

Invesco Insured California Municipal Securities  
Form N-CSR  
May 09, 2011

OMB APPROVAL  
OMB Number: 3235-0570  
Expires: January 31, 2014  
Estimated average burden  
hours per response: 20.6

**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 811-07111**

**Invesco Insured California Municipal Securities**

(Exact name of registrant as specified in charter)

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

(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: 2/28/11

Item 1. Reports to Stockholders.

---

**Annual Report to Shareholders**

**February 28, 2011**

**Invesco Insured California Municipal Securities**  
**NYSE: ICS**

|     |                               |
|-----|-------------------------------|
| 2   | Letters to Shareholders       |
| 4   | Performance Summary           |
| 4   | Management Discussion         |
| 6   | Supplemental Information      |
| 7   | Dividend Reinvestment Plan    |
| 8   | Schedule of Investments       |
| 12  | Financial Statements          |
| 14  | Notes to Financial Statements |
| 20  | Financial Highlights          |
| 21  | Auditor's Report              |
| 22  | Tax Information               |
| T-1 | Trustees and Officers         |

---

## Letters to Shareholders

Philip Taylor

Dear Shareholders:

Enclosed is important information about your Fund and its performance.

I've always believed that companies have an obligation to communicate regularly with their clients, and I believe that obligation is especially critical in the investment industry.

Our website [invesco.com/us](http://invesco.com/us) offers timely market updates and commentary from many of our portfolio managers and other investment professionals, as well as quarterly messages from me. At [invesco.com/us](http://invesco.com/us), you also can obtain information about your account at any hour of the day or night. I invite you to visit and explore the tools and information we offer.

### **Invesco's commitment to investment excellence**

As a strong organization with a single focus—investment management—Invesco today offers investment capabilities to meet the needs of virtually any investor.

Investment excellence is our goal. Let me explain what that means. All of our funds are managed by specialized teams of investment professionals. Each team has a discrete investment perspective and philosophy, and all follow disciplined, repeatable processes governed by strong risk oversight. Our investment-centric culture provides an environment that seeks to reduce distractions, allowing our fund managers to concentrate on what they do best—manage your money.

The importance of investment management expertise is obvious given the markets we've experienced over the last two to three years. We've seen that investment strategies can outperform or underperform their benchmark indexes for a variety of reasons, including where we are in the market cycle, and whether prevailing economic conditions are favorable or unfavorable for that strategy. That's why no investment strategy can guarantee top-tier performance at all times. What investors can expect, and what Invesco offers, are funds that are managed according to their stated investment objectives and strategies, with robust risk oversight using consistent, repeatable investment processes that don't change as short-term external conditions change—investments managed for the long term. This disciplined approach can't guarantee a profit; no investment can do that, since all involve some measure of risk. But it can ensure that your money is managed the way we said it would be.

This adherence to stated investment objectives and strategies allows your financial advisor to build a diversified portfolio that meets your individual risk tolerance and financial goals. It also means that when your goals change, your financial advisor will be able to find an appropriate investment option to meet your needs.

### **Invesco's commitment to you**

Invesco's commitment to you remains stronger than ever. It's one of the reasons we've grown to become one of the world's largest asset managers.

If you have questions about your account, please contact one of our client service representatives at 800 341 2929. If you have a general Invesco-related question or comment for me, I invite you to email me directly at [phil@invesco.com](mailto:phil@invesco.com).

I want to thank you for placing your trust in us. 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,

Philip Taylor

Senior Managing Director, Invesco Ltd.

## 2 Invesco Insured California Municipal Securities

---

Bruce Crockett

Dear Fellow Shareholders:

With 2010 behind us, now is a good time to review our portfolios and ensure that we are adhering to a long-term, diversified investment strategy, which I've mentioned in previous letters. The year was notable for a number of reasons, but I'm sure most of us are grateful for a return to more stable markets and growing signs that the worst of the economic crisis is behind us.

Your Board continued to oversee the Invesco Funds with a strong sense of responsibility for your savings and a deep appreciation for your continued trust. As always, we worked throughout 2010 to manage costs and ensure Invesco continued to place investor interests first.

