investment adviser or its investment advisory affiliates in an investment management capacity from 1996 to 2010 and began managing the Trust in 2009. He earned a BA in anthropology from the University of Cincinnati and an MA in economics from the University of Illinois at Chicago.

## Supplemental Information

### **Invesco Value Municipal Income Trust's investment objective is to provide current income which is exempt from federal income tax.**

- n Unless otherwise stated, information presented in this report is as of February 28, 2013, and is based on total net assets applicable to common shares.
- n Unless otherwise noted, all data provided by Invesco.
- n To access your Trust's reports, visit [invesco.com/fundreports](http://invesco.com/fundreports).

#### **About indexes used in this report**

- n The **Barclays Municipal Bond Index** is an unmanaged index considered representative of the tax-exempt bond market.
- n The **Barclays U.S. Aggregate Index** is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market.
- n The **Barclays U.S. Mortgage-Backed Securities Index** represents mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae and Freddie Mac.
- n The **Barclays Asset-Backed Securities Index** tracks the performance of debt securities backed by assets including credit card, home equity and auto loans that are rated investment grade or higher.
- n The **Barclays U.S. Agency Index** measures the performance of the agency sector of the US government bond market and is composed of investment-grade US dollar-denominated debentures issued by government and government-related agencies, including FNMA and FHLMC.
- n The Trust is not managed to track the performance of any particular index, including the index(es) described here, and consequently, the performance of the Trust may deviate significantly from the performance of the index(es).
- n A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects trust expenses; performance of a market index does not.

#### **Other information**

- n The returns shown in management's discussion of Trust performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Trust at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights.

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

**NYSE Symbol**

**IIM**

## Dividend Reinvestment Plan

The dividend reinvestment plan (the Plan) offers you a prompt and simple way to reinvest your dividends and capital gains distributions (Distributions) into additional shares of your Trust. Under the Plan, the money you earn from dividends and capital gains distributions will be reinvested automatically in more shares of your Trust, allowing you to potentially increase your investment over time.

### Plan benefits

**n Add to your account:**

You may increase the amount of shares in your Trust easily and automatically with the Plan.

**n Low transaction costs:**

Transaction costs are low because the new shares are bought in blocks and the brokerage commission is shared among all participants.

**n Convenience:**

You will receive a detailed account statement from Computershare Trust Company, N.A. (the Agent) which administers the Plan. The statement shows your total Distributions, date of investment, shares acquired, and price per share, as well as the total number of shares in your reinvestment account. You can also access your account via the Internet. To do this, please go to [invesco.com/us](http://invesco.com/us).

**n Safekeeping:**

The Agent will hold the shares it has acquired for you in safekeeping.

### How to participate in the Plan

If you own shares in your own name, you can participate directly in the Plan. If your shares are held in street name in the name of your brokerage firm, bank, or other financial institution you must instruct that entity to participate on your behalf. If they are unable to participate on your behalf, you may request that they reregister your shares in your own name so that you may enroll in the Plan.

### How to enroll

To enroll in the Plan, please read the Terms and Conditions in the Plan brochure. You can enroll in the Plan by visiting [invesco.com/us](http://invesco.com/us), calling toll-free 800 341 2929 or notifying us in writing at Invesco Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078. Please include your Trust name and account number and ensure that all shareholders listed on the account sign these written instructions. Your participation in the Plan will begin with the next Distribution payable after the Agent receives your authorization, as long as they receive it before the record date, which is generally one week before such Distributions are paid. If your authorization arrives after such record date, your participation in the Plan will begin with the following Distributions.

### How the Plan Works

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If you choose to participate in the Plan, whenever your Trust declares such Distributions, it will be invested in additional shares of your Trust that are purchased on the open market.

### Costs of the Plan

There is no direct charge to you for reinvesting Distributions because the Plan's fees are paid by your Trust. However, you will pay your portion of any per share fees incurred when the new shares are purchased on the open market. These fees are typically less than the standard brokerage charges for individual transactions, because shares are purchased for all Participants in blocks, resulting in lower commissions for each individual Participant. Any per share or service fees are averaged into the purchase price. Per share fees include any applicable brokerage commissions the Agent is required to pay.

### Tax implications

The automatic reinvestment of Distributions does not relieve you of any income tax that may be due on Distributions. You will receive tax information annually to help you prepare your federal income tax return.

*Invesco does not offer tax advice. The tax information contained herein is general and is not exhaustive by nature. It was not intended or written to be used, and it cannot be used, by any taxpayer for avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Federal and state tax laws are complex and constantly changing. Shareholders should always consult a legal or tax adviser for information concerning their individual situation.*

### How to withdraw from the Plan

You may withdraw from the Plan at any time by calling 800 341 2929, visiting [invesco.com/us](http://invesco.com/us) or by writing to Invesco Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078. Simply indicate that you would like to withdraw from the Plan, and be sure to include your Trust name and account number. Also, ensure that all shareholders listed on the account have signed these written instructions. If you withdraw, you have three options with regard to the shares held in the Plan:

1. If you opt to continue to hold your non-certificated shares, whole shares will be held by the Agent and fractional shares will be sold. The proceeds will be sent via check to your address of record after deducting per share fees. Per share fees include any applicable brokerage commissions the Agent is required to pay.
2. If you opt to sell your shares through the Agent, we will sell all full and fractional shares and send the proceeds via check to your address of record after deducting per share fees. Per share fees include any applicable brokerage commissions the Agent is required to pay.
3. You may sell your shares through your financial adviser through the Direct Registration System (DRS). DRS is a service within the securities industry that allows Trust shares to be held in your name in electronic format. You retain full ownership of your shares, without having to hold a stock certificate. You should contact your financial adviser to learn more about any restrictions or fees that may apply.

**Note that the Plan may be amended by the Trust at any time upon 30 days prior written notice to Plan participants.**

**To obtain a complete copy of the current Dividend Reinvestment Plan, please call our Client Services department at 800 341 2929 or visit [invesco.com/us](http://invesco.com/us).**





## Schedule of Investments

February 28, 2013

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Municipal Obligations 141.18%</b>				
<b>Alabama 2.02%</b>				
Birmingham (City of) Airport Authority; Series 2010, RB (INS AGM <sup>3</sup> )	5.25%	07/01/30	\$ 3,600	\$ 4,060,476
Birmingham (City of) Water Works Board; Series 2011, Water RB (INS AGM <sup>3</sup> )(b)	5.00%	01/01/36	8,575	9,596,626
Chatom (Town of) Industrial Development Board (PowerSouth Energy Cooperative); Series 2010 A, Ref. Gulf Opportunity Zone RB (INS AGC <sup>3</sup> )	5.00%	08/01/37	2,000	2,250,960
				15,908,062
<b>Alaska 0.92%</b>				
Alaska (State of) Industrial Development & Export Authority (Lake Dorothy Hydroelectric); Series 2006, RB (INS AMBAC <sup>3</sup> )(c)	5.25%	12/01/26	1,350	1,362,433
Alaska (State of) Industrial Development & Export Authority (Providence Health Services); Series 2011 A, RB <sup>(b)</sup>	5.50%	10/01/41	3,825	4,473,338
Alaska (State of) Industrial Development & Export Authority (Snettisham Hydroelectric); Series 1998, Power RB (INS AMBAC <sup>3</sup> )(c)	5.00%	01/01/27	1,400	1,401,344
				7,237,115
<b>Arizona 2.62%</b>				
Arizona (State of) Health Facilities Authority (Catholic Healthcare West); Series 2011 B-2, RB (INS AGM <sup>3</sup> )	5.00%	03/01/41	2,065	2,251,820
Arizona (State of) Health Facilities Authority (Phoenix Children's Hospital); Series 2012, Ref. Hospital System RB	5.00%	02/01/42	1,950	2,108,028
Arizona (State of); Series 2008 A, COP (INS AGM <sup>3</sup> )	5.00%	09/01/26	1,995	2,194,061
Arizona (State of); Series 2008 A, COP (INS AGM <sup>3</sup> )	5.00%	09/01/27	1,605	1,756,528
Arizona State University (Research Infrastructure); Series 2004, COP (INS AMBAC <sup>3</sup> )	5.00%	09/01/30	2,000	2,103,460
Glendale (City of) Industrial Development Authority (Midwestern University); Series 2010, RB	5.00%	05/15/35	1,000	1,068,860
Glendale (City of) Industrial Development Authority (Midwestern University); Series 2010, RB	5.13%	05/15/40	1,000	1,065,640
Maricopa County Pollution Control Corp. (Arizona Public Service Co. Palo Verde); Series 2009 A, Ref. PCR <sup>®</sup>	6.00%	05/01/14	550	579,821
Phoenix (City of) Industrial Development Authority (Rowan University); Series 2012, Lease RB	5.00%	06/01/42	2,665	2,904,877
	5.00%	07/01/27	1,000	1,055,510

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Phoenix Civic Improvement Corp.; Series 2004, Jr. Lien Wastewater System RB (INS NATL <sup>(g)</sup> )				
Pima (County of) Industrial Development Authority (Edkey Charter Schools); Series 2013, Ref. Education Facility RB	6.00%	07/01/33	1,000	1,043,940
University of Arizona; Series 2003 B, COP <sup>(d)(e)</sup>	5.00%	06/01/13	2,500	2,530,200
				20,662,745

**California 27.48%**

Alameda (County of) Joint Powers Authority (Juvenile Justice Refunding); Series 2008 A, Lease RB (INS AGM <sup>(g)</sup> )	5.00%	12/01/24	3,145	3,655,685
Alhambra Unified School District (Election of 2004); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(g)(f)</sup> )	0.00%	08/01/35	3,010	1,040,828
Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(g)(f)</sup> )	0.00%	08/01/36	2,675	832,620
Anaheim (City of) Public Financing Authority (Electric System Distribution Facilities); Series 2007 A, RB (INS NATL <sup>(g)(b)</sup> )	4.50%	10/01/37	36,000	37,731,240
Beverly Hills Unified School District (Election of 2008); Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/26	2,720	1,803,333
Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/31	5,270	2,703,826
California (State of) Department of Water Resources; Series 2008 H, Power Supply RB (INS AGM <sup>(g)</sup> )	5.00%	05/01/22	6,100	7,275,470
California (State of) Health Facilities Financing Authority (Scripps Health); Series 2010 A, RB <sup>(b)</sup>	5.00%	11/15/36	4,750	5,213,030
California (State of) Pollution Control Finance Authority; Series 2012, Water Furnishing RB <sup>(c)</sup>	5.00%	07/01/30	1,400	1,490,188
Series 2012, Water Furnishing RB <sup>(c)</sup>	5.00%	07/01/37	3,075	3,212,514
California (State of) Statewide Communities Development Authority (Cottage Health System Obligated Group); Series 2010, RB	5.00%	11/01/40	3,000	3,322,800

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>California (continued)</b>				
California (State of) Statewide Communities Development Authority (Kaiser Permanente); Series 2012 A, RB	5.00%	04/01/42	\$ 5,035	\$ 5,687,687
California (State of); Series 2010, Various Purpose Unlimited Tax GO Bonds	5.50%	03/01/40	2,410	2,854,283
Series 2012, Various Purpose Unlimited Tax GO Bonds	5.25%	04/01/35	2,360	2,774,605
Series 2012, Various Purpose Unlimited Tax GO Bonds	5.00%	04/01/42	2,360	2,663,944
California Infrastructure & Economic Development Bank; Series 2003 A, First Lien Bay Area Toll Bridges Seismic Retrofit RB <sup>(b)(d)(e)</sup>	5.00%	01/01/28	10,000	13,415,700
Series 2003 A, First Lien Bay Area Toll Bridges Seismic Retrofit RB <sup>(d)(e)</sup>	5.00%	07/01/28	4,500	6,037,065
Clovis Unified School District (Election of 2004); Series 2004 A, Unlimited Tax CAB GO Bonds (INS NATL <sup>(g)</sup> <sup>(f)</sup> )	0.00%	08/01/29	1,360	731,082
Dry Creek Joint Elementary School District (Election of 2008-Measure E); Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/43	2,120	464,195
Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/44	1,090	225,652
Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/45	6,270	1,226,788
Series 2009, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/48	4,610	770,561
East Bay Municipal Utility District; Series 2010 A, Ref. Sub. Water System RB <sup>(b)</sup>	5.00%	06/01/36	4,440	5,193,335
Eastern Municipal Water District; Series 2006 A, Water & Sewer Revenue COP (INS NATL <sup>(g)</sup> )	5.00%	07/01/32	5,000	5,541,450
El Segundo Unified School District (Election of 2008); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/31	4,155	1,808,796
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/32	3,165	1,302,113
Fontana Unified School District (Election of 2006); Series 2008 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(g)</sup> <sup>(f)</sup> )	0.00%	08/01/29	1,605	782,116
Huntington Beach Union High School District (Election of 2004); Series 2004, Unlimited Tax GO Bonds (INS-NATL <sup>(a)</sup> )	5.00%	08/01/26	2,000	2,116,600
Kern (County of) Board of Education; Series 2006 A, Ref. COP (INS NATL <sup>(g)</sup> )	5.00%	06/01/31	2,000	2,051,500
Long Beach (City of); Series 1998 A, Ref. Harbor RB (INS NATL <sup>(g)</sup> <sup>(c)</sup> )	6.00%	05/15/18	9,000	11,128,590
Los Angeles (City of) Department of Airports (Los Angeles International Airport); Series 2010 B, Sub. RB	5.00%	05/15/40	2,000	2,229,500
Los Angeles (City of) Department of Water & Power; Series 2012 A, Water System RB <sup>(b)</sup>	5.00%	07/01/43	6,240	7,203,206
Los Angeles (City of); Series 2004 A, Unlimited Tax GO Bonds <sup>(d)(e)</sup>	5.00%	09/01/14	6,000	6,429,240
Los Angeles Unified School District (Election of 2004); Series 2006 F, Unlimited Tax GO Bonds (INS FGIC <sup>(g)</sup> )	5.00%	07/01/30	1,000	1,110,700

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Menifee Union School District (Election of 2008);				
Series 2009 C, Unlimited Tax CAB GO Bonds (INS AGC <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/34	1,665	585,864
Series 2009 C, Unlimited Tax CAB GO Bonds (INS AGC <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/35	300	99,663
Moreland School District (Crossover); Series 2006 C, Ref. Unlimited Tax CAB GO Bonds				
(INS AMBAC <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/29	3,350	1,648,267
Oak Grove School District (Election of 2008); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>				
	0.00%	08/01/28	2,400	1,301,880
Patterson Joint Unified School District (Election of 2008); Series 2009 B, Unlimited Tax CAB GO Bonds				
(INS AGM <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/34	3,825	1,312,549
Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/35	4,120	1,333,232
Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/36	300	91,269
Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(a)</sup> ) <sup>(f)</sup>	0.00%	08/01/37	1,785	516,151
Poway Unified School District (Election of 2008 School Facilities Improvement District No. 2007-1);				
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/28	7,840	4,252,808
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/31	8,475	3,859,515
Regents of the University of California;				
Series 2003 B, General RB (INS AMBAC <sup>(a)</sup> )	5.00%	05/15/22	2,000	2,017,860
Series 2007 J, General RB (INS AGM <sup>(a)</sup> ) <sup>(b)</sup>	4.50%	05/15/31	8,825	9,257,690
Series 2007 J, General RB (INS AGM <sup>(a)</sup> ) <sup>(b)</sup>	4.50%	05/15/35	7,175	7,496,727
Sacramento (County of) Sanitation Districts Financing Authority (Sacramento Regional County Sanitation District);				
Series 2006, RB (INS NATL <sup>(a)</sup> )	5.00%	12/01/28	2,000	2,246,280
Series 2006, RB (INS NATL <sup>(a)</sup> )	5.00%	12/01/36	3,000	3,345,510
San Diego (County of) Water Authority; Series 2004 A, COP (INS NATL <sup>(a)</sup> ) <sup>(b)</sup>				
	5.00%	05/01/29	10,000	10,780,000
San Francisco (City & County of) (Laguna Honda Hospital); Series 2008 R3, Ref. Unlimited Tax GO Bonds				
(INS AGC <sup>(a)</sup> ) <sup>(b)</sup>	5.00%	06/15/28	2,000	2,169,760

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>California (continued)</b>				
San Jose Evergreen Community College District (Election of 2004); Series 2008 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(f)</sup> )	0.00%	09/01/30	\$ 1,600	\$ 782,800
San Juan Unified School District (Election of 2002); Series 2010, Unlimited Tax GO Bonds (INS AGM <sup>(g)</sup> )	5.00%	08/01/30	1,525	1,753,445
Twin Rivers Unified School District (School Facility Bridge Funding Program); Series 2007, COP (INS AGM <sup>(d)(g)</sup> )	3.50%	05/31/13	4,700	4,713,583
Twin Rivers Unified School District; Series 2009, Unlimited Tax CAB GO BAN <sup>(f)</sup>	0.00%	04/01/14	450	445,658
William S. Hart Union High School District (Election of 2008); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(f)</sup>	0.00%	08/01/33	11,350	4,294,840
Yosemite Community College District (Election of 2004); Series 2008 C, Unlimited Tax CAB GO Bonds (INS AGM <sup>(f)</sup> )	0.00%	08/01/22	525	390,863
				216,726,456
<b>Colorado 1.18%</b>				
Colorado (State of) Regional Transportation District (Denver Transit Partners Eagle P3); Series 2010, Private Activity RB	6.00%	01/15/41	3,000	3,495,660
Denver (City of) Convention Center Hotel Authority; Series 2006, Ref. Sr. RB (INS SGI <sup>(g)</sup> )	5.00%	12/01/30	4,000	4,217,040
Series 2006, Ref. Sr. RB (INS SGI <sup>(g)</sup> )	5.00%	12/01/35	1,500	1,566,615
				9,279,315
<b>Connecticut 0.51%</b>				
Connecticut (State of) Health & Educational Facilities Authority (Quinnipiac University); Series 2007 K-1, RB (INS NATL <sup>(g)</sup> )	5.00%	07/01/24	275	322,036
Series 2007 K-1, RB (INS NATL <sup>(g)</sup> )	5.00%	07/01/27	1,225	1,395,275
Series 2007 K-2, RB (INS NATL <sup>(g)</sup> )	5.00%	07/01/25	2,000	2,326,500
				4,043,811
<b>District of Columbia 4.20%</b>				
District of Columbia Water & Sewer Authority; Series 2008 A, Ref. Public Utility Sub. Lien RB (INS AGC <sup>(g)</sup> )	5.00%	10/01/28	2,520	2,948,274
Series 2008 A, Ref. Public Utility Sub. Lien RB (INS AGC <sup>(g)</sup> )	5.00%	10/01/29	625	729,731
District of Columbia; Series 2006 B-1, Ballpark RB (INS NATL <sup>(g)</sup> )	5.00%	02/01/31	7,000	7,260,680
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(g)(b)</sup> )	5.00%	06/01/26	3,260	3,732,439
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(g)(b)</sup> )	5.00%	06/01/27	3,260	3,730,516
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(g)(b)</sup> )	5.00%	06/01/28	6,520	7,444,275
Series 2009 A, Sec. Income Tax RB <sup>(b)</sup>	5.25%	12/01/27	5,100	6,184,413
Metropolitan Washington Airports Authority; Series 2004	5.00%	10/01/20	1,000	1,070,000

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C-1, Ref. Airport System RB (INS AGM <sup>(c)</sup> )					33,100,328
<b>Florida 12.42%</b>					
Broward (County of) Educational Facilities Authority (Nova Southeastern University); Series 2006, RB (INS AGC <sup>(b)</sup> )					
	5.00%	04/01/31	3,000		3,178,080
Cape Coral (City of);					
Series 2011, Ref. Water & Sewer RB (INS AGM <sup>(b)</sup> )					
	5.00%	10/01/41	4,130		4,646,456
Series 2011 A, Ref. Water & Sewer RB (INS AGM <sup>(b)</sup> )					
	5.00%	10/01/31	1,500		1,714,095
Citizens Property Insurance Corp. (High Risk Account);					
Series 2010 A-1, Sr. Sec. RB					
	5.00%	06/01/14	6,000		6,343,320
Citizens Property Insurance Corp.; Series 2012 A-1, Sr. Sec. RB					
	5.00%	06/01/21	4,890		5,827,853
Florida (State of) Mid-Bay Bridge Authority; Series 2008 A, Ref. RB (INS AGC <sup>(b)</sup> )					
	5.00%	10/01/27	3,580		3,848,572
Jacksonville (City of);					
Series 2003 C, Ref. Excise Taxes RB <sup>(d)(e)</sup>					
	5.25%	10/01/13	1,500		1,538,535
Series 2003 C, Ref. Excise Taxes RB <sup>(d)(e)</sup>					
	5.25%	10/01/13	1,700		1,743,673
Martin (County of) Health Facilities Authority (Martin Memorial Medical Center);					
Series 2012, RB					
	5.13%	11/15/32	4,000		4,375,840
Series 2012, RB					
	5.50%	11/15/32	1,100		1,246,707
Miami Beach (City of); Series 2000, Water & Sewer RB (INS AMBAC <sup>(b)</sup> )					
	5.75%	09/01/25	865		869,039

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Florida (continued)</b>				
Miami-Dade (County of) (Building Better Communities Program); Series 2009 B-1, Unlimited Tax GO Bonds	6.00%	07/01/38	\$ 2,000	\$ 2,374,880
Miami-Dade (County of) (Miami International Airport); Series 2003 B, Ref. Aviation RB (INS NATL <sup>(a)(c)</sup> )	5.25%	10/01/18	2,155	2,216,245
Miami-Dade (County of) (Miami International Airport); Series 2003 B, Ref. Aviation RB (INS NATL <sup>(a)(c)</sup> )	5.25%	10/01/19	2,270	2,333,810
Miami-Dade (County of) Educational Facilities Authority (University of Miami); Series 2008 A, RB (INS BHAC <sup>(a)</sup> )	5.50%	04/01/38	1,900	2,106,815
Miami-Dade (County of) Expressway Authority; Series 2010 A, Ref. Toll System RB (INS AGM <sup>(a)</sup> )	5.00%	07/01/35	3,415	3,827,259
Miami-Dade (County of) School Board; Series 2003 D, COP <sup>(d)(e)</sup>	5.00%	08/01/13	10,000	10,200,400
Miami-Dade (County of); Series 2005 A, Sub. Special Obligation Conv. CAB RB (INS NATL <sup>(a)(i)</sup> )	5.00%	10/01/30	1,000	1,020,860
Miami-Dade (County of); Series 2010, Water & Sewer System RB (INS AGM <sup>(a)</sup> )	5.00%	10/01/39	4,500	5,037,165
Miami-Dade (County of); Series 2012, Transit System Sales Surtax RB	5.00%	07/01/31	2,000	2,321,040
Miami-Dade (County of); Series 2012, Transit System Sales Surtax RB	5.00%	07/01/32	1,615	1,858,623
Miami-Dade (County of); Series 2012, Transit System Sales Surtax RB	5.00%	07/01/37	1,300	1,478,048
Miami-Dade (County of); Series 2012 B, Ref. Sub. Special Obligation RB	5.00%	10/01/32	1,000	1,129,550
Miami-Dade (County of); Series 2012 B, Ref. Sub. Special Obligation RB	5.00%	10/01/35	1,575	1,770,820
Orange (County of); Series 2012 B, Ref. Sales Tax RB <sup>(b)</sup>	5.00%	01/01/31	7,500	8,780,925
Palm Beach (County of) Solid Waste Authority; Series 2009, Improvement RB (INS BHAC <sup>(a)</sup> )	5.50%	10/01/23	3,050	3,787,612
Palm Beach (County of) Solid Waste Authority; Series 2011, Ref. RB <sup>(b)</sup>	5.00%	10/01/31	2,790	3,206,352
Port St. Lucie (City of); Series 2009, Ref. Utility System RB (INS AGC <sup>(a)</sup> )	5.00%	09/01/29	3,000	3,447,270
Tampa (City of) Sports Authority; Series 2005, Ref. Sales Tax RB (INS AGM <sup>(a)</sup> )	5.00%	01/01/26	5,335	5,700,554
				97,930,398
<b>Georgia 2.96%</b>				
Atlanta (City of);				
Atlanta (City of); Series 1999 A, Water & Wastewater RB (INS NATL <sup>(a)</sup> )	5.00%	11/01/29	2,000	2,007,080
Atlanta (City of); Series 2004 C, Airport Passenger Facility Charge & Sub. Lien General RB (INS AGM <sup>(a)</sup> )	5.00%	01/01/33	5,000	5,254,100
Atlanta (City of); Series 2010 A, General Airport RB (INS AGM <sup>(a)</sup> )	5.00%	01/01/35	5,390	6,000,957
Augusta (City of); Series 2004, Water & Sewerage RB (INS AGM <sup>(a)</sup> )	5.25%	10/01/39	2,000	2,133,440
Fulton (County of) Development Authority (Georgia Tech Athletic Association); Series 2012, Ref. RB	5.00%	10/01/42	510	570,756
Metropolitan Atlanta Rapid Transit Authority; Series 2007 B, Ref. Third Indenture Sales Tax RB (INS AGM <sup>(a)</sup> )	5.00%	07/01/34	3,100	3,525,661
Private Colleges & Universities Authority (Mercer University);				



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Series 2012 A, RB	5.25%	10/01/27	2,170	2,494,762
Series 2012 A, RB	5.00%	10/01/32	1,220	1,343,806
				23,330,562

**Hawaii 1.92%**

Hawaii (State of) Department of Budget & Finance (Hawaiian Electric Co., Inc. & Subsidiary); Series 2003 B, Ref. Special Purpose RB (INS SGI <sup>(c)</sup> )	5.00%	12/01/22	3,000	3,005,790
Honolulu (City & County of); Series 2012 A, Unlimited Tax GO Bonds	5.00%	11/01/29	10,000	12,150,700
				15,156,490

**Idaho 1.57%**

Idaho (State of) Health Facilities Authority (St. Luke's Regional Medical Center); Series 2010, RB (INS AGM <sup>(3)</sup> )	5.00%	07/01/35	5,000	5,558,600
Idaho (State of) Housing & Finance Association (Federal Highway Trust Fund); Series 2008 A, Grant & RAB (INS AGC <sup>(3)</sup> )	5.25%	07/15/24	2,500	2,944,025
Series 2008 A, Grant & RAB (INS AGC <sup>(3)</sup> )	5.25%	07/15/25	3,310	3,909,077
				12,411,702

**Illinois 13.81%**

Chicago (City of) (O'Hare International Airport); Series 2003 B-2, Third Lien General Airport RB (INS AGM <sup>(3)(c)</sup> )	5.75%	01/01/23	2,000	2,081,220
Series 2005 A, Third Lien General Airport RB (INS NATL <sup>(3)</sup> )	5.25%	01/01/25	8,000	8,849,040

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Illinois (continued)</b>				
Chicago (City of) Board of Education; Series 2012 A, Unlimited Tax GO Bonds	5.00%	12/01/42	\$ 2,680	\$ 2,922,888
Chicago (City of) Park District (Harbor Facilities Revenues Alternate Revenue Source); Series 2003 C, Ref. Unlimited Tax GO Bonds (INS AMBAC <sup>(3)</sup> )	5.00%	01/01/24	1,500	1,506,000
Chicago (City of) Transit Authority (FTA Section 5309 Fixed Guideway Modernization Formula Funds); Series 2008, Capital Grant Receipts RB (INS AGC <sup>(3)</sup> )	5.25%	06/01/25	775	870,759
Series 2008, Capital Grant Receipts RB (INS AGC <sup>(3)</sup> )	5.25%	06/01/26	3,105	3,464,279
Chicago (City of) Transit Authority; Series 2011, Sales Tax Receipts RB <sup>(b)</sup>	5.25%	12/01/36	7,490	8,626,533
Chicago (City of); Series 2001 A, Ref. Project Unlimited Tax GO Bonds (INS NATL <sup>(3)</sup> )	5.56%	01/01/21	2,000	2,248,680
Series 2001 A, Ref. Project Unlimited Tax GO Bonds (INS NATL <sup>(3)</sup> )	5.58%	01/01/22	2,000	2,243,800
Series 2007 A, Ref. Project Unlimited Tax GO Bonds (INS AGM <sup>(3)(b)(h)</sup> )	5.00%	01/01/37	14,880	15,749,290
Series 2008, Ref. Second Lien Water RB (INS AGM <sup>(3)</sup> )	5.00%	11/01/27	940	1,095,100
Series 2012 A, Unlimited Tax GO Bonds	5.00%	01/01/33	3,125	3,490,000
Cook (County of) Forest Preserve District; Series 2012 B, Ref. Limited Tax GO Bonds <sup>(b)</sup>	5.00%	12/15/32	2,460	2,829,566
Series 2012 B, Ref. Limited Tax GO Bonds <sup>(b)</sup>	5.00%	12/15/37	2,460	2,810,353
DeKalb County Community Unit School District No. 428; Series 2008, Unlimited Tax GO Bonds (INS AGM <sup>(3)</sup> )	5.00%	01/01/24	210	242,762
Series 2008, Unlimited Tax GO Bonds (INS AGM <sup>(3)</sup> )	5.00%	01/01/27	1,845	2,103,282
Series 2008, Unlimited Tax GO Bonds (INS AGM <sup>(3)</sup> )	5.00%	01/01/28	305	346,639
DuPage County Community Unit School District No. 200 (Wheaton-Warrenville); Series 2003 C, Unlimited Tax GO Bonds <sup>(d)(e)</sup>	5.25%	10/01/13	485	498,929
Illinois (State of) (Illinois Fund for Infrastructure, Roads, Schools & Transit); Series 2001, Unlimited Tax GO Bonds (INS NATL <sup>(3)(b)</sup> )	5.38%	04/01/15	10,000	10,898,900
Illinois (State of) Finance Authority (Lutheran Home & Services); Series 2012, Ref. RB	5.50%	05/15/27	2,000	2,130,700
Illinois (State of) Finance Authority (Northwestern Memorial Hospital); Series 2009 B, RB	5.38%	08/15/24	2,100	2,460,738
Series 2009 B, RB	5.75%	08/15/30	2,000	2,347,140
Illinois (State of) Finance Authority (Swedish American Hospital); Series 2004, RB (INS AMBAC <sup>(3)</sup> )	5.00%	11/15/31	3,000	3,061,260
Illinois (State of) Finance Authority (Swedish Covenant Hospital); Series 2010 A, Ref. RB	5.75%	08/15/29	2,000	2,287,240
Illinois (State of) Metropolitan Pier & Exposition Authority (McCormick Place Expansion); Series 2002 B, Ref. RB (INS NATL <sup>(3)</sup> )	5.30%	06/15/18	3,000	3,530,190

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Series 2012 B, RB <sup>(b)</sup>	5.00%	12/15/28	8,625	10,126,009
Railsplitter Tobacco Settlement Authority; Series 2010, RB	5.50%	06/01/23	4,090	4,943,256
Regional Transportation Authority; Series 1999, Ref. RB (INS AGM <sup>(3)</sup> )	5.75%	06/01/21	4,000	5,101,880
				108,866,433

**Iowa 2.67%**

Iowa (State of) (IJOBS Program); Series 2009 A, Special Obligation RB <sup>(b)(h)</sup>	5.00%	06/01/25	5,140	6,146,206
Series 2009 A, Special Obligation RB <sup>(b)(h)</sup>	5.00%	06/01/26	3,850	4,574,724
Iowa (State of) Finance Authority (Alcoa Inc.); Series 2012, Midwestern Disaster Area RB	4.75%	08/01/42	1,700	1,729,682
Iowa (State of) Finance Authority (Western Home); Series 2012, Ref. Health Care Facilities RB	5.00%	12/01/27	1,000	1,005,300
Iowa (State of); Series 2001, Vision Special Fund RB (INS NATL <sup>(3)</sup> )	5.50%	02/15/19	3,600	4,476,168
Series 2001, Vision Special Fund RB (INS NATL <sup>(3)</sup> )	5.50%	02/15/20	2,500	3,152,850
				21,084,930

**Kansas 0.67%**

Kansas (State of) Development Finance Authority (Adventist Health System/Sunbelt Obligated Group); Series 2009 C, Hospital RB	5.50%	11/15/29	1,510	1,771,517
Wyandotte (County of) & Kansas City (City of) Unified Government; Series 2009 A, Utility System Improvement RB (INS BHAC <sup>(3)</sup> )	5.25%	09/01/34	3,000	3,500,400
				5,271,917

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Kentucky 1.07%</b>				
Kentucky (State of) Property & Buildings Commission (No. 93); Series 2009, Ref. RB (INS AGM <sup>3</sup> )	5.25%	02/01/28	\$ 4,000	\$ 4,700,920
Kentucky (State of) Turnpike Authority (Revitalization); Series 2012 A, Economic Development Road RB	5.00%	07/01/31	3,140	3,751,295
				8,452,215
<b>Louisiana 1.35%</b>				
Lafayette (City of) Public Trust Financing Authority (Ragin Cajun Facilities, Inc. Housing & Parking); Series 2010, RB (INS AGM <sup>3</sup> )	5.50%	10/01/35	4,500	5,151,780
Lafayette (City of); Series 2004, Utilities RB (INS NATL <sup>3</sup> )	5.25%	11/01/25	4,000	4,329,000
Regional Transit Authority; Series 2010, Sales Tax RB (INS AGM <sup>3</sup> )	5.00%	12/01/30	1,000	1,147,540
				10,628,320
<b>Maine 0.39%</b>				
Maine (State of) Health & Higher Educational Facilities Authority (Eastern Maine Medical Center Obligated Group); Series 2013, RB	5.00%	07/01/33	2,750	3,088,718
<b>Maryland 0.51%</b>				
Maryland (State of) Health & Higher Educational Facilities Authority (Frederick Memorial Hospital); Series 2012 A, RB	4.00%	07/01/38	1,500	1,501,680
Maryland Economic Development Corp. (Maryland Aviation Administration Facilities); Series 2003, Lease RB <sup>(c)(d)(e)</sup>	5.38%	06/01/13	2,500	2,532,950
				4,034,630
<b>Massachusetts 3.53%</b>				
Massachusetts (State of) Development Finance Agency (Harvard University); Series 2009 A, RB <sup>(b)</sup>	5.50%	11/15/36	15,820	19,103,757
Massachusetts (State of) Development Finance Agency (Massachusetts Institute of Technology); Series 2009 O, RB <sup>(b)</sup>	5.50%	07/01/36	5,120	6,110,771
Massachusetts (State of) Water Resources Authority; Series 2007 B, Ref. General RB (INS AGM <sup>3</sup> )	5.25%	08/01/31	2,000	2,645,120
				27,859,648
<b>Michigan 1.30%</b>				
Detroit (City of); Series 2006 C, Ref. Second Lien Water Supply System RB (INS AGM <sup>3</sup> )	5.00%	07/01/26	1,475	1,577,055
Michigan (State of) Finance Authority (Sparrow Obligated Group); Series 2012, RB	5.00%	11/15/36	2,500	2,774,900
Wayne State University Board of Governors; Series 2008, Ref. General RB (INS AGM <sup>3</sup> )	5.00%	11/15/25	760	885,765
Series 2008, Ref. General RB (INS AGM <sup>3</sup> )	5.00%	11/15/29	2,835	3,215,429
Western Michigan University Board of Trustees; Series 2008, General RB (INS AGM <sup>3</sup> )	5.00%	11/15/23	1,575	1,836,229