I'm pleased to report that the latest report from Morningstar affirmed the work we've done and included a number of positive comments regarding your Board's oversight of the Invesco Funds. As background, Morningstar is a leading independent provider of investment research in North America, Europe, Australia and Asia. Morningstar stated, "A fund board's duty is to represent the interests of fund shareholders, ensuring that the funds that it oversees charge reasonable fees and are run by capable advisors with a sound investment process."

Morningstar maintained your Fund Board's "A" grade for Board Quality, praising the Board for taking meaningful steps in recent years to act in fund shareholders' interests. These steps included becoming much more proactive and vocal in overseeing how Invesco votes the funds' shareholders' proxies and requiring each fund trustee to invest more than one year's board compensation in Invesco funds, further aligning our interests with those of our shareholders. Morningstar also cited the work I've done to make myself more available to fund shareholders via email.

I am also pleased that Morningstar recognized the effort and the Fund Board's efforts over the past several years to work together with management at Invesco to enhance performance and sharpen the focus on investors.

Let me close by wishing you a happy and prosperous new year. As always, you're welcome to contact me at [bruce@brucecrockett.com](mailto:bruce@brucecrockett.com) with any questions or concerns you have. We look forward to representing you and serving you in the new year.

Sincerely,

Bruce L. Crockett

Independent Chair

Invesco Funds Board of Trustees

1 Among the criteria Morningstar considers when evaluating a fund board are the degree to which the board is independent of the fund company; board members' financial interests are aligned with those of fund shareholders; the board acts in fund shareholders' interests; and the board works constructively with company management and investment personnel. Morningstar first awarded an "A" rating to the Invesco Funds board on September 13, 2007; that rating has been maintained in subsequent reports, the most recent of which was released December 17, 2010. Ratings are subject to change, usually every 12 to 24 months. Morningstar ratings range from "A" to "F."

### 3 Invesco Insured California Municipal Securities

---

## Management's Discussion of Trust Performance

### Performance summary

Please note that the fiscal year-end for Invesco Insured California Municipal Securities has changed to February 28. Therefore, the period covered by this report is from October 31, 2010, the date of the last annual report, through February 28, 2011, the Trust's new fiscal year-end.

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, 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. A main contributor to the Trust's return on an NAV basis was its exposure to state general obligation bonds.

### Performance

*Cumulative total returns, 10/31/10 to 2/28/11*

|  |        |
|--|--------|
| Trust at NAV                               | -6.79% |
| Trust at Market Value                      | -6.91  |
| Market Price Discount to NAV as of 2/28/11 | -8.01  |

*The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Investment return, net asset value and common share market price will fluctuate so that you may have a gain or loss when you sell shares. Please visit [invesco.com/performance](http://invesco.com/performance) for the most recent month-end performance. Performance figures reflect Trust expenses, the reinvestment of distributions (if any) and changes in net asset value (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 California investors with current income exempt from federal and California income tax, primarily by investing in a non-diversified portfolio of California municipal securities that are insured at the time of purchase.

We seek to achieve the Trust's investment objective by investing primarily in insured municipal obligations that are rated A or higher by at least one nationally recognized statistical rating organization and are exempt from federal and/or California income tax. Municipal obligations include municipal bonds, municipal notes, municipal commercial paper and lease obligations. The Trust may invest in taxable or tax-exempt investment grade securities, or if not rated, securities we determine to be of comparable quality. 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.

**Top Five Fixed Income Holdings**

|  |      |
|--|------|
| 1. Yosemite Community College District                             | 5.2% |
| 2. San Francisco (City & County of)<br>Public Utilities Commission | 4.3  |
| 3. California Infrastructure & Economic Development Bank           | 3.7  |
| 4. Washington Unified School District                              | 3.1  |
| 5. University of California  | 3.0  |

|                  |                   |
|------------------|-------------------|
| Total Net Assets | \$46.3<br>million |
|------------------|-------------------|

|                          |    |
|--------------------------|----|
| Total Number of Holdings | 97 |
|--------------------------|----|

**Portfolio Composition**

*By credit sector, based on total investments*

|                          |       |
|--------------------------|-------|
| Revenue Bonds            | 62.7% |
| General Obligation Bonds | 29.7  |
| Pre-refunded Bonds       | 4.3   |
| Other                    | 3.3   |

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

Sell decisions 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**

In the U.S. and most of the developed world, a gradual and somewhat lackluster recovery continued, with central banks keeping interest rates at low levels, and with few of them withdrawing their quantitative easing measures. This helped private sector companies improve their balance sheets and earnings following the global financial crisis that began to dissipate in early 2009. However, investor skepticism of global governments' abilities to retire huge amounts of debt without affecting economic growth rates caused sovereign debt distress (especially for eurozone countries) and became a focal point of investor concern.

In the U.S., economic recovery was present, although the pace was modest as stubbornly high unemployment and export weakness continued to weigh on the economy. Real gross domestic product (GDP), the broadest measure of overall U.S. economic activity, increased at an annual rate of 3.1% in the fourth quarter of 2010, a marked improvement from the 2.6% decrease in 2009.<sup>1</sup> The U.S. Federal Reserve (the Fed) maintained a very accommodative monetary policy throughout the period, with the federal funds target rate unchanged in its range of zero to 0.25%.<sup>2</sup> The Fed recently described its view of the U.S. economy by stating: "The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period."<sup>2</sup>

#### **4 Invesco Insured California Municipal Securities**

---



While many states currently face budgetary challenges, perhaps California has received more press than most. The state still benefits from its large and diverse economic base and above-average wealth. However, its large exposure to the housing crisis, falling tax revenues and recent budgetary shortfalls pose considerable challenges.

During the four-month period covered by this report, municipal bond mutual funds experienced extensive net outflows. Market volatility was heightened across the municipal asset class as U.S. Treasury yields increased and the market was flooded with new issuance during the last two months of 2010 in anticipation of the Build America Bond (BAB) program ending. These factors contributed to rising investor fears regarding the health of municipal finances, leading to redemptions and lower municipal bond prices.

The Trust's exposure to the 15- to 20-year part of the yield curve and the long end (20+ years) of the yield curve detracted from returns as yields increased during most of the reporting period. Some of our yield curve and duration positioning was obtained through the use of inverse floating rate securities. Inverse floating rate securities are instruments which have an inverse relationship to a referenced interest rate. Inverse floating rate securities can be a more efficient means by which to manage duration, yield curve exposure and credit exposure and potentially can enhance yield.

Sector performance was driven by quality spread widening for most of the reporting period before tightening in February, largely due to increased volatility and higher tax-exempt issuance. As a result, BBB-rated and lower credit quality sectors underperformed. Our allocation to the BBB-rated sector benefited Trust performance as we limited our exposure to these market segments.

At the sector level, our allocations to state general obligation bonds and water/sewer bonds contributed to returns for the reporting period. However, this was offset by our local general obligation bond exposure.

As stated earlier, the Trust trades at a market price and also has an NAV. For the four-month reporting period, the Trust traded at a discount to its underlying NAV.

Thank you for investing in Invesco Insured California Municipal Securities and for sharing our long-term investment horizon.

1 Bureau of Economic Analysis

2 U.S. Federal Reserve

*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.

**Thomas Byron**

Portfolio manager, is manager of Invesco Insured California Municipal Securities. Mr. Byron joined Invesco in 2010. He was associated with the Trust's previous investment adviser or its investment advisory affiliates in an investment management capacity from 1981 to 2010 and began managing the Trust in 2009. Mr. Byron earned a B.S. in finance from Marquette University and an M.B.A. in finance from DePaul University.

**Robert Stryker**

Chartered Financial Analyst, portfolio manager, is manager of Invesco Insured California Municipal Securities. Mr. Stryker joined Invesco in 2010. He was associated with the Trust's previous investment adviser or its investment advisory affiliates in an investment management capacity from 1994 to 2010 and began managing the Trust in 2009. Mr. Stryker earned a B.S. in finance from the University of Illinois, Chicago.

**Robert Wimmel**

Portfolio manager, is manager of Invesco Insured California Municipal Securities. Mr. Wimmel joined Invesco in 2010. He 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. Mr. Wimmel earned a B.A. in anthropology from the University of Cincinnati and an M.A. in economics from the University of Illinois,

Chicago.