10,289,378

**Minnesota 0.66%**

Minneapolis (City of) (Fairview Health Services);

Series 2005 D, Health Care System RB (INS AMBAC <sup>3</sup> )	5.00%	11/15/30	1,000	1,037,280
Series 2005 D, Health Care System RB (INS AMBAC <sup>3</sup> )	5.00%	11/15/34	4,000	4,133,400
				5,170,680

**Missouri 1.36%**Kansas City (City of) Industrial Development Authority  
(Downtown Redevelopment District);

Series 2011 A, Ref. RB	5.50%	09/01/24	825	1,004,107
Series 2011 A, Ref. RB	5.50%	09/01/25	1,445	1,740,734
Series 2011 A, Ref. RB	5.50%	09/01/27	980	1,152,470

Missouri (State of) Joint Municipal Electric Utility  
Commission (Plum Point);

Series 2006, Power Project RB (INS NATL <sup>3</sup> )	5.00%	01/01/25	2,000	2,090,040
Series 2006, Power Project RB (INS NATL <sup>3</sup> )	5.00%	01/01/26	2,500	2,604,950

St. Louis (County of) Industrial Development Authority  
(Friendship Village of Sunset Hills); Series 2012, Senior

Living Facilities RB	5.00%	09/01/42	2,000	2,112,320
				10,704,621

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Montana 0.30%</b>				
Montana (State of) Facility Finance Authority (Benefis Health System Obligated Group); Series 2011 A, Hospital RB (INS AGC <sup>(3)</sup> )	5.75%	01/01/31	\$ 2,000	\$ 2,344,320
<b>Nebraska 0.98%</b>				
Lincoln (County of) Hospital Authority No. 1 (Great Plains Regional Medical Center); Series 2012, Ref. RB	5.00%	11/01/32	2,500	2,769,475
Nebraska (State of) Public Power District; Series 2003 A, RB <sup>(d)(e)</sup>	5.00%	07/01/13	3,760	3,822,604
University of Nebraska (Lincoln Student Fees); Series 2012, Ref. RB	5.00%	07/01/38	1,000	1,154,360
				7,746,439
<b>Nevada 2.81%</b>				
Clark (County of) (Las Vegas-McCarran International Airport); Series 2010 A, Passenger Facility Charge RB (INS AGM <sup>(3)</sup> )	5.25%	07/01/39	2,000	2,258,560
Clark (County of); Series 1992 B, Limited Tax GO Bonds (INS AMBAC <sup>(3)</sup> )	6.50%	06/01/17	4,000	4,880,040
Nevada (State of); Series 2008 C, Capital Improvement & Cultural Affairs Limited Tax GO Bonds (INS AGM <sup>(3)(b)</sup> )	5.00%	06/01/26	13,000	15,051,010
				22,189,610
<b>New Jersey 2.99%</b>				
New Jersey (State of) Economic Development Authority (Provident Group-Montclair Properties LLC-Montclair State University Student Housing); Series 2010 A, RB	5.88%	06/01/42	1,975	2,244,765
New Jersey (State of) Economic Development Authority; SubSeries 2005 N-1, Ref. School Facilities Construction RB (INS AMBAC <sup>(3)</sup> )	5.50%	09/01/24	3,390	4,378,829
New Jersey (State of) Educational Facilities Authority (Rowan University); Series 2008 B, Ref. RB (INS AGC <sup>(3)</sup> )	5.00%	07/01/26	510	566,625
New Jersey (State of) Transportation Trust Fund Authority; Series 2005 C, Transportation System RB (INS NATL <sup>(3)</sup> )	5.25%	06/15/20	4,000	4,410,400
Series 2006 C, Transportation System CAB RB (INS AGC <sup>(3)(f)</sup> )	0.00%	12/15/26	14,305	8,435,373
New Jersey (State of) Turnpike Authority; Series 2003 A, RB <sup>(d)(e)</sup>	5.00%	07/01/13	1,000	1,016,470
Series 2003 A, RB <sup>(d)(e)</sup>	5.00%	07/01/13	2,500	2,541,175
				23,593,637
<b>New Mexico 0.20%</b>				
Albuquerque (City of); Series 2004 A, Ref. Gross Receipts & Lodgers Tax RB (INS AGM)	5.00%	07/01/37	1,500	1,573,140
<b>New York 9.03%</b>				
Long Island Power Authority;				

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Series 2003 C, General RB <sup>(d)(e)</sup>	5.00%	09/01/13	2,525	2,587,671
Series 2003 C, General RB (INS AGM <sup>3)</sup> )	5.00%	09/01/28	475	484,258
Series 2004 A, Electrical System General RB (INS AMBAC <sup>3)</sup> )	5.00%	09/01/34	1,000	1,053,880
Series 2011 A, Electric System General RB (INS AGM <sup>3)</sup> )	5.00%	05/01/36	4,955	5,582,402
Metropolitan Transportation Authority; Series 2012 A, RB <sup>(b)</sup>	5.00%	11/15/27	10,000	12,180,500
Metropolitan Transportation Authority; Series 2010 D, RB	5.00%	11/15/34	3,000	3,378,420
New York (City of) Municipal Water Finance Authority; Series 2005 C, Water & Sewer System RB (INS NATL <sup>3)</sup> )	5.00%	06/15/27	1,000	1,093,960
New York (City of) Transitional Finance Authority; SubSeries 2012 E-1, Future Tax Sec. RB <sup>(b)</sup>	5.00%	02/01/42	8,310	9,487,361
SubSeries 2012 F-1, Future Tax Sec. RB	5.00%	05/01/39	1,000	1,150,240
New York (City of); Series 2012 F, Ref. Unlimited Tax GO Bonds	5.00%	08/01/31	735	859,685
New York (State of) Dormitory Authority (City of New York); Series 2005 A, Court Facilities Lease RB (INS AMBAC <sup>3)</sup> )	5.50%	05/15/28	2,900	3,811,557
Series 2005 A, Court Facilities Lease RB (INS AMBAC <sup>3)</sup> )	5.50%	05/15/29	2,455	3,247,670
New York (State of) Dormitory Authority (Memorial Sloan-Kettering Cancer Center); Series 2003 1, RB <sup>(d)(e)</sup>	5.00%	07/01/13	1,000	1,016,610

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>New York (continued)</b>				
New York (State of) Dormitory Authority (Montefiore Medical Center); Series 2004, Hospital RB (INS NATL <sup>(g)</sup> )	5.00%	08/01/29	\$ 2,000	\$ 2,127,480
New York (State of) Dormitory Authority (New York University); Series 2001 1, RB (INS BHAC <sup>(g)</sup> )	5.50%	07/01/31	1,040	1,347,861
New York (State of) Dormitory Authority; Series 2004 A, Hospital Insured Mortgage RB (INS AGM <sup>(g)</sup> )	5.25%	08/15/19	1,100	1,177,154
Series 2007 A, Mental Health Services Facilities Improvement RB (INS AGM <sup>(g)</sup> )	5.00%	02/15/27	500	568,525
New York (State of) Energy Research & Development Authority (Brooklyn Union Gas Co.); Series 1996, Gas Facilities RB (INS NATL <sup>(g)</sup> )	5.50%	01/01/21	5,000	5,020,950
New York (State of) Thruway Authority (Transportation); Series 2009 A, Personal Income Tax RB	5.00%	03/15/25	1,725	2,069,793
New York (State of) Thruway Authority; Series 2011 A-1, Second General Highway & Bridge Trust Fund RB <sup>(b)</sup>	5.00%	04/01/29	4,545	5,334,421
New York City Health & Hospital Corp.; Series 2003 A, Health System RB (INS AMBAC <sup>(g)</sup> )	5.25%	02/15/21	2,000	2,007,900
New York Liberty Development Corp. (7 World Trade Center); Series 2012, Class 1, Ref. Liberty RB <sup>(b)</sup>	5.00%	09/15/40	4,900	5,590,067
				71,178,365
<b>North Carolina 1.02%</b>				
North Carolina (State of) Medical Care Commission (Duke University Health System); Series 2012 A, Health Care Facilities RB <sup>(b)</sup>	5.00%	06/01/42	4,890	5,554,551
North Carolina (State of) Medical Care Commission (Vidant Health); Series 2012 A, Ref. Health Care Facilities RB	5.00%	06/01/36	2,250	2,476,485
				8,031,036
<b>Ohio 2.78%</b>				
Allen (County of) (Catholic Health Partners); Series 2012 A, Ref. Hospital Facilities RB	5.00%	05/01/42	3,300	3,667,653
American Municipal Power, Inc. (Prairie State Energy Campus); Series 2008 A, RB (INS AGC <sup>(g)</sup> ) <sup>(b)</sup>	5.25%	02/15/33	2,500	2,848,475
Cleveland (City of); Series 2008 B-1, Public Power System CAB RB (INS NATL <sup>(g)</sup> ) <sup>(f)</sup>	0.00%	11/15/26	3,545	2,097,080
Series 2008 B-1, Public Power System CAB RB (INS NATL <sup>(g)</sup> ) <sup>(f)</sup>	0.00%	11/15/28	3,845	2,058,767
Series 2008 B-1, Public Power System CAB RB (INS NATL <sup>(g)</sup> ) <sup>(f)</sup>	0.00%	11/15/38	2,800	855,428
Franklin (County of) (First Community Village Obligated Group); Series 2013, Ref. Health Care Facilities RB	5.25%	07/01/33	2,000	1,971,580
Hamilton (County of) (Christ Hospital); Series 2012, Health Care Facilities RB	5.50%	06/01/42	3,000	3,406,020



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Ohio (State of) Higher Educational Facility Commission (Summa Health System); Series 2010, Hospital Facilities RB	5.75%	11/15/35	2,000	2,285,260
Ohio (State of) Water Development Authority (FirstEnergy Nuclear Generation Corp.); Series 2009 A, Ref. PCR <sup>(d)(g)</sup>	5.88%	06/01/16	1,980	2,230,133
Ohio (State of) Water Development Authority (Firstenergy Nuclear); Series 2010, Ref. RB <sup>(d)(g)</sup>	2.20%	06/01/16	500	505,345
				21,925,741
<b>Oregon 0.40%</b>				
Oregon (State of) Department of Administrative Services; Series 2005 B, COP <sup>(d)(e)</sup>	5.00%	11/01/15	1,120	1,256,327
Series 2005 B, COP <sup>(d)(e)</sup>	5.00%	11/01/15	1,685	1,890,098
				3,146,425
<b>Pennsylvania 3.28%</b>				
Delaware (County of) Industrial Development Authority (Aqua Pennsylvania, Inc.); Series 2005 A, Water Facilities RB (INS NATL <sup>(a)(c)</sup> )	5.00%	11/01/37	3,500	3,670,205
Pennsylvania (State of) Economic Development Financing Authority (Waste Management, Inc.); Series 2004 A, Solid Waste Disposal RB <sup>(d)(g)</sup>	3.70%	05/01/15	4,000	4,196,960
Pennsylvania (State of) Turnpike Commission; Series 2004 A, RB (INS AMBAC <sup>(3)</sup> )	5.00%	12/01/34	5,000	5,345,750
Philadelphia (City of); Series 1998, Ref. Water & Wastewater RB (INS AMBAC <sup>(3)</sup> )	5.25%	12/15/14	5,000	5,267,100
Series 2009 B, Limited Tax GO Bonds (INS AGC <sup>(3)</sup> )	7.13%	07/15/38	1,750	2,056,145
Philadelphia School District; Series 2008 E, Limited Tax GO Bonds (INS BHAC <sup>(3)</sup> )	5.13%	09/01/23	4,500	5,317,290
				25,853,450

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Puerto Rico 1.68%</b>				
Puerto Rico (Commonwealth of) Aqueduct & Sewer Authority;				
Series 2012 A, Sr. Lien RB	5.00%	07/01/33	\$ 2,280	\$ 2,232,827
Series 2012 A, Sr. Lien RB	6.00%	07/01/47	1,255	1,312,843
Puerto Rico (Commonwealth of) Electric Power Authority;				
Series 2012 A, RB	5.00%	07/01/42	4,895	4,846,343
Puerto Rico Sales Tax Financing Corp.; First				
SubSeries 2010 C, RB	5.25%	08/01/41	4,600	4,852,678
				13,244,691
<b>Rhode Island 1.37%</b>				
Rhode Island Depositors Economic Protection Corp.;				
Series 1993 B, Ref. Special Obligation RB <sup>(d)(e)</sup>	6.00%	08/01/17	10,000	10,775,200
<b>South Carolina 2.25%</b>				
Piedmont Municipal Power Agency; Series 2011 C, Ref. Electric RB (INS AGC <sup>(g)</sup> )				
	5.75%	01/01/34	7,410	8,834,276
South Carolina (State of) Medical University Hospital Authority; Series 2004 A, Ref. FHA Insured Mortgage Hospital Facilities RB <sup>(d)(e)</sup>				
	5.25%	08/15/14	2,500	2,676,225
South Carolina (State of) Public Service Authority (Santee Cooper); Series 2006 A, RB (INS NATL <sup>(g)</sup> )				
	5.00%	01/01/36	5,000	5,490,100
South Carolina (State of) Public Service Authority;				
Series 2003 A, Ref. RB (INS AMBAC <sup>(g)</sup> )	5.00%	01/01/21	755	766,748
				17,767,349
<b>Tennessee 0.51%</b>				
Johnson City (City of) Health & Educational Facilities Board (Mountain States Health Alliance); Series 2012, Hospital RB				
	5.00%	08/15/42	1,000	1,095,880
Memphis Center City Revenue Finance Corp. (Pyramid & Pinch District Redevelopment);				
Series 2011 B, Sub. RB (INS AGM <sup>(g)</sup> )	5.25%	11/01/30	2,475	2,904,685
				4,000,565
<b>Texas 13.81%</b>				
Alamo Community College District; Series 2012, Ref. Limited Tax GO Bonds <sup>(b)</sup>				
	5.00%	08/15/34	4,895	5,782,610
Amarillo Health Facilities Corp. (Baptist St. Anthony's Hospital Corp.);				
Series 1998, RB (INS AGM <sup>(g)</sup> )	5.50%	01/01/16	3,020	3,294,276
Series 1998, RB (INS AGM <sup>(g)</sup> )	5.50%	01/01/17	5,075	5,659,792
Austin (City of); Series 2012, Ref. Water & Wastewater System RB				
	5.00%	11/15/42	500	580,275
Capital Area Cultural Education Facilities Finance Corp. (The Roman Catholic Diocese of Austin); Series 2005 B, RB <sup>(d)(g)</sup>				
	6.13%	03/18/13	2,000	2,269,980
Dallas-Fort Worth (Cities of) International Airport;				

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Series 2012 C, Ref. & Improvement Joint RB	5.00%	11/01/45	1,000	1,115,700
Series 2012 G, Ref. RB	5.00%	11/01/34	1,500	1,694,910
Friendswood Independent School District; Series 2008, Schoolhouse Unlimited Tax GO Bonds (CEP-Texas Permanent School Fund)	5.00%	02/15/27	2,285	2,632,937
Harris (County of) Metropolitan Transit Authority; Series 2011 A, Sales & Use Tax RB <sup>(b)</sup>	5.00%	11/01/36	3,305	3,832,445
Series 2011 A, Sales & Use Tax RB <sup>(b)</sup>	5.00%	11/01/41	3,000	3,436,680
Harris County Health Facilities Development Corp. (TECO); Series 2008, Thermal Utility RB (INS AGC <sup>(3)</sup> )	5.25%	11/15/24	2,160	2,525,494
Harris County Health Facilities Development Corp. (Texas Medical Center Central Heating and Cooling Services Corp.); Series 2008, Thermal Utility RB (INS AGC <sup>(3)</sup> )	5.00%	11/15/27	1,840	2,098,594
Houston (City of) Convention & Entertainment Facilities Department; Series 2001 B, Hotel Occupancy Tax & Special CAB RB (INS AGM <sup>(f)</sup> )	0.00%	09/01/26	3,975	2,366,914
Series 2001 B, Hotel Occupancy Tax & Special CAB RB (INS AGM <sup>(f)</sup> )	0.00%	09/01/27	5,015	2,805,090
Houston (City of); Series 2004 A, Ref. First Lien Combined Utility System RB (INS NATI <sup>(3)</sup> )	5.25%	05/15/23	12,130	12,836,936
Houston Community College System; Series 2008, Sr. Lien Student Fee RB (INS AGM <sup>(3)</sup> )	5.00%	04/15/25	1,910	2,239,819
Series 2008, Sr. Lien Student Fee RB (INS AGM <sup>(3)</sup> )	5.00%	04/15/26	1,330	1,522,278
Series 2008, Sr. Lien Student Fee RB (INS AGM <sup>(3)</sup> )	4.50%	04/15/27	225	243,648
Houston Higher Education Finance Corp. (Cosmos Foundation); Series 2012 A, RB	5.00%	02/15/42	2,000	2,127,680
Humble Independent School District; Series 2008 A, School Building Unlimited Tax GO Bonds (INS AGC <sup>(3)</sup> )	5.00%	02/15/26	285	332,812

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Texas (continued)</b>				
Lower Colorado River Authority;				
Series 2001, Ref. RB (INS AGM <sup>(a)</sup> )	5.00%	05/15/26	\$ 965	\$ 968,262
Series 2002, Ref. & Improvement RB <sup>(d)(e)</sup>	5.00%	05/15/13	130	131,330
Series 2002, Ref. & Improvement RB <sup>(d)(e)</sup>	5.00%	05/15/13	50	50,521
Series 2002, Ref. & Improvement RB <sup>(d)(e)</sup>	5.00%	05/15/13	155	156,586
Series 2002, Ref. & Improvement RB (INS NATL <sup>(a)</sup> )	5.00%	05/15/31	7,985	8,051,595
North Texas Tollway Authority;				
Series 2008 D, Ref. First Tier System CAB RB (INS AGC <sup>(a)(f)</sup> )	0.00%	01/01/28	16,400	9,318,808
Series 2008 D, Ref. First Tier System CAB RB (INS AGC <sup>(a)(f)</sup> )	0.00%	01/01/29	2,725	1,474,416
Series 2008 D, Ref. First Tier System CAB RB (INS AGC <sup>(a)(f)</sup> )	0.00%	01/01/31	3,550	1,731,441
San Jacinto River Authority (Groundwater Reduction Plan Division);				
Series 2011, Special Project RB (INS AGM <sup>(a)</sup> )	5.00%	10/01/32	2,265	2,523,301
Series 2011, Special Project RB (INS AGM <sup>(a)</sup> )	5.00%	10/01/37	2,475	2,740,122
Texas (State of) Transportation Commission; Series 2012 A, Ref. First Tier Turnpike System RB	5.00%	08/15/41	3,750	4,122,075
Texas (State of) Turnpike Authority (Central Texas Turnpike System); Series 2002, First Tier CAB RB (INS BHAC <sup>(a)(f)</sup> )	0.00%	08/15/27	7,000	4,145,540
Texas Municipal Gas Acquisition & Supply Corp.;				
Series 2012, Gas Supply RB	5.00%	12/15/22	2,000	2,312,220
Series 2012, Gas Supply RB	5.00%	12/15/30	1,125	1,226,351
Series 2012, Gas Supply RB	5.00%	12/15/31	1,125	1,221,581
Series 2012, Gas Supply RB	5.00%	12/15/32	1,200	1,297,956
University of Houston; Series 2008, Ref. Consolidated RB (INS AGM <sup>(a)(b)</sup> )	5.00%	02/15/33	2,500	2,843,200
Victoria Independent School District;				
Series 2008, School Building Unlimited Tax GO Bonds (CEP-Texas Permanent School Fund)	5.00%	02/15/24	1,920	2,242,099
Series 2008, School Building Unlimited Tax GO Bonds (CEP-Texas Permanent School Fund)	5.00%	02/15/25	815	951,724
Waco Educational Finance Corp. (Baylor University);				
Series 2012, RB	5.00%	03/01/43	1,750	1,997,047
				108,905,045
<b>Utah 2.51%</b>				
Intermountain Power Agency; Series 2003 A, Ref. Power Supply RB (INS AGM <sup>(a)</sup> )				
	5.00%	07/01/21	5,000	5,080,950
Utah (State of) Transit Authority;				
Series 2008 A, Sales Tax RB (INS AGM <sup>(a)(b)</sup> )	5.00%	06/15/36	10,325	11,876,538
Series 2012, Ref. Sales Tax RB	5.00%	06/15/42	2,500	2,826,000
				19,783,488
<b>Virginia 1.89%</b>				

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Richmond (City of) Metropolitan Authority; Series 2002, Ref. Expressway RB (INS NATL <sup>(g)</sup> )	5.25%	07/15/22	3,000	3,495,120
Roanoke (City of) Economic Development Authority (Carilion Clinic Obligated Group); Series 2010, Ref. Hospital RB	5.00%	07/01/33	2,500	2,757,000
Roanoke (City of) Industrial Development Authority (Carilion Health System); Series 2005, Hospital RB <sup>(d)(e)</sup>	5.00%	07/01/20	35	43,844
Series 2005 B, Hospital RB (INS AGM <sup>(g)</sup> )	5.00%	07/01/38	2,365	2,601,666
Route 460 Funding Corp.; Series 2012 A, Sr. Lien Toll Road RB	5.13%	07/01/49	1,125	1,229,276
Virginia (State of) Small Business Financing Authority (Elizabeth River Crossings Opco, LLC); Series 2012, Sr. Lien RB <sup>(c)</sup>	5.50%	01/01/42	1,740	1,927,381
Virginia (State of) Small Business Financing Authority (Express Lanes, LLC); Series 2012, Sr. Lien RB <sup>(c)</sup>	5.00%	01/01/40	2,700	2,813,427
				14,867,714
<b>Washington 5.81%</b>				
Cowlitz (County of) Public Utility District No. 1; Series 2006, Production System RB (INS NATL <sup>(g)</sup> )	5.00%	09/01/31	10,000	11,087,200
Grant (County of) Public Utility District No. 2; Series 2005 A, Ref. Wanapum Hydro Electric RB (INS NATL <sup>(g)</sup> )	5.00%	01/01/34	950	1,005,965
Seattle (City of); Series 2003, Ref. Water System RB <sup>(d)(e)</sup>	5.00%	09/01/13	2,870	2,940,659
Seattle (Port of); Series 2012 A, Ref. Intermediate Lien RB	5.00%	08/01/32	2,500	2,920,075
Spokane County School District No. 81; Series 2005, Unlimited Tax GO Bonds <sup>(d)(e)</sup>	5.13%	06/01/15	2,500	2,770,375

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Washington (continued)</b>				
Washington (State of); Series 2004 F, Motor Vehicle Fuel Unlimited Tax CAB GO Bonds (INS AMBAC <sup>(f)</sup> )				
	0.00%	12/01/29	\$ 5,100	\$ 3,083,613
Series 2010 A, Various Purpose Unlimited Tax GO Bonds <sup>(b)</sup>				
	5.00%	08/01/29	8,995	10,764,137
Series 2010 A, Various Purpose Unlimited Tax GO Bonds <sup>(b)</sup>				
	5.00%	08/01/30	9,460	11,260,995
				45,833,019
<b>West Virginia 0.94%</b>				
West Virginia (State of) Economic Development Authority (Appalachian Power Co. Amos); Series 2010 A, Ref. Solid Waste Disposal Facilities RB <sup>(g)</sup>				
	5.38%	12/01/38	4,000	4,428,120
West Virginia (State of) Water Development Authority (Loan Program II); Series 2003 B, Ref. RB (INS AMBAC <sup>(g)</sup> )				
	5.25%	11/01/23	2,900	3,020,872
				7,448,992
<b>Wisconsin 1.50%</b>				
Wisconsin (State of) Health & Educational Facilities Authority (Mercy Alliance); Series 2012, RB				
	5.00%	06/01/39	5,000	5,499,150
Wisconsin (State of) Public Finance Authority (Roseman University of Health Sciences); Series 2012, RB				
	5.50%	04/01/32	1,155	1,198,428
Wisconsin (State of); Series 2009 A, General Fund Annual Appropriation RB				
	5.63%	05/01/28	4,235	5,140,315
				11,837,893
TOTAL INVESTMENTS <sup>(i)</sup> 141.18% (Cost \$1,007,356,425)				1,113,284,593
FLOATING RATE NOTE OBLIGATIONS (24.03)%				
Notes with interest rates ranging from 0.10% to 0.61% at 02/28/2013 and contractual maturities of collateral ranging from 04/01/15 to 07/01/43 (See Note 1J) <sup>(k)</sup>				(189,510,000)
VARIABLE RATE MUNI TERM PREFERRED SHARES (18.15)%				
				(143,100,000)
OTHER ASSETS LESS LIABILITIES 1.00%				7,904,054
NET ASSETS APPLICABLE TO COMMON SHARES 100.00%				\$ 788,578,647

Investment Abbreviations:

AGC	Assured Guaranty Corp.
AGM	Assured Guaranty Municipal Corp.
AMBAC	American Municipal Bond Assurance Corp.
BAN	Bond Anticipation Notes
BHAC	Berkshire Hathaway Assurance Corp.
CAB	Capital Appreciation Bonds
CEP	Credit Enhancement Provider
Conv.	Convertible
COP	Certificates of Participation
FGIC	Financial Guaranty Insurance Co.

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FHA	Federal Housing Administration
FTA	Federal Transit Administration
GO	General Obligation
INS	Insurer
NATL	National Public Finance Guarantee Corp.
PCR	Pollution Control Revenue Bonds
RAB	Revenue Anticipation Bonds
RB	Revenue Bonds
Ref.	Refunding
Sec.	Secured
SGI	Syncora Guarantee, Inc.
Sr.	Senior
Sub.	Subordinated

Notes to Schedule of Investments:

- (a) Principal and/or interest payments are secured by the bond insurance company listed.
- (b) Underlying security related to Dealer Trusts entered into by the Trust. See Note 1J.
- (c) Security subject to the alternative minimum tax.
- (d) Security has an irrevocable call by the issuer or mandatory put by the holder. Maturity date reflects such call or put.
- (e) Advance refunded; secured by an escrow fund of U.S. Government obligations or other highly rated collateral.
- (f) Zero coupon bond issued at a discount.
- (g) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on February 28, 2013.
- (h) Security is subject to a shortfall agreement which may require the Trust to pay amounts to a counterparty in the event of a significant decline in the market value of the security underlying the Dealer Trusts. In case of a shortfall, the maximum potential amount of payments the Trust could ultimately be required to make under the agreement is \$15,965,000. However, such shortfall payment would be reduced by the proceeds from the sale of the security underlying the Dealer Trusts.
- (i) Convertible CAB. The interest rate shown represents the coupon rate at which the bond will accrue at a specified future date.
- (j) This table provides a listing of those entities that have either issued, guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the issuer's obligations but may be called upon to satisfy the issuer's obligations.

Entities	Percentage
Assured Guaranty Municipal Corp.	21.2%
National Public Finance Guarantee Corp.	17.1
Assured Guaranty Corp.	7.1
American Municipal Bond Assurance Corp.	5.0

- (k) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at February 28, 2013. At February 28, 2013, the Trust's investments with a value of \$338,428,671 are held by Dealer Trusts and serve as collateral for the \$189,510,000 in the floating rate note obligations outstanding at that date.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**18**                    **Invesco Value Municipal Income Trust**

**Statement of Assets and Liabilities**

February 28, 2013

**Assets:**

Investments, at value (Cost \$1,007,356,425)	\$ 1,113,284,593
Receivable for:	
Investments sold	1,515,333
Interest	11,481,144
Investment for trustee deferred compensation and retirement plans	49,951
Deferred offering costs	180,354
Total assets	1,126,511,275

**Liabilities:**

Floating rate note obligations	189,510,000
Variable rate muni term preferred shares, at liquidation value (\$0.01 par value, 1,431 issued with liquidation preference of \$100,000 per share)	142,847,992
Payable for:	
Amount due custodian	4,937,044
Accrued trustees and officers fees and benefits	4,742
Accrued other operating expenses	172,260
Trustee deferred compensation and retirement plans	328,546
Accrued interest expense	132,044
Total liabilities	337,932,628
Net assets applicable to common shares	\$ 788,578,647

**Net assets applicable to common shares consist of:**

Shares of beneficial interest common shares	\$ 692,677,304
Undistributed net investment income	3,613,452
Undistributed net realized gain (loss)	(13,640,277)
Unrealized appreciation	105,928,168
	\$ 788,578,647

**Shares outstanding, no par value per share,  
with an unlimited number of shares authorized:**

Common shares outstanding	47,027,949
Net asset value per common share	\$ 16.77
Market value per common share	\$ 16.03

See accompanying Notes to Financial Statements which are an integral part of the financial statements.





**Statement of Operations***For the year ended February 28, 2013*

<b>Investment income:</b>	
Interest	\$ 30,886,172
<b>Expenses:</b>	
Advisory fees	3,152,734
Administrative services fees	131,245
Custodian fees	15,829
Interest, facilities and maintenance fees	2,111,061
Transfer agent fees	12,321
Trustees and officers fees and benefits	44,069
Other	617,185
Total expenses	6,084,444
Less: Fees waived	(1,113,066)
Net expenses	4,971,378
Net investment income	25,914,794
<b>Realized and unrealized gain from:</b>	
Net realized gain from investment securities	3,465,822
Change in net unrealized appreciation of investment securities	9,496,139
Net realized and unrealized gain	12,961,961
Net increase in net assets resulting from operations	38,876,755
Distributions to auction rate preferred shareholders from net investment income	(57,741)
Net increase in net assets from operations applicable to common shares	\$ 38,819,014

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Changes in Net Assets***For the years ended February 28, 2013 and February 29, 2012*

	<b>2013</b>	<b>2012</b>
<b>Operations:</b>		
Net investment income	\$ 25,914,794	\$ 18,312,733
Net realized gain (loss)	3,465,822	(807,451)
Change in net unrealized appreciation	9,496,139	46,062,323
Net increase in net assets resulting from operations	38,876,755	63,567,605
Distributions to auction rate preferred shareholders from net investment income	(57,741)	(203,135)
Net increase in net assets from operations applicable to common shares	38,819,014	63,364,470
Distributions to shareholders from net investment income	(26,525,190)	(18,366,527)
Increase from transactions in common shares of beneficial interest	439,430,823	
Net increase in net assets applicable to common shares	451,724,647	44,997,943
<b>Net assets applicable to common shares:</b>		
Beginning of year	336,854,000	291,856,057
End of year (includes undistributed net investment income of \$3,613,452 and \$3,701,140, respectively)	\$ 788,578,647	\$ 336,854,000

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Cash Flows***For the year ended February 28, 2013*

<b>Cash provided by operating activities:</b>	
Net increase in net assets resulting from operations applicable to common shares	\$ 38,819,014
<b>Adjustments to reconcile the change in net assets applicable to common shares from operations to net cash provided by operating activities:</b>	
Purchases of investments	(155,827,893)
Proceeds from sales of investments	144,985,642
Net sales of short-term investments	6,475,000
Cash acquired from reorganizations*	3,822,325
Amortization of premium	2,403,859
Accretion of discount	(2,275,513)
Decrease in interest receivables and other assets	532,534
Decrease in accrued expenses and other payables	(3,920,640)
Net realized gain from investment securities	(3,465,822)
Net change in unrealized appreciation on investment securities	(9,496,139)
Net cash provided by operating activities	22,052,367
<b>Cash provided by financing activities:</b>	
Dividends paid to common shareholders from net investment income	(26,525,190)
Decrease in payable for amount due custodian	(122,937)
Increase in VMTP Shares, at liquidation value	142,847,992
Cash payments for offering costs	(242,232)
Net payments from the redemption of auction rate preferred shares	(143,100,000)
Net proceeds from floating rate note obligations	5,090,000
Net cash provided by (used in) financing activities	(22,052,367)
Net increase in cash and cash equivalents	
Cash at beginning of period	
Cash at end of period	\$
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the period for interest, facilities and maintenance fees	\$ 2,028,419

\*During the year ended February 28, 2013, net assets of \$439,430,823 were acquired in the reorganization of Invesco Value Municipal Bond Trust, Invesco Value Municipal Trust and Invesco Value Municipal Securities into the Trust (see Note 12) including \$3,822,325 in cash, \$6,821,201 in receivables and other assets, \$4,398,113 of accrued expenses and other payables, \$100,215,000 in Floating Rate Note Obligations and \$71,900,000 of VMTP Shares.

**Notes to Financial Statements***February 28, 2013***NOTE 1 Significant Accounting Policies**

Invesco Value Municipal Income Trust (the Trust) is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company.

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Prior to October 15, 2012, the Trust was organized as a Massachusetts business trust.

The Trust's investment objective is to provide current income which is exempt from federal income tax.

The following is a summary of the significant accounting policies followed by the Trust in the preparation of its financial statements.

**A. Security Valuations** Securities, including restricted securities, are valued according to the following policy. Securities are fair valued using an evaluated quote provided by an independent pricing service approved by the Board of Trustees. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Securities for which market quotations either are not readily available or became unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Some of the factors which may be considered in determining fair value are fundamental analytical data relating to the investment; the nature and duration of any restrictions on transferability or disposition; trading in similar securities by the same issuer or comparable companies; relevant political, economic or issuer specific news; and other relevant factors under the circumstances.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

**B. Securities Transactions and Investment Income** Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Trust may periodically participate in litigation related to Trust investments. As such, the Trust may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Trust's net asset value and, accordingly, they reduce the Trust's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Trust and the investment adviser.

**C. Country Determination** For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

**D. Distributions** The Trust declares and pays monthly dividends from net investment income to common shareholders. Distributions from net realized capital gain, if any, are generally declared and paid annually and are distributed on a pro rata basis to common and preferred shareholders.

**E. Federal Income Taxes** The Trust intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Trust's taxable earnings to shareholders. As such, the Trust will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

In addition, the Trust intends to invest in such municipal securities to allow it to qualify to pay shareholders' exempt dividends, as defined in the Internal Revenue Code.

The Trust files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Trust is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

**F. Accounting Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that

affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Trust monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

- G. Indemnifications** Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust enters into contracts, including the Trust's servicing agreements, that contain a variety of indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.
- H. Cash and Cash Equivalents** For the purposes of the Statement of Cash Flows the Trust defines Cash and Cash Equivalents as cash (including foreign currency), money market funds and other investments held in lieu of cash and excludes investments made with cash collateral received.
- I. Interest, Facilities and Maintenance Fees** *Interest, Facilities and Maintenance Fees* include interest and related borrowing costs such as commitment fees, rating and bank agent fees and other expenses associated with lines of credit and Variable Rate Muni Term Preferred Shares ( VMTP Shares ), and interest and administrative expenses related to establishing and maintaining Auction Rate Preferred Shares ( ARPS ) and floating rate note obligations, if any.
- J. Floating Rate Note Obligations** The Trust invests in inverse floating rate securities, such as Residual Interest Bonds ( RIBs ) or Tender Option Bonds ( TOBs ) for investment purposes and to enhance the yield of the Trust. Inverse floating rate investments tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Such transactions may be purchased in the secondary market without first owning the underlying bond or by the sale of fixed rate bonds by the Trust to special purpose trusts established by a broker dealer ( Dealer Trusts ) in exchange for cash and residual interests in the Dealer Trusts' assets and cash flows, which are in the form of inverse floating rate securities. The Dealer Trusts finance the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Trust to retain residual interests in the bonds. The floating rate notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. The residual interests held by the Trust (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Trust, thereby collapsing the Dealer Trusts.