**5 Invesco Insured California Municipal Securities**

---

**Invesco Insured California Municipal Securities investment objective is to provide current income which is exempt from both federal and California income taxes.**

n Unless otherwise stated, information presented in this report is as of February 28, 2011, and is based on total net assets.

n Unless otherwise noted, all data provided by Invesco.

n To access your Trust's reports, visit [invesco.com/fundreports](http://invesco.com/fundreports).

**Principal risks of investing in the Trust**

n The prices of securities held by the Trust may decline in response to market risks.

n Other risks are described and defined later in this report.

**Other information**

n The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

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**

**ICS**

**6 Invesco Insured California Municipal Securities**

---

### **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 10 business days 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**

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.

**To obtain a complete copy of the 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, 2011

|  | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount<br/>(000)</b> | <b>Value</b> |
|--|--------------------------|--------------------------|---------------------------------------|--------------|
| <b>Municipal Obligations 105.76%</b>   |                          |                          |                                       |              |
| California 103.11%   |                          |                          |                                       |              |
| Alameda (County of) Joint Powers Authority (Juvenile Justice Refunding); Series 2008 A, Lease RB (INS AGM <sup>(a)</sup> )                 | 5.00%                    | 12/01/24                 | \$ 235                                | \$ 241,531   |
| Alhambra Unified School District (Election of 2004); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(a)</sup> ) <sup>(b)</sup>    | 0.00%                    | 08/01/35                 | 280                                   | 53,189       |
| Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(a)</sup> ) <sup>(b)</sup>   | 0.00%                    | 08/01/36                 | 450                                   | 79,511       |
| Alvord Unified School District (Election of 2007); Series 2008 A, Unlimited Tax GO Bonds (INS AGM <sup>(a)</sup> )                         | 5.00%                    | 08/01/28                 | 185                                   | 180,889      |
| Anaheim (City of) Public Financing Authority (Electric System Distribution Facilities); Series 2007 A, RB (INS NATL <sup>(a)</sup> )       | 4.50%                    | 10/01/37                 | 750                                   | 648,352      |
| Bay Area Toll Authority (San Francisco Bay Area); Series 2009 F-1, Toll Bridge RB <sup>(c)</sup>   | 5.25%                    | 04/01/26                 | 680                                   | 711,192      |
| Series 2009 F-1, Toll Bridge RB <sup>(c)</sup>   | 5.25%                    | 04/01/29                 | 760                                   | 783,963      |
| Beverly Hills Unified School District (Election of 2008); Series 2009, Unlimited Tax CAB GO Bonds <sup>(b)</sup>                           | 0.00%                    | 08/01/26                 | 205                                   | 83,605       |
| Series 2009, Unlimited Tax CAB GO Bonds <sup>(b)</sup>   | 0.00%                    | 08/01/32                 | 430                                   | 112,901      |
| California (State of) Health Facilities Financing Authority (Children's Hospital Los Angeles); Series 2010 A, RB (INS AGM <sup>(a)</sup> ) | 5.25%                    | 07/01/38                 | 450                                   | 411,349      |
| California (State of) Health Facilities Financing Authority (Scripps Health); Series 2010 A, RB  | 5.00%                    | 11/15/36                 | 250                                   | 218,603      |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|  |       |          |       |           |
|--|-------|----------|-------|-----------|
| California (State of) Health Facilities Financing Authority<br>(Sutter Health); Series 2011 B, RB  | 5.50% | 08/15/26 | 250   | 251,717   |
| California (State of) Municipal Finance Authority<br>(Community Hospitals of Central California Obligated<br>Group); Series 2007, COP              | 5.00% | 02/01/19 | 250   | 249,183   |
| California (State of) Municipal Finance Authority<br>(Eisenhower Medical Center); Series 2010 A, RB  | 5.75% | 07/01/40 | 250   | 230,128   |
| California (State of) Pollution Control Financing Authority<br>(San Jose Water Co.); Series 2010 A, RB   | 5.10% | 06/01/40 | 300   | 278,712   |
| California (State of) Public Works Board (Department of<br>Mental Health Coalinga State Hospital); Series 2004 A,<br>Lease RB                      | 5.00% | 06/01/25 | 230   | 218,173   |
| California (State of) Statewide Communities Development<br>Authority (American Baptist Homes of the West);<br>Series 2010, RB                      | 6.25% | 10/01/39 | 250   | 235,740   |
| California (State of) Statewide Communities Development<br>Authority (Cottage Health System Obligated Group);<br>Series 2010, RB                   | 5.25% | 11/01/30 | 275   | 259,831   |
| California Infrastructure & Economic Development Bank;<br>Series 2003 A, First Lien Bay Area Toll Bridges Seismic<br>Retrofit RB <sup>(d)(e)</sup> | 5.00% | 01/01/28 | 1,500 | 1,687,380 |
| California State University;<br>Series 2005 A, Systemwide RB (INS AMBAC <sup>(3)</sup> )   | 5.00% | 11/01/35 | 500   | 460,100   |
| Series 2008 A, Systemwide RB (INS AGM <sup>(3)</sup> )   | 5.00% | 11/01/39 | 450   | 414,648   |
| Campbell Union High School District; Series 2008,<br>Unlimited Tax GO Bonds (INS AGC <sup>(3)</sup> )  | 5.00% | 08/01/35 | 590   | 549,467   |
| Chino Basin Regional Financing Authority (Inland Empire<br>Utilities Agency); Series 2008 A, RB (INS AMBAC <sup>(3)</sup> )                        | 5.00% | 11/01/33 | 250   | 241,110   |
| Clovis Unified School District (Election of 2004);<br>Series 2004 A, Unlimited Tax CAB GO Bonds<br>(INS NATL <sup>(3)</sup> ) <sup>(b)</sup>       | 0.00% | 08/01/29 | 105   | 32,023    |
| Desert Community College District (Election of 2004);<br>Series 2007 C, Unlimited Tax GO Bonds (INS AGM <sup>(3)</sup> )                           | 5.00% | 08/01/37 | 500   | 471,665   |
| Dry Creek Joint Elementary School District (Election of<br>2008); Series 2009 E, Unlimited Tax CAB GO Bonds <sup>(b)</sup>                         | 0.00% | 08/01/48 | 2,860 | 207,150   |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|  |       |          |       |           |
|--|-------|----------|-------|-----------|
| El Segundo Unified School District (Election of 2008);<br>Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(b)</sup>   | 0.00% | 08/01/33 | 615   | 134,574   |
| Gilroy Unified School District (Election of 2008);<br>Series 2009 A, Unlimited Tax CAB GO Bonds<br>(INS AGC <sup>(a)</sup> ) <sup>(b)</sup>                                  | 0.00% | 08/01/29 | 750   | 219,938   |
| Golden State Tobacco Securitization Corp.; Series 2005 A,<br>Enhanced Tobacco Settlement Asset-Backed RB<br>(INS FGIC <sup>(a)</sup> )                                       | 5.00% | 06/01/38 | 1,000 | 832,730   |
| Grossmont Union High School District (Election of 2004);<br>Series 2006, Unlimited Tax CAB GO Bonds<br>(INS NATL <sup>(a)</sup> ) <sup>(b)</sup>                             | 0.00% | 08/01/24 | 775   | 340,636   |
| Grossmont-Cuyamaca Community College District (Election<br>of 2002); Series 2008 C, Unlimited Tax CAB GO Bonds<br>(INS AGC <sup>(a)</sup> ) <sup>(b)</sup>                   | 0.00% | 08/01/30 | 775   | 209,064   |
| Huntington Beach Union High School District (Election of<br>2004); Series 2004, Unlimited Tax GO Bonds (INS AGM <sup>(a)</sup> )   | 5.00% | 08/01/26 | 1,280 | 1,284,736 |
| Irvine (City of) (Reassessment District No. 85-7);<br>Series 2007 A, VRD Limited Obligation Improvement<br>Special Assessment Bonds (INS AGM <sup>(a)</sup> ) <sup>(f)</sup> | 0.29% | 09/02/32 | 600   | 600,000   |