TOBs are presently classified as private placement securities. Private placement securities are subject to restrictions on resale because they have not been registered under the Securities Act of 1933, as amended, or are otherwise not readily marketable. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Trust or less than what may be considered the fair value of such securities.

The Trust accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Trust's investment assets, and the related floating rate notes reflected as Trust liabilities under the caption *Floating rate note obligations* on the Statement of Assets and Liabilities. The Trust records the interest income from the fixed rate bonds under the caption *Interest* and records the expenses related to floating rate obligations and any administrative expenses of the Dealer Trusts as a component of *Interest, facilities and maintenance fees* on the Statement of Operations.

The Trust generally invests in inverse floating rate securities that include embedded leverage, thus exposing the Trust to greater risks and increased costs. The primary risks associated with inverse floating rate securities are varying degrees of liquidity and the changes in the value of such securities in response to changes in market rates of interest to a greater extent than the value of an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity which may cause the Trust's net asset value to be more volatile than if it had not invested in inverse floating rate securities. In certain instances, the short-term floating rate interests created by the special purpose trust may not be able to be sold to third parties or, in the case of holders tendering (or putting) such interests for repayment of principal, may not be able to be remarketed to third parties. In such cases, the special purpose trust holding the long-term fixed rate bonds may be collapsed. In the case of RIBs or TOBs created by the contribution of long-term fixed income bonds by the Trust, the Trust will then be required to repay the principal amount of the tendered securities. During times of market volatility, illiquidity or uncertainty, the Trust could be required to sell other portfolio holdings at a disadvantageous time to raise cash to meet that obligation.

**K. Other Risks** The value of, payment of interest on, repayment of principal for and the ability to sell a municipal security may be affected by constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives and the economics of the regions in which the issuers are located.

Since many municipal securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal securities market and a Trust's investments in municipal securities.

There is some risk that a portion or all of the interest received from certain tax-free municipal securities could become taxable as a result of determinations by the Internal Revenue Service.

## **NOTE 2 Advisory Fees and Other Fees Paid to Affiliates**

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the Adviser or Invesco). Effective September 25, under the terms of the investment advisory agreement, the Trust pays an advisory fee to the Adviser based on the annual rate of 0.55% of the Trust's average weekly managed assets. Prior to September 25, 2012, under the terms of the investment advisory agreement, the Trust paid an advisory fee to the Adviser based on the annual rate of 0.27% of the Trust's average weekly managed assets. Managed assets for this purpose means the Trust's net assets, plus assets attributable to outstanding preferred shares and the amount of any borrowings incurred for the purpose of leverage (whether or not such borrowed amounts are reflected in the Trust's financial statements for purposes of GAAP).

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco



Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers ) the Adviser, not the Trust, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide(s) discretionary investment management services to the Trust based on the percentage of assets allocated to such Sub-Adviser(s).

Effective October 15, 2012, the Adviser has contractually agreed, through October 31, 2014, to waive advisory fees and/or reimburse expenses to the extent necessary to limit the Trust's expenses (excluding certain items discussed below) to 0.46%. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the Trust's expenses to exceed the limit reflected above: (1) interest, facilities and maintenance fees; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Trust has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on October 31, 2014. For the period March 1, 2012 through June 30, 2012, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit the Trust's expenses to 0.64%. The Adviser did not waive fees and/or reimburse expenses during the period under the current expense limitation.

For the year ended February 28, 2013, the Adviser waived advisory fees of \$1,113,066.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Trust has agreed to pay Invesco for certain administrative costs incurred in providing accounting services to the Trust. For the year ended February 28, 2013, expenses incurred under these agreement are shown in the Statement of Operations as *Administrative services fees*.

Certain officers and trustees of the Trust are officers and directors of Invesco.

### **NOTE 3 Additional Valuation Information**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 Prices are determined using quoted prices in an active market for identical assets.

Level 2 Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Trust's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

As of February 28, 2013, all of the securities in this Trust were valued based on Level 2 inputs (see the Schedule of Investments for security categories). The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

#### **NOTE 4 Security Transactions with Affiliated Funds**

The Trust is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Trust from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended February 28, 2013, the Trust engaged in securities purchases of \$5,000,301.

#### **NOTE 5 Trustees and Officers Fees and Benefits**

Trustees and Officers Fees and Benefits include amounts accrued by the Trust to pay remuneration to certain Trustees and Officers of the Trust. Trustees have the option to defer compensation payable by the Trust, and Trustees and Officers Fees and Benefits also include amounts accrued by the Trust to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Trusts in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Trust may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. Trustees and Officers Fees and Benefits include amounts accrued by the Trust to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Trust.

#### **NOTE 6 Cash Balances and Borrowings**

The Trust is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Trust may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

Inverse floating rate obligations resulting from the transfer of bonds to Dealer Trusts are accounted for as secured borrowings. The average floating rate notes outstanding and average annual interest and fees related to inverse floating rate note obligations during the year ended February 28, 2013 were \$124,651,923 and 0.76%, respectively.

**NOTE 7 Distributions to Shareholders and Tax Components of Net Assets****Tax Character of Distributions to Shareholders Paid During the Years Ended February 28, 2013 and February 29, 2012:**

	<b>2013</b>	<b>2012</b>
Tax-exempt income	\$ 27,640,583	\$ 18,569,662

**Tax Components of Net Assets at Period-End:**

	<b>2013</b>
Undistributed ordinary income	\$ 3,197,103
Net unrealized appreciation investments	104,773,495
Temporary book/tax differences	(322,045)
Capital loss carryforward	(11,747,210)
Shares of beneficial interest	692,677,304
Total net assets	\$ 788,578,647

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Trust's net unrealized appreciation difference is attributable primarily to book to tax accretion and amortization differences and TOBs.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Trust's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Trust to utilize. The Regulated Investment Company Modernization Act of 2010 (the Act)

eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Trust utilized \$4,156,179 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Trust has a capital loss carryforward as of February 28, 2013, which expires as follows:

Expiration	Capital Loss Carryforward*		
	Short-Term	Long-Term	Total
February 29, 2016	\$ 6,203,518	\$	\$ 6,203,518
February 28, 2017	3,917,528		3,917,528
February 28, 2018	1,626,164		1,626,164
	\$ 11,747,210	\$	\$ 11,747,210

\*Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of October 15, 2012, the date of reorganization of Invesco Value Municipal Bond Trust, Invesco Value Municipal Securities and Invesco Value Municipal Trust into the Trust, are realized on securities held in each Trust at such date of reorganization, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

#### NOTE 8 Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Trust during the year ended February 28, 2013 was \$140,769,402 and \$113,878,300, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

#### Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	\$ 104,866,417
Aggregate unrealized (depreciation) of investment securities	(92,922)
Net unrealized appreciation of investment securities	\$ 104,773,495
Cost of investments for tax purposes is \$1,008,511,098.	

#### NOTE 9 Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of taxable income, interest expense for VMTP shares and proxy costs, on February 28, 2013, undistributed net investment income was increased by \$198,339 and shares of beneficial interest decreased by \$198,339. Further, as a result of tax deferrals acquired in the reorganization of Invesco Value Municipal Bond Trust, Invesco Value Municipal Securities and Invesco Value Municipal Trust, undistributed net investment income was increased by \$382,110, undistributed net realized gain (loss) was decreased by \$8,574,592 and shares of beneficial interest increased by \$8,192,482. These reclassifications had no effect on the net assets of the

Trust.

#### **NOTE 10 Auction Rate Preferred Shares**

The Trust is authorized to issue Auction Rate Preferred Shares ( ARPS ). On June 11, 2012, the Trust redeemed all of its outstanding ARPS at their respective liquidation preference, including accrued and unpaid dividends, if any, through the redemption date. The redemptions were funded with cash and proceeds received from the issuance of VMTP Shares.

Historically, the Trust paid annual fees equivalent to 0.25% of the ARPS liquidation value for the remarketing efforts associated with the auction. Effective March 16, 2009, the Trust decreased this amount to 0.15% due to auction failures. These fees were terminated on June 11, 2012 when the last of the Trust's outstanding ARPS were redeemed. These fees are included as a component of *Interest, facilities and maintenance fees* expense on the Statement of Operations.

Dividends on the ARPS, which are cumulative, are reset through auction procedures.

<b>Series</b>	<b>Range of Dividend Rates</b>
1	0.198-0.396%
2	0.198-0.396
3	0.198-0.396
4	0.198-0.396
5	0.198-0.396

For the period March 1, 2012 through June 11, 2012.

The Trust was subject to certain restrictions relating to the ARPS. Failure to comply with these restrictions could have precluded the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of ARPS at liquidation value.

Beginning February 15, 2008 and continuing through February 28, 2013, all series of ARPS of the Trust were not successfully remarketed. As a result, the dividend rates of these ARPS were reset to the maximum applicable rate.

Transactions in ARPS were as follows:

	Shares	Value
Outstanding at February 29, 2012	1,424	\$ 71,200,000
Shares redeemed	(1,424)	(71,200,000)
Outstanding at February 28, 2013		\$

#### **NOTE 11 Variable Rate Muni Term Preferred Shares**

On May 9, 2012, the Trust issued 712 Series 2015/6-IIM VMTP Shares, with liquidation preference of \$100,000 per share pursuant to offerings exempt from registration under the Securities Act of 1933. Proceeds from the issuance of VMTP Shares on May 9, 2012 were used to redeem all of the Trust's outstanding ARPS. In addition, the Trust issued 719 Series 2015/6-IIM VMTP Shares in connection with the reorganization of the Target Trust into the Trust with a liquidation preference of \$100,000 per share. VMTP Shares are a floating-rate form of preferred shares with a mandatory redemption date. The Trust is required to redeem all outstanding VMTP Shares on June 1, 2015, unless earlier redeemed, repurchased or extended. VMTP Shares are subject to optional and mandatory redemption in certain circumstances. The redemption price per share is equal to the sum of the liquidation value per share plus any accumulated but unpaid dividends and a redemption premium, if any. On or prior to the redemption date, the Trust will be required to segregate assets having a value equal to 110% of the redemption amount.

The Trust incurred costs in connection with the issuance of the VMTP Shares. These costs were recorded as a deferred charge and are being amortized over the 3 year life of the VMTP Shares. Amortization of these costs is included in *Interest, facilities and maintenance fees* on the Statement of Operations and the unamortized balance is included in *Deferred offering costs on the Statement of Assets and Liabilities*.

Dividends paid on the VMTP Shares (which are treated as interest expense for financial reporting purposes) are declared daily and paid monthly. The initial rate for dividends was equal to the sum of 1.10% per annum plus the Securities Industry and Financial Markets Association Municipal Swap Index (the SIFMA Index). Subsequent rates are determined based upon changes in the SIFMA Index and take into account a ratings spread of 1.10% to 4.00% which is based on the long term preferred share ratings assigned to the VMTP Shares by a ratings agency. The average liquidation value outstanding and the average annualized dividend rate of the VMTP Shares during the year ended February 28, 2013 were \$104,478,041 and 1.26%, respectively.

The Trust is subject to certain restrictions relating to the VMTP Shares, such as maintaining certain asset coverage and leverage ratio requirements. Failure to comply with these restrictions could preclude the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of VMTP Shares at liquidation value.

For financial reporting purposes, the liquidation value of VMTP Shares, which are considered debt of the Trust, is recorded as a liability under the caption *Variable rate muni term preferred shares* on the Statement of Assets and Liabilities. Unpaid dividends on VMTP Shares are recognized as *Accrued interest expense* on the Statement of Assets and Liabilities. Dividends paid on VMTP Shares are recognized as a component of *Interest, facilities and maintenance fees* on the Statement of Operations.

#### **NOTE 12 Common Shares of Beneficial Interest**

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Transactions in common shares of beneficial interest were as follows:

	Year ended February 28, 2013	Year ended February 29, 2012
Beginning Shares	20,694,675	20,694,675
Shares issued in connection with reorganization <sup>(a)</sup>	26,333,274	
Ending Shares	47,027,949	20,694,675

<sup>(a)</sup> As of the open of business on October 15, 2012, Invesco Value Municipal Bond Trust, Invesco Value Municipal Securities and Invesco Value Municipal Trust (the Target Trusts ) merged with and into the Trust pursuant to a plan of reorganization approved by the Trustees of the Trust on August 14, 2012 and by the shareholders of the Target Trusts on November 30, 2012. The reorganization was accomplished by a tax-free exchange of 26,333,274 shares of the Trust for 3,942,543 shares outstanding of Invesco Value Municipal Bond Trust, 6,591,385 shares outstanding of Invesco Value Municipal Securities and 17,484,370 shares outstanding of Invesco Value Municipal Trust as of the close of business on October 12, 2012. Common shares of the Target Trusts were exchanged for common shares of the Trust, based on the relative net asset value of the Target Trusts to the net asset value of the Trust on the close of business, October 12, 2012. Invesco Value Municipal Bond Trust's net assets as of the close of business on October 12, 2012 of \$62,290,564, including \$8,356,834 of unrealized appreciation, Invesco Value Municipal Securities's net assets as of the close of business on October 12, 2012 of \$100,751,548, including \$8,353,093 of unrealized appreciation and Invesco Value Municipal Trust's net assets as of the close of business on October 12, 2012 of \$276,388,711, including \$38,458,911 of unrealized appreciation, were combined with those of the Trust. The net assets of the Trust immediately before the reorganization were \$345,390,651 and \$784,821,474 immediately after the reorganization.

The pro forma results of operations for the year ended February 28, 2013 assuming the reorganization had been completed on March 1, 2012, the beginning of the annual reporting period are as follows:

Net investment income	\$ 39,646,463
Net realized/unrealized gains	24,573,200
Change in net assets resulting from operations	\$ 64,219,663

The combined investment portfolios have been managed as a single integrated portfolio since the reorganization was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Trusts that have been included in the Trust's Statement of Operations since October 15, 2012.

Trust may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase.

**NOTE 13 Dividends**

The Trust declared the following dividends to common shareholders from net investment income subsequent to February 28, 2013:

<b>Declaration Date</b>	<b>Amount per Share</b>	<b>Record Date</b>	<b>Payable Date</b>
March 1, 2013	\$ 0.075	March 11, 2013	March 28, 2013
April 1, 2013	0.075	April 11, 2013	April 30, 2013

**NOTE 14 Financial Highlights**

The following schedule presents financial highlights for a share of the Trust outstanding throughout the periods indicated.

	<b>Year ended February 28, 2013</b>	<b>Year ended February 29, 2012</b>	<b>Four months ended February 28, 2011</b>	<b>Years ended October 31, 2010</b>	<b>2009</b>	<b>2008</b>
Net asset value per common share, beginning of period	\$ 16.28	\$ 14.10	\$ 15.46	\$ 14.65	\$ 12.76	\$ 15.32
Net investment income <sup>(a)</sup>	0.85	0.89	0.27	0.93	0.94	0.95
Net gains (losses) on securities (both realized and unrealized)	0.54	2.19	(1.33)	0.77	1.88	(2.57)
Distributions paid to preferred shareholders from net investment income <sup>(a)</sup>	(0.00)	(0.01)	(0.01)	(0.02)	(0.05)	(0.26)
Total income (loss) from investment operations	1.39	3.07	(1.07)	1.68	2.77	(1.88)
Less dividends and distributions paid to common shareholders from:						
Net investment income	(0.90)	(0.89)	(0.29)	(0.87)	(0.77)	(0.68)
					(0.11)	(0.02)



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Net realized gains						
Total dividends and distributions paid to common shareholders	(0.90)	(0.89)	(0.29)	(0.87)	(0.88)	(0.70)
Anti-dilutive effect of shares repurchased <sup>(a)</sup>						0.02
Net asset value per common share, end of period	\$ 16.77	\$ 16.28	\$ 14.10	\$ 15.46	\$ 14.65	\$ 12.76
Market value, end of period	\$ 16.03	\$ 17.16	\$ 13.15	\$ 15.32	\$ 13.40	\$ 10.76
Total return at net asset value <sup>(b)</sup>	8.78%	22.44%	(6.82)%	12.05%		
Total return at market value <sup>(c)</sup>	(1.35)%	38.39%	(12.30)%	21.39%	33.83%	(17.80)%
Net assets applicable to common shares, end of period (000s omitted)	\$ 788,579	\$ 336,854	\$ 291,856	\$ 320,035	\$ 303,157	\$ 264,145
Portfolio turnover rate <sup>(d)</sup>	22%	13%	3%	7%	16%	12%
<b>Ratios/supplemental data based on average net assets applicable to common shares:</b>						
Ratio of expenses with fee waivers and/or expense reimbursements	0.98% <sup>(f)</sup>	1.03% <sup>(e)</sup>	1.38% <sup>(e)(g)(h)</sup>	0.88% <sup>(e)</sup>	1.02% <sup>(e)(i)</sup>	1.15% <sup>(e)(i)</sup>
Ratio of expenses excluding interest, facilities and maintenance fees <sup>(j)</sup>	0.57% <sup>(f)</sup>	0.78% <sup>(e)</sup>	1.14% <sup>(e)(g)(h)</sup>	0.68% <sup>(e)</sup>	0.74% <sup>(e)(i)</sup>	0.75% <sup>(e)(i)</sup>
Ratio of expenses without fee waivers and/or expense reimbursements	1.20% <sup>(f)</sup>	1.03% <sup>(e)</sup>	1.38% <sup>(e)(h)</sup>			
Ratio of net investment	5.09% <sup>(f)</sup>	5.85%	5.81% <sup>(h)</sup>	6.15%	6.86% <sup>(i)</sup>	6.43% <sup>(i)</sup>

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income before preferred share dividends						
Preferred share dividends	0.01% <sup>(f)</sup>	0.06%	0.12% <sup>(h)</sup>	0.11%	0.37%	1.76%
Ratio of net investment income after preferred share dividends	5.08% <sup>(f)</sup>	5.79%	5.69% <sup>(h)</sup>	6.04%	6.49% <sup>(i)</sup>	4.67% <sup>(i)</sup>
Rebate from Morgan Stanley affiliate					0.00% <sup>(k)</sup>	0.00% <sup>(k)</sup>
<b>Senior securities:</b>						
Total amount of preferred shares outstanding (000s omitted) <sup>(l)</sup>	\$ 143,100	\$ 71,200	\$ 82,050			
Asset coverage per preferred share <sup>(l)(m)</sup>	\$ 650,892	\$ 286,555	\$ 227,853	490%	469%	343%
Liquidating preference per preferred share <sup>(l)</sup>	\$ 100,000	\$ 50,000	\$ 50,000			

(a) Calculated using average shares outstanding.