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

**8 Invesco Insured California Municipal Securities**

---



|   | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount<br/>(000)</b> | <b>Value</b> |
|---|--------------------------|--------------------------|---------------------------------------|--------------|
| California (continued)  |                          |                          |                                       |              |
| Kern (County of) Board of Education; Series 2006 A, Ref. COP (INS NATL <sup>(3)</sup> )   | 5.00%                    | 06/01/31                 | \$ 1,110                              | \$ 1,016,627 |
| Kern (County of) Water Agency Improvement District No. 4; Series 2008 A, COP (INS AGC <sup>(3)</sup> )  | 5.00%                    | 05/01/28                 | 245                                   | 242,893      |
| La Quinta (City of) Financing Authority; Series 2004 A, Tax Allocation RB (INS AMBAC <sup>(3)</sup> )   | 5.25%                    | 09/01/24                 | 1,100                                 | 1,053,602    |
| Los Angeles (City of) Department of Airports (Los Angeles International Airport); Series 2010 A, Sr. RB   | 5.00%                    | 05/15/35                 | 250                                   | 238,833      |
| Los Angeles (City of) Department of Water & Power; Series 2001 A Subseries A-1, Power System RB (INS AGM <sup>(3)</sup> )                           | 5.25%                    | 07/01/21                 | 1,000                                 | 1,012,280    |
| Series 2007 Subseries A-1, Power System RB (INS AMBAC <sup>(3)</sup> )  | 5.00%                    | 07/01/39                 | 300                                   | 286,641      |
| Los Angeles (City of); Series 2004 A, Unlimited Tax GO Bonds (INS NATL <sup>(3)</sup> )   | 5.00%                    | 09/01/24                 | 1,030                                 | 1,065,823    |
| Los Angeles (County of) Metropolitan Transportation Authority; Series 2005 A, Proposition A First Tier Sr. Sales Tax RB (INS AMBAC <sup>(3)</sup> ) | 5.00%                    | 07/01/35                 | 450                                   | 450,927      |
| Series 2006 A, Proposition C Ref. Second Sr. Sales Tax RB (INS AGM <sup>(3)</sup> )   | 4.50%                    | 07/01/29                 | 500                                   | 492,910      |
| Metropolitan Water District of Southern California; Series 2009 B, Ref. Water RB <sup>(c)</sup>   | 5.00%                    | 07/01/27                 | 1,240                                 | 1,307,791    |
| Moorpark Unified School District (Election of 2008); Series 2009 A, Unlimited Tax CAB GO Bonds (INS AGC <sup>(3)(b)</sup> )                         | 0.00%                    | 08/01/31                 | 2,000                                 | 494,480      |
| Moreland School District (Crossover); Series 2014 C, Ref. Unlimited Tax CAB GO Bonds (INS AMBAC <sup>(3)(b)</sup> )                                 | 0.00%                    | 08/01/29                 | 315                                   | 91,293       |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|   |       |          |       |         |
|---|-------|----------|-------|---------|
| Murrieta Valley Unified School District Public Financing Authority (Election of 2006); Series 2008, Unlimited Tax CAB GO Bonds (INS AGM <sup>(3)</sup> ) <sup>(b)</sup> | 0.00% | 09/01/31 | 1,020 | 255,265 |
| Series 2008, Unlimited Tax CAB GO Bonds (INS AGM <sup>(3)</sup> ) <sup>(b)</sup>  | 0.00% | 09/01/33 | 820   | 178,112 |
| Oakland (City of) Joint Powers Financing Authority (Oakland Administration Buildings); Series 2008 B, Ref. Lease RB (INS AGC <sup>(3)</sup> )                           | 5.00% | 08/01/26 | 235   | 236,730 |
| Orange (County of) Water District; Series 2003 B, COP (INS NATL <sup>(3)</sup> )  | 5.00% | 08/15/34 | 250   | 247,270 |
| Oxnard (City of) Finance Authority (Redwood Trunk Sewer & Headworks); Series 2004 A, RB (INS NATL <sup>(3)</sup> )  | 5.00% | 06/01/29 | 1,000 | 975,370 |
| Patterson Joint Unified School District (Election of 2008); Series 2008 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(3)</sup> ) <sup>(b)</sup>                          | 0.00% | 03/01/49 | 3,920 | 271,617 |
| Planada Elementary School District (Election of 2008); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(3)</sup> ) <sup>(b)</sup>                               | 0.00% | 07/01/49 | 2,095 | 148,033 |
| Poway Unified School District (Election of 2008 School Facilities Improvement District No. 2007-1); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(b)</sup>            | 0.00% | 08/01/30 | 790   | 214,319 |
| Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(b)</sup>  | 0.00% | 08/01/31 | 730   | 183,719 |
| Rancho Mirage Redevelopment Agency; Series 2003 A, Tax Allocation Housing Bonds (INS NATL <sup>(3)</sup> )  | 5.00% | 04/01/33 | 1,000 | 814,770 |
| Redding (City of); Series 2008 A, Electric System Revenue COP (INS AGM <sup>(3)</sup> )   | 5.00% | 06/01/27 | 360   | 357,793 |
| Riverside (City of); Series 2008 D, Electric RB (INS AGM <sup>(3)</sup> )   | 5.00% | 10/01/28 | 500   | 499,105 |
| Rocklin Unified School District (Community Facilities District No. 2); Series 2007, Special Tax CAB (INS NATL <sup>(3)</sup> ) <sup>(b)</sup>                           | 0.00% | 09/01/34 | 1,235 | 223,868 |
| Series 2007, Special Tax CAB (INS NATL <sup>(3)</sup> ) <sup>(b)</sup>  | 0.00% | 09/01/35 | 1,255 | 210,752 |
| Series 2007, Special Tax CAB (INS NATL <sup>(3)</sup> ) <sup>(b)</sup>  | 0.00% | 09/01/36 | 1,230 | 190,318 |
| Series 2007, Special Tax CAB (INS NATL <sup>(3)</sup> ) <sup>(b)</sup>  | 0.00% | 09/01/37 | 1,025 | 147,149 |
| Roseville Joint Union High School District (Election of 2004); Series 2007 C, Unlimited Tax CAB GO Bonds  | 0.00% | 08/01/25 | 675   | 269,473 |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

(INS AGM<sup>3</sup>)<sup>(b)</sup>

|  |       |          |       |           |
|--|-------|----------|-------|-----------|
| Sacramento (City of) Financing Authority (Solid Waste and Redevelopment); Series 1999, Capital Improvement RB <sup>(d)</sup> | 5.75% | 12/01/22 | 180   | 171,128   |
| Sacramento (County of); Series 2010, Sr. Airport System RB   | 5.00% | 07/01/40 | 350   | 314,338   |
| Sacramento Municipal Utility District; Series 2008 U, Electric RB (INS AGM <sup>3</sup> )                                    | 5.00% | 08/15/24 | 1,000 | 1,029,210 |
| San Diego (County of) Regional Airport Authority; Series 2010 A, Sub. Airport RB   | 5.00% | 07/01/40 | 250   | 221,140   |
| San Diego (County of) Water Authority; Series 2004 A, Water Revenue COP (INS AGM <sup>3</sup> )                              | 5.00% | 05/01/29 | 700   | 701,652   |
| San Francisco (City & County of) (Laguna Honda Hospital); Series 2005 I, Unlimited Tax GO Bonds (INS AGM <sup>3</sup> )      | 5.00% | 06/15/30 | 1,360 | 1,362,557 |
| San Francisco (City & County of) Airports Commission (San Francisco International Airport); Series 2010 F, Second Series RB  | 5.00% | 05/01/40 | 500   | 449,165   |