(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Not annualized for periods less than one year, if applicable.

(c) Total return assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all of the shares at the closing common share market price at the end of the period indicated. Not annualized for periods less than one year, if applicable.

(d) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the year ending February 28, 2013, the portfolio turnover calculation excludes the value of securities purchased of \$447,993,039 and sold of \$32,622,675 in the effort to realign the Trust's portfolio holdings after the reorganization of Invesco Value Municipal Bond Trust, Invesco Value Municipal Securities and Invesco Value Municipal Trust into the Trust.

(e) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(f) Ratios are based on average daily net assets applicable to common shares (000's omitted) of \$508,748.

(g) Ratio includes an adjustment for a change in accounting estimate for professional services fees during the period. Ratios excluding this adjustment would have been lower by 0.14%.

(h) Annualized.

(i) The ratios reflect the rebate of certain Trust expenses in connection with investments in a Morgan Stanley affiliate during the period. The effect of the rebate on the ratios is disclosed in the above table as Rebate from Morgan Stanley affiliate.

(j) For the years ended October 31, 2010 and prior, ratio does not exclude facilities and maintenance fees.

- (k) Amount is less than 0.005%.
- (l) For the years ended February 29, 2012 and prior, amounts are based on ARPS outstanding.
- (m) Calculated by subtracting the Trust's total liabilities (not including the preferred shares) from the Trust's total assets and dividing this by preferred shares outstanding. For periods prior to February 28, 2011, calculated by subtracting the Trust's total liabilities (not including the preferred shares) from the Trust's total assets and dividing this by preferred shares at liquidation value.

## **NOTE 15 Legal Proceedings**

*Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.*

### **Pending Litigation and Regulatory Inquiries**

On January 17, 2011, a Consolidated Amended Shareholder Derivative Complaint was filed on behalf of Invesco Value Municipal Income Trust and Invesco Municipal Premium Income Trust (the **Trusts**) against Morgan Stanley Investment Advisers, Inc. and its parent as well as certain individuals (collectively, the **Defendants**). The Plaintiffs alleged that Defendants breached their fiduciary duties to common shareholders by causing the Trusts to redeem Auction Rate Preferred Securities (**ARPS**) at their liquidation value, which they alleged were trading at a discount from market value at the time, and by not having adequate procedures to deal with potential conflicts of interest. The Plaintiffs alleged that the redemptions of the ARPS wasted Trust assets, occurred at the expense of the Trusts and the common shareholders, and were improperly motivated to benefit preferred shareholders and Defendants. Additionally, the Plaintiffs claimed that the ARPS were replaced with less favorable financing. Plaintiffs seek a judgment that: 1) orders Defendants to refrain from redeeming any ARPS at their liquidation value using the Trusts' assets; 2) awards monetary damages against all Defendants, individually, jointly or severally, in favor of the Trusts, for all losses and damages allegedly suffered as a result of the redemptions of ARPS at their liquidation value; 3) grants appropriate equitable relief to remedy the Defendants' breaches of fiduciary duties; and 4) awards to Plaintiffs the costs and disbursements of the action. On June 24, 2010, the Board of Trustees formed a Special Litigation Committee (**SLC**) to investigate the claims made in the April 2010 demand letters with the assistance of independent counsel. After reviewing the findings of the SLC and a vote by Independent Trustees, the Board announced on July 12, 2011 that it had adopted the SLC's recommendation to reject the demands and seek dismissal of the lawsuit. The Trusts filed a motion to dismiss on October 4, 2011, which remains pending. The Trust has accrued \$45,650 in expenses relating to these matters during the year ended February 28, 2013.

Management of Invesco and the Trust believe that the outcome of the proceedings described above will not have a material adverse effect on the Trust or on the ability of Invesco to provide ongoing services to the Trust.

**Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of Invesco Value Municipal Income Trust:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Invesco Value Municipal Income Trust (hereafter referred to as the Trust ) at February 28, 2013, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the two years in the period then ended, the period ended February 28, 2011 and the year ended October 31, 2010, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Trust s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at February 28, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The financial highlights of the Trust for the periods ended October 31, 2009 and prior were audited by another independent registered public accounting firm whose report dated December 24, 2009 expressed an unqualified opinion on those financial statements.

PRICEWATERHOUSECOOPERS LLP

April 26, 2013

Houston, Texas

## Tax Information

Form 1099-DIV, Form 1042-S and other year end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Trust designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended February 28, 2013:

### Federal and State Income Tax

Qualified Dividend Income*	0%
Corporate Dividends Received Deduction*	0%
Tax-Exempt Interest Dividends*	100%

\* The above percentages are based on ordinary income dividends paid to shareholders during the Trust's fiscal year.

**Proxy Results**

An Annual Meeting ( Meeting ) of Shareholders of Invesco Value Municipal Income Trust (the Fund ) was held on July 17, 2012 and was adjourned, with respect to one proposal, until August 14, 2012 and further adjourned until September 25, 2012. The Meeting on September 25, 2012 was held for the following purpose:

(1) Approval of an amendment to the Fund s advisory agreement that increases the Fund s advisory fee.  
The September 25, 2012 voting results on the above matter were as follows:

<b>Matter</b>	<b>Votes For</b>	<b>Votes</b>		<b>Broker Non-Votes</b>
		<b>Against</b>	<b>Abstain</b>	
(1) Approval of an amendment to the Fund s advisory agreement that increases the Fund s advisory fee	10,241,145	2,363,688	669,014	1,746,659

**Trustees and Officers**

The address of each trustee and officer is 1555 Peachtree Street, N.E., Atlanta, Georgia 30309. Generally, each trustee serves for a three year term or until his or her successor has been duly elected and qualified, and each officer serves for a one year term or until his or her successor has been duly elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust Interested Persons	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Martin L. Flanagan <sup>1</sup> 1960 Trustee	2010	<p>Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business</p> <p>Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer,</p>	124	None



Philip A.  
Taylor<sup>2</sup> 1954  
Trustee, President  
and Principal  
Executive Officer

2010

Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)  
Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice

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None

President, The Invesco Funds (AIM Treasurer s Series Trust (Invesco Treasurer s Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp.

Formerly: Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer s Series Trust

Wayne W. Whalen <sup>3</sup> 1939  Trustee	2010	(Invesco Treasurer s Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.  Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex	137	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy
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- <sup>1</sup> Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.
- <sup>2</sup> Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.
- <sup>3</sup> Mr. Whalen is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Invesco Fund Complex because he and his firm currently provide legal services as legal counsel to such Funds.

**T-1 Invesco Value Municipal Income Trust**

**Trustees and Officers (continued)**

<b>Name, Year of Birth and Position(s) Held with the Trust</b>	<b>Trustee and/ or Officer Since</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Funds in Fund Complex Overseen by Trustee</b>	<b>Other Directorship(s) Held by Trustee During Past 5 Years</b>
<b>Independent Trustees</b> Bruce L. Crockett 1944 Trustee and Chair	2010	Chairman, Crockett Technologies Associates (technology consulting company)  Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	124	ACE Limited (insurance company); and Investment Company Institute
David C. Arch 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer)  Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	137	Board member of the Illinois Manufacturers Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley 1939 Trustee	2010	Retired  Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	124	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis Institute of Music
James T. Bunch 1942 Trustee	2010	Managing Member, Grumman Hill Group LLC (family office private equity management)	124	Chairman, Board of Governors, Western Golf Association;

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<p>Rodney F. Dammeyer Trustee</p>	<p>1940</p>	<p>2010</p>	<p>Formerly: Founder, Green, Manning &amp; Bunch Ltd. (investment banking firm) (1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation Chairman of CAC, LLC, (private company offering capital investment and management advisory services)</p>	<p>124</p>	<p>Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society  Director of Quidel Corporation and Stericycle, Inc.; Prior to May 2008, Trustee of The Scripps Research Institute; Prior to February 2008, Director of Ventana Medical Systems, Inc.</p>
<p>Albert R. Dowden Trustee</p>	<p>1941</p>	<p>2010</p>	<p>Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments; Prior to 1995, Vice Chairman of Anixter International; Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen &amp; Co.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich &amp; Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company)</p>	<p>124</p>	<p>Director of Nature's Sunshine Products, Inc.</p>
			<p>Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the</p>		

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Jack M. Fields	1952	2010	<p>public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company) Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit)</p>	124	Insperty, Inc. (formerly known as Administaff)
Trustee					
Prema Mathai-Davis	1950	2010	<p>Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives Retired</p>	124	None
Trustee					
Larry Soll	1942	2010	<p>Formerly: Chief Executive Officer, YWCA of the U.S.A. Retired</p>	124	None
Trustee					
			<p>Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)</p>		

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<p>Hugo F. Sonnenschein Trustee</p>	<p>19402010</p>	<p>Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago</p> <p>Formerly: President of the University of Chicago</p>	<p>137</p>	<p>Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences</p>
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**T-2 Invesco Value Municipal Income Trust**

**Trustees and Officers (continued)**

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Raymond Stickel, Jr. 1944  Trustee	2010	Retired	124	None
<b>Other Officers</b> Russell C. Burk 1958 Senior Vice President and Senior Officer	2010	Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche  Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr 1962  Senior Vice President, Chief Legal Officer and Secretary	2010	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as	N/A	N/A



		<p>Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust</p> <p>Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)</p>		
<p>Karen Dunn Kelley 1960 Vice President</p>	<p>2010</p>	<p>Head of Invesco's World Wide Fixed Income and Cash Management Group; Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc.</p>	<p>N/A</p>	<p>N/A</p>

(formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc., INVESCO Global Asset Management Limited, Invesco Management Company Limited and INVESCO Management S.A.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only)

Formerly: Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)

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**Invesco Value Municipal Income Trust**

## Trustees and Officers (continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
<b>Other Officers (continued)</b> Sheri Morris 1964 Vice President, Treasurer and Principal Financial Officer	2010	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Yinka Akinsola 1977 Anti-Money Laundering Compliance Officer	2011	Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known	N/A	N/A

<p>Todd L. Spillane 1958</p> <p>Chief Compliance Officer</p>	<p>2010</p>	<p>as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp., Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust</p> <p>Formerly: Regulatory Analyst III, Financial Industry Regulatory Authority (FINRA)</p> <p>Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.)</p> <p>Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc.,</p>	<p>N/A</p>	<p>N/A</p>
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	PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	
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<p><b>the Trust</b></p> <p>tree Street, N.E.</p> <p>A 30309</p>	<p><b>Investment Adviser</b></p> <p>Invesco Advisers, Inc.</p> <p>1555 Peachtree Street, N.E.</p> <p>Atlanta, GA 30309</p>	<p><b>Auditors</b></p> <p>PricewaterhouseCoopers LLP</p> <p>1201 Louisiana Street, Suite 2900</p> <p>Houston, TX 77002-5678</p>	<p><b>Custodian</b></p> <p>State Street Bank and Trust</p> <p>225 Franklin Street</p> <p>Boston, MA 02110-2801</p>
<p><b>the Trust</b></p> <p>on Stevens &amp; Young, LLP</p> <p>et Street, Suite 2600</p> <p>a, PA 19103-7018</p>	<p><b>Counsel to the Independent Trustees</b></p> <p>Goodwin Procter LLP</p> <p>901 New York Avenue, N.W.</p> <p>Washington, D.C. 20001</p>	<p><b>Transfer Agent</b></p> <p>Computershare Trust Company, N.A.</p> <p>250 Royall Street</p> <p>Canton, MA 02021</p>	

### **Correspondence information**

Send general correspondence to Computershare, P.O. Box 43078, Providence, RI 02940-3078.

### **Invesco privacy policy**

You share personal and financial information with us that is necessary for your transactions and your account records. We take very seriously the obligation to keep that information confidential and private.

Invesco collects nonpublic personal information about you from account applications or other forms you complete and from your transactions with us or our affiliates. We do not disclose information about you or our former customers to service providers or other third parties except to the extent necessary to service your account and in other limited circumstances as permitted by law. For example, we use this information to facilitate the delivery of transaction confirmations, financial reports, prospectuses and tax forms.

Even within Invesco, only people involved in the servicing of your accounts and compliance monitoring have access to your information. To ensure the highest level of confidentiality and security, Invesco maintains physical, electronic and procedural safeguards that meet or exceed federal standards. Special measures, such as data encryption and authentication, apply to your communications with us on our website. More detail is available to you at [invesco.com/privacy](http://invesco.com/privacy).

### **Trust holdings and proxy voting information**

The Trust provides a complete list of its holdings four times in each fiscal year, at the quarter ends. For the second and fourth quarters, the lists appear in the Trust's semiannual and annual reports to shareholders. For the first and third quarters, the Trust files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The most recent list of portfolio holdings is available at [invesco.com/completegtrholdings](http://invesco.com/completegtrholdings). Shareholders can also look up the Trust's Forms

N-Q on the SEC website at [sec.gov](http://sec.gov). Copies of the Trust's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). The SEC file number for the Trust is shown below.

A description of the policies and procedures that the Trust uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 341 2929 or at [invesco.com/proxyguidelines](http://invesco.com/proxyguidelines). The information is also available on the SEC website, [sec.gov](http://sec.gov).

Information regarding how the Trust voted proxies related to its portfolio securities during the most recent 12-month period ended June 30, is available at [invesco.com/proxysearch](http://invesco.com/proxysearch). In addition, this information is available on the SEC website at [sec.gov](http://sec.gov).

SEC file number: 811-06590 MS-CE-VMINC-AR-1

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### ITEM 2. CODE OF ETHICS.

There were no amendments to the Code of Ethics (the "Code") that applies to the Registrant's Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") during the period covered by the report. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code to the PEO or PFO during the period covered by this report.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Trustees has determined that the Registrant has at least one audit committee financial expert serving on its Audit Committee. The Audit Committee financial experts are David C. Arch, James T. Bunch, Bruce L. Crockett, Rodney Dammeyer and Raymond Stickel, Jr. Messrs. Arch, Bunch, Crockett, Dammeyer and Stickel are independent within the meaning of that term as used in Form N-CSR.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

#### Fees Billed by PWC Related to the Registrant

PWC billed the Registrant aggregate fees for services rendered to the Registrant for the last two fiscal years as follows:

	Fees Billed for Services Rendered to the Registrant for fiscal year end 2/28/2013	Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2013 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>	Fees Billed for Services Rendered to the Registrant for fiscal year end 2/29/2012	Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/29/2012 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>
Audit Fees	\$ 59,875	N/A	\$ 36,300	N/A
Audit-Related Fees <sup>(2)</sup>	\$ 31,635	0%	\$ 5,000	0%
Tax Fees <sup>(3)</sup>	\$ 14,550	0%	\$ 4,300	0%
All Other Fees	\$ 0	0%	\$ 0	0%
<b>Total Fees</b>	<b>\$ 106,060</b>	<b>0%</b>	<b>\$ 45,600</b>	<b>0%</b>

PWC billed the Registrant aggregate non-audit fees of \$46,185 for the fiscal year ended February 28, 2013, and \$9,300 for the fiscal year ended February 29, 2012, for non-audit services rendered to the Registrant.

- (1) With respect to the provision of non-audit services, the pre-approval requirement is waived pursuant to a de minimis exception if (i) such services were not recognized as non-audit services by the Registrant at the time of engagement, (ii) the aggregate amount of all such services provided is no more than 5% of the aggregate audit and non-audit fees paid by the Registrant to PWC during a fiscal year; and (iii) such services are promptly brought to the attention of the Registrant's Audit Committee and approved by the Registrant's Audit Committee prior to the completion of the audit.
- (2) Audit-Related fees for the fiscal year end February 28, 2013 includes fees billed for agreed upon procedures related to variable municipal term preferred shares. Audit-Related fees for the fiscal year end February 29, 2012 includes fees billed for agreed upon procedures related to auction rate preferred securities.
- (3) Tax fees for the fiscal year end February 28, 2013 includes fees billed for reviewing tax returns. Tax fees for the fiscal year end February 29, 2012 includes fees billed for reviewing tax returns.

**Fees Billed by PWC Related to Invesco and Invesco Affiliates**

PWC billed Invesco Advisers, Inc. ( Invesco ), the Registrant's adviser, and any entity controlling, controlled by or under common control with Invesco that provides ongoing services to the Registrant ( Invesco Affiliates ) aggregate fees for pre-approved non-audit services rendered to Invesco and Invesco Affiliates for the last two fiscal years as follows:

	Fees Billed for Non-Audit Services Rendered to Invesco and Invesco Affiliates for fiscal year end 2/28/2013 That Were Required to be Pre-Approved by the Registrant's Audit Committee	Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2013 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>	Fees Billed for Non-Audit Services Rendered to Invesco and Invesco Affiliates for fiscal year end 2/29/2012 That Were Required to be Pre-Approved by the Registrant's Audit Committee	Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/29/2012 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>
Audit-Related Fees	\$ 0	0%	\$ 0	0%
Tax Fees	\$ 0	0%	\$ 0	0%
All Other Fees	\$ 0	0%	\$ 0	0%
Total Fees <sup>(2)</sup>	\$ 0	0%	\$ 0	0%

(1) With respect to the provision of non-audit services, the pre-approval requirement is waived pursuant to a de minimis exception if (i) such services were not recognized as non-audit services by the Registrant at the time of engagement, (ii) the aggregate amount of all such services provided is no more than 5% of the aggregate audit and non-audit fees paid by the Registrant, Invesco and Invesco Affiliates to PWC during a fiscal year; and (iii) such services are promptly brought to the attention of the Registrant's Audit Committee and approved by the Registrant's Audit Committee prior to the completion of the audit.

(2) Including the fees for services not required to be pre-approved by the registrant's audit committee, PWC billed Invesco and Invesco Affiliates aggregate non-audit fees of \$0 for the fiscal year ended February 28, 2013, and \$0 for the fiscal year ended February 29, 2012, for non-audit services rendered to Invesco and Invesco Affiliates.

The Audit Committee also has considered whether the provision of non-audit services that were rendered to Invesco and Invesco Affiliates that were not required to be pre-approved pursuant to SEC regulations, if any, is compatible with maintaining PWC's independence. To the extent that such services were provided, the Audit Committee determined that the provision of such services is compatible with PWC maintaining independence with respect to the Registrant.



**PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES**

**POLICIES AND PROCEDURES**

As adopted by the Audit Committees of

the Invesco Funds (the Funds )

Last Amended May 4, 2010

***Statement of Principles***

Under the Sarbanes-Oxley Act of 2002 and rules adopted by the Securities and Exchange Commission ( SEC ) ( Rules ), the Audit Committees of the Funds (the Audit Committees ) Board of Trustees (the Board ) are responsible for the appointment, compensation and oversight of the work of independent accountants (an Auditor ). As part of this responsibility and to assure that the Auditor 's independence is not impaired, the Audit Committees pre-approve the audit and non-audit services provided to the Funds by each Auditor, as well as all non-audit services provided by the Auditor to the Funds ' investment adviser and to affiliates of the adviser that provide ongoing services to the Funds ( Service Affiliates ) if the services directly impact the Funds ' operations or financial reporting. The SEC Rules also specify the types of services that an Auditor may not provide to its audit client. The following policies and procedures comply with the requirements for pre-approval and provide a mechanism by which management of the Funds may request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations.

Proposed services either may be pre-approved without consideration of specific case-by-case services by the Audit Committees ( general pre-approval ) or require the specific pre-approval of the Audit Committees ( specific pre-approval ). As set forth in these policies and procedures, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committees. Additionally, any fees exceeding 110% of estimated pre-approved fee levels provided at the time the service was pre-approved will also require specific approval by the Audit Committees before payment is made. The Audit Committees will also consider the impact of additional fees on the Auditor 's independence when determining whether to approve any additional fees for previously pre-approved services.

The Audit Committees will annually review and generally pre-approve the services that may be provided by each Auditor without obtaining specific pre-approval from the Audit Committee generally on an annual basis. The term of any general pre-approval runs from the date of such pre-approval through September 30<sup>th</sup> of the following year, unless the Audit Committees consider a different period and state otherwise. The Audit Committees will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of these policies and procedures is to set forth the guidelines to assist the Audit Committees in fulfilling their responsibilities.

***Delegation***

The Audit Committees may from time to time delegate pre-approval authority to one or more of its members who are Independent Trustees. All decisions to pre-approve a service by a delegated member shall be reported to the Audit Committees at the next quarterly meeting.

***Audit Services***

The annual audit services engagement terms will be subject to specific pre-approval of the Audit Committees. Audit services include the annual financial statement audit and other procedures such as tax provision work that is required to be performed by the independent auditor to be able to form an opinion on the Funds ' financial statements. The Audit Committees will obtain, review and consider sufficient information concerning the proposed Auditor to make a reasonable evaluation of the Auditor 's qualifications and independence.

In addition to the annual Audit services engagement, the Audit Committees may grant either general or specific pre-approval of other audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include services such as issuing consents for the inclusion of audited financial statements with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

### ***Non-Audit Services***

The Audit Committees may provide either general or specific pre-approval of any non-audit services to the Funds and its Service Affiliates if the Audit Committees believe that the provision of the service will not impair the independence of the Auditor, is consistent with the SEC's Rules on auditor independence, and otherwise conforms to the Audit Committees' general principles and policies as set forth herein.

### **Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Funds' financial statements or that are traditionally performed by the independent auditor. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters not classified as Audit services; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; and agreed-upon procedures related to mergers, compliance with ratings agency requirements and interfund lending activities.

### **Tax Services**

Tax services include, but are not limited to, the review and signing of the Funds' federal tax returns, the review of required distributions by the Funds and consultations regarding tax matters such as the tax treatment of new investments or the impact of new regulations. The Audit Committees will scrutinize carefully the retention of the Auditor in connection with a transaction initially recommended by the Auditor, the major business purpose of which may be tax avoidance or the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committees will consult with the Funds' Treasurer (or his or her designee) and may consult with outside counsel or advisors as necessary to ensure the consistency of Tax services rendered by the Auditor with the foregoing policy.

No Auditor shall represent any Fund or any Service Affiliate before a tax court, district court or federal court of claims.

Under rules adopted by the Public Company Accounting Oversight Board and approved by the SEC, in connection with seeking Audit Committees' pre-approval of permissible Tax services, the Auditor shall:

1. Describe in writing to the Audit Committees, which writing may be in the form of the proposed engagement letter:
  - a. The scope of the service, the fee structure for the engagement, and any side letter or amendment to the engagement letter, or any other agreement between the Auditor and the Fund, relating to the service; and
  - b. Any compensation arrangement or other agreement, such as a referral agreement, a referral fee or fee-sharing arrangement, between the Auditor and any person (other than the Fund) with respect to the promoting, marketing, or recommending of a transaction covered by the service;
2. Discuss with the Audit Committees the potential effects of the services on the independence of the Auditor; and
3. Document the substance of its discussion with the Audit Committees.

### **All Other Auditor Services**

The Audit Committees may pre-approve non-audit services classified as All other services that are not categorically prohibited by the SEC, as listed in Exhibit 1 to this policy.

### ***Pre-Approval Fee Levels or Established Amounts***

Pre-approval of estimated fees or established amounts for services to be provided by the Auditor under general or specific pre-approval policies will be set periodically by the Audit Committees. Any proposed fees exceeding 110% of the maximum estimated pre-approved fees or established amounts for pre-approved audit and non-audit services will be reported to the Audit Committees at the quarterly Audit Committees

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meeting and will require specific approval by the Audit Committees before payment is made. The Audit Committees will always factor

in the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services and in determining whether to approve any additional fees exceeding 110% of the maximum pre-approved fees or established amounts for previously pre-approved services.

***Procedures***

Generally on an annual basis, Invesco Advisers, Inc. ( Invesco ) will submit to the Audit Committees for general pre-approval, a list of non-audit services that the Funds or Service Affiliates of the Funds may request from the Auditor. The list will describe the non-audit services in reasonable detail and will include an estimated range of fees and such other information as the Audit Committee may request.

Each request for services to be provided by the Auditor under the general pre-approval of the Audit Committees will be submitted to the Funds Treasurer (or his or her designee) and must include a detailed description of the services to be rendered. The Treasurer or his or her designee will ensure that such services are included within the list of services that have received the general pre-approval of the Audit Committees. The Audit Committees will be informed at the next quarterly scheduled Audit Committees meeting of any such services for which the Auditor rendered an invoice and whether such services and fees had been pre-approved and if so, by what means.

Each request to provide services that require specific approval by the Audit Committees shall be submitted to the Audit Committees jointly by the Fund's Treasurer or his or her designee and the Auditor, and must include a joint statement that, in their view, such request is consistent with the policies and procedures and the SEC Rules.

Each request to provide tax services under either the general or specific pre-approval of the Audit Committees will describe in writing: (i) the scope of the service, the fee structure for the engagement, and any side letter or amendment to the engagement letter, or any other agreement between the Auditor and the audit client, relating to the service; and (ii) any compensation arrangement or other agreement between the Auditor and any person (other than the audit client) with respect to the promoting, marketing, or recommending of a transaction covered by the service. The Auditor will discuss with the Audit Committees the potential effects of the services on the Auditor's independence and will document the substance of the discussion.

Non-audit services pursuant to the *de minimis* exception provided by the SEC Rules will be promptly brought to the attention of the Audit Committees for approval, including documentation that each of the conditions for this exception, as set forth in the SEC Rules, has been satisfied.

On at least an annual basis, the Auditor will prepare a summary of all the services provided to any entity in the investment company complex as defined in section 2-01(f)(14) of Regulation S-X in sufficient detail as to the nature of the engagement and the fees associated with those services.

The Audit Committees have designated the Funds' Treasurer to monitor the performance of all services provided by the Auditor and to ensure such services are in compliance with these policies and procedures. The Funds' Treasurer will report to the Audit Committees on a periodic basis as to the results of such monitoring. Both the Funds' Treasurer and management of Invesco will immediately report to the chairman of the Audit Committees any breach of these policies and procedures that comes to the attention of the Funds' Treasurer or senior management of Invesco.

**Exhibit 1 to Pre-Approval of Audit and Non-Audit Services Policies and Procedures**

**Conditionally Prohibited Non-Audit Services (not prohibited if the Fund can reasonably conclude that the results of the service would not be subject to audit procedures in connection with the audit of the Fund's financial statements)**

**Bookkeeping or other services related to the accounting records or financial statements of the audit client**

**Financial information systems design and implementation**

**Appraisal or valuation services, fairness opinions, or contribution-in-kind reports**

**Actuarial services**

**Internal audit outsourcing services**

**Categorically Prohibited Non-Audit Services**

**Management functions**

**Human resources**

**Broker-dealer, investment adviser, or investment banking services**

**Legal services**

**Expert services unrelated to the audit**

**Any service or product provided for a contingent fee or a commission**

**Services related to marketing, planning, or opining in favor of the tax treatment of confidential transactions or aggressive tax position transactions, a significant purpose of which is tax avoidance**

**Tax services for persons in financial reporting oversight roles at the Fund**

**Any other service that the Public Company Oversight Board determines by regulation is impermissible.**

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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- (a) The registrant has a separately-designed standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Members of the audit committee are: David C. Arch, Frank S. Bayley, James T. Bunch, Bruce L. Crockett, Rodney Dammeyer, Larry Soll and Raymond Stickel, Jr.
  
- (b) Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

Investments in securities of unaffiliated issuers is included as part of the reports to stockholders filed under Item 1 of this Form.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

**I.1. PROXY POLICIES AND PROCEDURES INSTITUTIONAL**

<b>Applicable to</b>	Institutional Accounts
<b>Risk Addressed by Policy</b>	breach of fiduciary duty to client under Investment Advisers Act of 1940 by placing Invesco personal interests ahead of client best economic interests in voting proxies
<b>Relevant Law and Other Sources</b>	Investment Advisers Act of 1940
<b>Last Tested Date</b>	
<b>Policy/Procedure Owner</b>	Advisory Compliance, Proxy Committee
<b>Policy Approver</b>	Invesco Risk Management Committee
<b>Approved/Adopted Date</b>	March 2012

The following policies and procedures apply to all institutional accounts, clients and funds managed by Invesco Advisers, Inc. ( Invesco ). These policies and procedures do not apply to any of the retail funds managed by Invesco. See Section I.2 for the proxy policies and procedures applicable to Invesco s retail funds.

**A. POLICY STATEMENT**

Invesco has responsibility for making investment decisions that are in the best interests of its clients. As part of the investment management services it provides to clients, Invesco may be authorized by clients to vote proxies appurtenant to the shares for which the clients are beneficial owners.

Invesco believes that it has a duty to manage clients assets in the best economic interests of its clients and that the ability to vote proxies is a client asset.

Invesco reserves the right to amend its proxy policies and procedures from time to time without prior notice to its clients.

**Voting of Proxies**

Invesco will vote client proxies relating to equity securities in accordance with the procedures set forth below unless a non-ERISA client retains in writing the right to vote, the named fiduciary (e.g., the plan sponsor) of an ERISA client retains in writing the right to direct the plan trustee or a third party to vote proxies, or Invesco determines that any benefit the client might gain from voting a proxy

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would be outweighed by the costs associated therewith. In addition, due to the distinct nature of proxy voting for interests in fixed income assets and stable value wrap agreements, the proxies for such fixed income assets and stable value wrap agreements will be voted in accordance with the procedures set forth in the Proxy Voting for Fixed Income Assets and Stable Value Wrap Agreements section below.

### **Best Economic Interests of Clients**

In voting proxies, Invesco will take into consideration those factors that may affect the value of the security and will vote proxies in a manner in which, in its opinion, is in the best economic interests of clients. Invesco endeavors to resolve any conflicts of interest exclusively in the best economic interests of clients.

## **B. OPERATING PROCEDURES AND RESPONSIBLE PARTIES**

### **ISS Services**

Invesco has contracted with Institutional Shareholder Services Inc. (ISS), an independent third party service provider, to vote Invesco's clients proxies according to ISS proxy voting recommendations determined by ISS pursuant to its then-current US Proxy Voting Guidelines, a summary of which can be found at <http://www.issgovernance.com> and which are deemed to be incorporated herein. In addition, ISS provides proxy analyses, vote recommendations, vote execution and record-keeping services for clients for which Invesco has proxy voting responsibility. On an annual basis, the Proxy Committee will review information obtained from ISS to ascertain whether ISS (i) has the capacity and competency to adequately analyze proxy issues, and (ii) can make such recommendations in an impartial manner and in the best economic interests of Invesco's clients. This may include a review of ISS Policies, Procedures and Practices Regarding Potential Conflicts of Interest and obtaining information about the work ISS does for corporate issuers and the payments ISS receives from such issuers.

Custodians forward to ISS proxy materials for clients who rely on Invesco to vote proxies. ISS is responsible for exercising the voting rights in accordance with the ISS proxy voting guidelines. If Invesco receives proxy materials in connection with a client's account where the client has, in writing, communicated to Invesco that the client, plan fiduciary or other third party has reserved the right to vote proxies, Invesco will forward to the party appointed by client any proxy materials it receives with respect to the account. In order to avoid voting proxies in circumstances where Invesco, or any of its affiliates have or may have any conflict of interest, real or perceived, Invesco has engaged ISS to provide the proxy analyses, vote recommendations and voting of proxies.

In the event that (i) ISS recuses itself on a proxy voting matter and makes no recommendation or (ii) Invesco decides to override the ISS vote recommendation, the Proxy Committee will review the issue and direct ISS how to vote the proxies as described below.

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**Proxy Voting for Fixed Income Assets and Stable Value Wrap Agreements**

Some of Invesco's fixed income clients hold interests in preferred stock of companies and some of Invesco's stable value clients are parties to wrap agreements. From time to time, companies that have issued preferred stock or that are parties to wrap agreements request that Invesco's clients vote proxies on particular matters. ISS does not currently provide proxy analysis or vote recommendations with respect to such proxy votes. Therefore, when a particular matter arises in this category, the investment team responsible for the particular mandate will review the matter and make a recommendation to the Proxy Manager as to how to vote the associated proxy. The Proxy Manager will complete the proxy ballots and send the ballots to the persons or entities identified in the ballots.

**Proxy Committee**

The Proxy Committee shall have seven (7) members, which shall include representatives from portfolio management, operations, and legal/compliance or other functional departments as deemed appropriate and who are knowledgeable regarding the proxy process. A majority of the members of the Proxy Committee shall constitute a quorum and the Proxy Committee shall act by a majority vote of those members in attendance at a meeting called for the purpose of determining how to vote a particular proxy. The Proxy Committee shall keep minutes of its meetings that shall be kept with the proxy voting records of Invesco. The Proxy Committee will appoint a Proxy Manager to manage the proxy voting process, which includes the voting of proxies and the maintenance of appropriate records.

The Proxy Manager shall call for a meeting of the Proxy Committee (1) when override submissions are made; and (2) in instances when ISS has recused itself or has not provided a vote recommendation with respect to an equity security. At such meeting, the Proxy Committee shall determine how proxies are to be voted in accordance with the factors set forth in the section entitled "Best Economic Interests of Clients," above.

The Proxy Committee also is responsible for monitoring adherence to these procedures and engaging in the annual review described in the section entitled "ISS Services," above.

**Recusal by ISS or Failure of ISS to Make a Recommendation**

When ISS does not make a recommendation on a proxy voting issue or recuses itself due to a conflict of interest, the Proxy Committee will review the issue and determine whether Invesco has a material conflict of interest as determined pursuant to the policies and procedures outlined in the "Conflicts of Interest" section below. If Invesco determines it does not have a material conflict of interest, Invesco will direct ISS how to vote the proxies. If Invesco determines it does have a material conflict of interest, the Proxy Committee will follow the policies and procedures set forth in such section.

**Override of ISS Recommendation**

There may be occasions where Invesco investment personnel, senior officers or a member of the Proxy Committee seek to override an ISS recommendation if they believe that an ISS recommendation is not in accordance with the best economic interests of clients. In the event that an individual listed above in this section disagrees with an ISS recommendation on a particular voting issue, the individual shall document in writing the reasons that he/she believes that the ISS recommendation is not in accordance with clients' best economic interests and submit such written documentation to the Proxy Manager for consideration by the Proxy Committee along with the certification attached as Appendix A hereto. Upon review of the documentation and consultation with the individual and others as the Proxy Committee deems appropriate, the Proxy Committee may make a determination to override the ISS voting recommendation if the Committee determines that it is in the best economic interests of clients and the Committee has addressed any conflict of interest.

**Proxy Committee Meetings**

When a Proxy Committee Meeting is called, whether because of an ISS recusal or request for override of an ISS recommendation, the Proxy Committee shall request from the Chief Compliance Officer as to whether any Invesco person has reported a conflict of interest.

The Proxy Committee shall review the report from the Chief Compliance Officer to determine whether a real or perceived conflict of interest exists, and the minutes of the Proxy Committee shall:

- (1) describe any real or perceived conflict of interest,
- (2) determine whether such real or perceived conflict of interest is material,
- (3) discuss any procedure used to address such conflict of interest,
- (4) report any contacts from outside parties (other than routine communications from proxy solicitors), and
- (5) include confirmation that the recommendation as to how the proxies are to be voted is in the best economic interests of clients and was made without regard to any conflict of interest.

Based on the above review and determinations, the Proxy Committee will direct ISS how to vote the proxies as provided herein.

**Certain Proxy Votes May Not Be Cast**

In some cases, Invesco may determine that it is not in the best economic interests of clients to vote proxies. For example, proxy voting in certain countries outside

the United States requires share blocking. Shareholders who wish to vote their proxies must deposit their shares 7 to 21 days before the date of the meeting with a designated depository. During the blocked period, shares to be voted at the meeting cannot be sold until the meeting has taken place and the shares have been returned to the Custodian/Sub-Custodian bank. In addition, voting certain international securities may involve unusual costs to clients, some of which may be related to requirements of having a representative in person attend the proxy meeting. In other cases, it may not be possible to vote certain proxies despite good faith efforts to do so, for instance when inadequate notice of the matter is provided. In the instance of loan securities, voting of proxies typically requires termination of the loan, so it is not usually in the best economic interests of clients to vote proxies on loaned securities. Invesco typically will not, but reserves the right to, vote where share blocking restrictions, unusual costs or other barriers to efficient voting apply. Invesco will not vote if it determines that the cost of voting exceeds the expected benefit to the client. The Proxy Manager shall record the reason for any proxy not being voted, which record shall be kept with the proxy voting records of Invesco.

## CONFLICTS OF INTEREST

### **Procedures to Address Conflicts of Interest and Improper Influence**

In order to avoid voting proxies in circumstances where Invesco or any of its affiliates have or may have any conflict of interest, real or perceived, Invesco has contracted with ISS to provide proxy analyses, vote recommendations and voting of proxies. Unless noted otherwise by ISS, each vote recommendation provided by ISS to Invesco shall include a representation from ISS that ISS has no conflict of interest with respect to the vote. In instances where ISS has recused itself or makes no recommendation on a particular matter, or if an override submission is requested, the Proxy Committee shall determine how to vote the proxy and instruct the Proxy Manager accordingly, in which case the conflict of interest provisions discussed below shall apply.

In effecting the policy of voting proxies in the best economic interests of clients, there may be occasions where the voting of such proxies may present a real or perceived conflict of interest between Invesco, as the investment manager, and Invesco's clients. For each director, officer and employee of Invesco ( Invesco person ), the interests of Invesco's clients must come first, ahead of the interest of Invesco and any Invesco person, including Invesco's affiliates. Accordingly, no Invesco person may put personal benefit, whether tangible or intangible, before the interests of clients of Invesco or otherwise take advantage of the relationship with Invesco's clients. Personal benefit includes any intended benefit for oneself or any other individual, company, group or organization of any kind whatsoever, except a benefit for a client of Invesco, as appropriate. It is imperative that each Invesco person avoid any situation that might compromise, or call into question, the exercise of fully independent judgment that is in the interests of Invesco's clients.

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist if Invesco has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Additional examples of situations where a conflict may exist include:

**Business Relationships** where Invesco manages money for a company or an employee group, manages pension assets or is actively soliciting any such business, or leases office space from a company;

**Personal Relationships** where an Invesco person has a personal relationship with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships; and

**Familial Relationships** where an Invesco person has a known familial relationship relating to a company (e.g. a spouse or other relative who serves as a director of a public company or is employed by the company).

In the event that the Proxy Committee determines that Invesco (or an affiliate) has a material conflict of interest, the Proxy Committee will not take into consideration the relationship giving rise to the conflict of interest and shall, in its sole discretion, either (a) decide to vote the proxies pursuant to ISS general proxy voting guidelines, (b) engage an independent third party to provide a vote recommendation, or (c) contact Invesco's client(s) for direction as to how to vote the proxies.

In the event an Invesco person has a conflict of interest and has knowledge of such conflict of interest, it is the responsibility of such Invesco person to disclose the conflict to the Chief Compliance Officer. When a Proxy Committee meeting is called, the Chief Compliance Officer will report to the Proxy Committee all real or potential conflicts of interest for the Proxy Committee to review and determine whether such conflict is material. If the Proxy Committee determines that such conflict is material and involves a person involved in the proxy voting process, the Proxy Committee may require such person to recuse himself or herself from participating in the discussions regarding the proxy vote item and from casting a vote regarding how Invesco should vote such proxy. An Invesco person will not be considered to have a material conflict of interest if the Invesco person did not know of the conflict of interest and did not attempt to influence the outcome of a proxy vote.

In order to ensure compliance with these procedures, the Proxy Manager and each member of the Proxy Committee shall certify annually as to their compliance with this policy. In addition, any Invesco person who submits an ISS override recommendation to the Proxy Committee shall certify as to their compliance with this policy concurrently with the submission of their override recommendation. A form of such certification is attached as Appendix A.

In addition, members of the Proxy Committee must notify Invesco's Chief Compliance Officer, with impunity and without fear of retribution or retaliation, of any direct, indirect or perceived improper influence exerted by any Invesco person or by an affiliated company's representatives with regard to how Invesco should vote proxies. The Chief Compliance Officer will investigate the allegations and will report his or her findings to the Invesco Risk Management Committee. In the event that it is determined that improper influence was exerted, the Risk Management Committee will determine the appropriate action to take, which actions may include, but are not limited to, (1) notifying the affiliated company's Chief Executive Officer, its Management Committee or Board of Directors, (2) taking remedial action, if necessary, to correct the result of any improper influence where clients have been harmed, or (3) notifying the appropriate regulatory agencies of the improper influence and cooperating fully with these regulatory agencies as required. In all cases, the Proxy Committee shall not take into consideration the improper influence in determining how to vote proxies and will vote proxies solely in the best economic interests of clients.

### **C. RECORDKEEPING**

Records are maintained in accordance with Invesco's Recordkeeping Policy.

#### **Proxy Voting Records**

The proxy voting statements and records will be maintained by the Proxy Manager on-site (or accessible via an electronic storage site of ISS) for the first two (2) years. Copies of the proxy voting statements and records will be maintained for an additional five (5) years by Invesco (or will be accessible via an electronic storage site of ISS). Clients may obtain information about how Invesco voted proxies on their behalf by contacting their client services representative. Alternatively, clients may make a written request for proxy voting information to: Proxy Manager, 1555 Peachtree Street, N.E., Atlanta, Georgia 30309.

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**APPENDIX A**

**ACKNOWLEDGEMENT AND CERTIFICATION**

I acknowledge that I have read the Invesco Proxy Voting Policy (a copy of which has been supplied to me, which I will retain for future reference) and agree to comply in all respects with the terms and provisions thereof. I have disclosed or reported all real or potential conflicts of interest to the Invesco Chief Compliance Officer and will continue to do so as matters arise. I have complied with all provisions of this Policy.

Print Name

Date

Signature

I.1 Proxy Policy Appendix A

Acknowledgement and Certification

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The following individuals are jointly and primarily responsible for the day-to-day management of the Trust:

Thomas Byron, Portfolio Manager, who has been responsible for the Trust since 2009 and has been associated with Invesco and/or its affiliates since 2010. From 1981 to 2010, Mr. Byron was associated with Morgan Stanley Investment Advisors Inc. in an investment management capacity.

Robert Stryker, Portfolio Manager, who has been responsible for the Trust since 2009 and has been associated with Invesco and/or its affiliates since 2010. From 1994 to 2010, Mr. Stryker was associated with Morgan Stanley Investment Advisors Inc. in an investment management capacity.

Robert Wimmel, Portfolio Manager, who has been responsible for the Trust since 2009 and has been associated with Invesco and/or its affiliates since 2010. From 1996 to 2010, Mr. Wimmel was associated with Morgan Stanley Investment Advisors Inc. in an investment management capacity.

***Portfolio Manager Fund Holdings and Information on Other Managed Accounts***

Invesco's portfolio managers develop investment models which are used in connection with the management of certain Invesco Funds as well as other mutual funds for which Invesco or an affiliate acts as sub-adviser, other pooled investment vehicles that are not registered mutual funds, and other accounts managed for organizations and individuals. The Investments chart reflects the portfolio managers' investments in the Funds that they manage. Accounts are grouped into three categories: (i) investments made directly in the Fund, (ii) investments made in an Invesco pooled investment vehicle with the same or similar objectives and strategies as the Fund, and (iii) any investments made in any Invesco Fund or Invesco pooled investment vehicle. The Assets Managed chart reflects information regarding accounts other than the Funds for which each portfolio manager has day-to-day management responsibilities. Accounts are grouped into three categories: (i) other registered investment companies, (ii) other pooled investment vehicles and (iii) other accounts. To the extent that any of these accounts pay advisory fees that are based on account performance (performance-based fees), information on those accounts is specifically broken out. In addition, any assets denominated in foreign currencies have been converted into U.S. Dollars using the exchange rates as of the applicable date.

***Investments***

The following information is as of February 28, 2013:

<b>Portfolio Manager</b>	<b>Dollar Range of Investments in each Fund<sup>1</sup></b>	<b>Dollar Range of Investment in Invesco pooled investment vehicles<sup>2</sup></b>	<b>Dollar Range of all Investments in Funds and Invesco pooled investment vehicles<sup>3</sup></b>
	<b>Invesco Value Municipal Income Trust</b>		
Thomas Byron	None	N/A	\$100,001-\$500,000
Robert Stryker	None	N/A	\$100,001-\$500,000
Robert Wimmel	None	N/A	\$100,001-\$500,000

- 1 This column reflects investments in a Fund's shares beneficially owned by a portfolio manager (as determined in accordance with Rule 16a-1(a) (2) under the Securities Exchange Act of 1934, as amended). Beneficial ownership includes ownership by a portfolio manager's immediate family members sharing the same household.
- 2 This column reflects portfolio managers' investments made either directly or through a deferred compensation or a similar plan in Invesco pooled investment vehicles with the same or similar objectives and strategies as the Fund as of the most recent fiscal year end of the Fund.
- 3 This column reflects the combined holdings from both the Dollar Range of all Investments in Funds and Invesco pooled investment vehicles and the Dollar Range of Investments in each Fund columns.

*Assets Managed*

The following information is as of February 28, 2013:

Portfolio Manager	Other Registered Investment Companies Managed (assets in millions)		Other Pooled Investment Vehicles Managed (assets in millions)		Other Accounts Managed (assets in millions) <sup>4</sup>	
	Number of Accounts	Assets	Number of Accounts	Assets	Number of Accounts	Assets
	Invesco Value Municipal Income Trust					
Thomas Byron	15	\$ 14,129.1	None	None	None	None
Robert Stryker	15	\$ 14,129.1	None	None	None	None
Robert Wimmel	15	\$ 14,129.1	None	None	None	None

*Potential Conflicts of Interest*

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one Fund or other account. More specifically, portfolio managers who manage multiple Funds and/or other accounts may be presented with one or more of the following potential conflicts:

The management of multiple Funds and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each Fund and/or other account. The Adviser and each Sub-Adviser seek to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment models that are used in connection with the management of the Funds.

If a portfolio manager identifies a limited investment opportunity which may be suitable for more than one Fund or other account, a Fund may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible Funds and other accounts. To deal with these situations, the Adviser, each Sub-Adviser and the Funds have adopted procedures for allocating portfolio transactions across multiple accounts.

The Adviser and each Sub-Adviser determine which broker to use to execute each order for securities transactions for the Funds, consistent with its duty to seek best execution of the transaction. However, for certain other accounts (such as mutual funds for which Invesco or an affiliate acts as sub-adviser, other pooled investment vehicles that are not registered mutual funds, and other accounts managed for organizations and individuals), the Adviser and each Sub-Adviser may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, trades for a Fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security or the execution of the transaction, or both, to the possible detriment of the Fund or other account(s) involved.

- 4 These are accounts of individual investors for which Invesco provides investment advice. Invesco offers separately managed accounts that are managed according to the investment models developed by its portfolio managers and used in connection with the management of certain Invesco Funds. These accounts may be invested in accordance with one or more of those investment models and investments held in those accounts are traded in accordance with the applicable models.



Finally, the appearance of a conflict of interest may arise where the Adviser or Sub-Adviser has an incentive, such as a performance-based management fee, which relates to the management of one Fund or account but not all Funds and accounts for which a portfolio manager has day-to-day management responsibilities.

The Adviser, each Sub-Adviser, and the Funds have adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

**Description of Compensation Structure**

*For the Adviser and each affiliated Sub-Adviser*

The Adviser and each Sub-Adviser seek to maintain a compensation program that is competitively positioned to attract and retain high-caliber investment professionals. Portfolio managers receive a base salary, an incentive bonus opportunity and an equity compensation opportunity. Portfolio manager compensation is reviewed and may be modified each year as appropriate to reflect changes in the market, as well as to adjust the factors used to determine bonuses to promote competitive Fund performance. The Adviser and each Sub-Adviser evaluate competitive market compensation by reviewing compensation survey results conducted by an independent third party of investment industry compensation. Each portfolio manager's compensation consists of the following three elements:

*Base Salary.* Each portfolio manager is paid a base salary. In setting the base salary, the Adviser and each Sub-Adviser's intention is to be competitive in light of the particular portfolio manager's experience and responsibilities.

*Annual Bonus.* The portfolio managers are eligible, along with other employees of the Adviser and each Sub-Adviser, to participate in a discretionary year-end bonus pool. The Compensation Committee of Invesco Ltd. reviews and approves the amount of the bonus pool available for the Adviser and each of the Sub-Adviser's investment centers. The Compensation Committee considers investment performance and financial results in its review. In addition, while having no direct impact on individual bonuses, assets under management are considered when determining the starting bonus funding levels. Each portfolio manager is eligible to receive an annual cash bonus which is based on quantitative (i.e. investment performance) and non-quantitative factors (which may include, but are not limited to, individual performance, risk management and teamwork).

Each portfolio manager's compensation is linked to the pre-tax investment performance of the Funds/accounts managed by the portfolio manager as described in Table 1 below.

Table 1

<b>Sub-Adviser</b>	<b>Performance time period<sup>5</sup></b>
Invesco <sup>6</sup>	One-, Three- and Five-year performance against Fund peer group.
Invesco Australia	
Invesco Deutschland	
Invesco Hong Kong <sup>6</sup>	
Invesco Asset Management	
Invesco- Invesco Real Estate <sup>6,7</sup>	Not applicable
Invesco Senior Secured <sup>6,8</sup>	
Invesco Canada <sup>6</sup>	One-year performance against Fund peer group.
	Three- and Five-year performance against entire universe of Canadian funds.

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Invesco Japan<sup>9</sup>

One-, Three- and Five-year performance  
against the appropriate Micropol benchmark.

<sup>5</sup> Rolling time periods based on calendar year-end.

<sup>6</sup> Portfolio Managers may be granted an annual deferral award that vests on a pro-rata basis over a four year period and final payments are based on the performance of eligible Funds selected by the portfolio manager at the time the award is granted.

<sup>7</sup> Portfolio Managers for Invesco Global Real Estate Fund, Invesco Real Estate Fund, Invesco Global Real Estate Income Fund and Invesco V.I. Global Real Estate Fund base their bonus on new operating profits of the U.S. Real Estate Division of Invesco.

<sup>8</sup> Invesco Senior Secured's bonus is based on annual measures of equity return and standard tests of collateralization performance.

<sup>9</sup> Portfolio Managers for Invesco Pacific Growth Fund's compensation is based on the one-, three- and five-year performance against the appropriate Micropol benchmark.

High investment performance (against applicable peer group and/or benchmarks) would deliver compensation generally associated with top pay in the industry (determined by reference to the third-party provided compensation survey information) and poor investment performance (versus applicable peer group) would result in low bonus compared to the applicable peer group or no bonus at all. These decisions are reviewed and approved collectively by senior leadership which has responsibility for executing the compensation approach across the organization.

*Deferred / Long-Term Compensation.* Portfolio managers may be granted an annual deferral award that allows them to select receipt of shares of certain Invesco Funds with a vesting period as well as common shares and/or restricted shares of Invesco Ltd. stock from pools determined from time to time by the Compensation Committee of Invesco Ltd. s Board of Directors. Awards of deferred / long-term compensation typically vest over time, so as to create incentives to retain key talent.

Portfolio managers also participate in benefit plans and programs available generally to all employees.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) As of February 12, 2013, an evaluation was performed under the supervision and with the participation of the officers of the Registrant, including the Principal Executive Officer ( PEO ) and Principal Financial Officer ( PFO ), to assess the effectiveness of the Registrant s disclosure controls and procedures, as that term is defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the Act ), as amended. Based on that evaluation, the Registrant s officers, including the PEO and PFO, concluded that, as of February 12, 2013, the Registrant s disclosure controls and procedures were reasonably designed to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.
- (b) There have been no changes in the Registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by the report that has materially affected, or is reasonably likely to materially affect, the Registrant s internal control over financial reporting.

ITEM 12. EXHIBITS.

12(a) (1) Code of Ethics.

12(a) (2) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

12(a) (3) Not applicable.

12(b) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(b) under the Investment Company Act of 1940.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: Invesco Value Municipal Income Trust

By: /s/ Philip A. Taylor  
Philip A. Taylor  
Principal Executive Officer  
Date: May 9, 2013

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Philip A. Taylor  
Philip A. Taylor  
Principal Executive Officer  
Date: May 9, 2013

By: /s/ Sheri Morris  
Sheri Morris  
Principal Financial Officer  
Date: May 9, 2013

EXHIBIT INDEX

- 12(a) (1) Code of Ethics.
- 12(a) (2) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.
- 12(a) (3) Not applicable.
- 12(b) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(b) under the Investment Company Act of 1940.