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

**9 Invesco Insured California Municipal Securities**

---

|   | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount<br/>(000)</b> | <b>Value</b> |
|---|--------------------------|--------------------------|---------------------------------------|--------------|
| California (continued)  |                          |                          |                                       |              |
| San Francisco (City & County of) Public Utilities<br>Commission; Series 2001 A, Water RB (INS AGM <sup>3</sup> )  | 5.00%                    | 11/01/31                 | \$ 2,000                              | \$ 2,001,380 |
| San Jose (City of); Series 2001 A, Airport RB<br>(INS NATL <sup>3</sup> )   | 5.00%                    | 03/01/25                 | 1,000                                 | 1,000,370    |
| San Jose Evergreen Community College District (Election<br>of 2004); Series 2008 B, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>3</sup> ) <sup>(b)</sup>                  | 0.00%                    | 09/01/32                 | 1,000                                 | 232,460      |
| Simi Valley (City of) (Capital Improvement); Series 2004,<br>COP (INS AMBAC <sup>3</sup> )  | 5.00%                    | 09/01/30                 | 1,000                                 | 929,890      |
| Simi Valley Unified School District (Election of 2004);<br>Series 2007 C, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>3</sup> ) <sup>(b)</sup>                            | 0.00%                    | 08/01/28                 | 480                                   | 153,269      |
| Series 2007 C, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>3</sup> ) <sup>(b)</sup>   | 0.00%                    | 08/01/30                 | 380                                   | 103,884      |
| Southern California Public Power Authority (Southern<br>Transmission);<br>Series 2000 A, VRD Ref. Sub. RB (INS AGM <sup>3</sup> ) <sup>(f)</sup>                          | 0.32%                    | 07/01/23                 | 1,000                                 | 1,000,000    |
| Series 2002 A, Ref. Sub. RB (INS AGM <sup>3</sup> )   | 5.25%                    | 07/01/18                 | 1,000                                 | 1,050,290    |
| Turlock (City of) Irrigation District; Series 2010 A, Ref. RB   | 5.00%                    | 01/01/35                 | 300                                   | 273,510      |
| Tustin Unified School District (School Facilities<br>Improvement District No. 2002-1, Election of 2002);<br>Series 2008 C, Unlimited Tax GO Bonds (INS AGM <sup>3</sup> ) | 5.00%                    | 06/01/28                 | 250                                   | 252,482      |
| Twin Rivers Unified School District (School Facility Bridge<br>Funding Program); Series 2007, COP (INS AGM <sup>3</sup> ) <sup>(e)(g)</sup>                               | 3.50%                    | 05/31/13                 | 500                                   | 500,000      |
| Twin Rivers Unified School District; Series 2009, Unlimited<br>Tax CAB GO BAN <sup>(b)</sup>  | 0.00%                    | 04/01/14                 | 250                                   | 227,078      |
| University of California;<br>Series 2007 A, Medical Center Pooled RB (INS NATL <sup>3</sup> )   | 4.50%                    | 05/15/37                 | 1,000                                 | 812,030      |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|  |       |          |       |            |
|--|-------|----------|-------|------------|
| Series 2009 O, General RB  | 5.25% | 05/15/39 | 500   | 495,955    |
| Series 2009 Q, General RB <sup>(c)(h)</sup>  | 5.00% | 05/15/34 | 1,435 | 1,386,138  |
| Upland Unified School District (Election of 2000);<br>Series 2001 B, Unlimited Tax GO Bonds (INS AGM <sup>3</sup> )                            | 5.13% | 08/01/25 | 1,000 | 1,024,770  |
| Val Verde Unified School District (Refunding and School<br>Construction); Series 2005 B, COP (INS NATL <sup>3</sup> )                          | 5.00% | 01/01/30 | 675   | 594,871    |
| Washington Unified School District (Election of 2004);<br>Series 2004 A, Unlimited Tax GO Bonds (INS NATL <sup>3</sup> )                       | 5.00% | 08/01/22 | 1,375 | 1,429,340  |
| West Basin Municipal Water District; Series 2008 B, Ref.<br>COP (INS AGC <sup>3</sup> )  | 5.00% | 08/01/27 | 245   | 248,327    |
| Yosemite Community College District (Election of 2004);<br>Series 2008 C, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>3</sup> ) <sup>(b)</sup> | 0.00% | 08/01/25 | 570   | 229,345    |
| Series 2008 C, Unlimited Tax GO Bonds (INS AGM <sup>3</sup> ) <sup>(c)</sup>   | 5.00% | 08/01/32 | 2,515 | 2,414,274  |
| Yucaipa Valley Water District; Series 2004 A, COP<br>(INS NATL <sup>3</sup> )  | 5.25% | 09/01/24 | 1,000 | 995,980    |
|  |       |          |       | 47,716,386 |
| Guam 0.20%   |       |          |       |            |
| Guam (Territory of) (Section 30); Series 2009 A, Limited<br>Obligation RB  | 5.63% | 12/01/29 | 95    | 93,746     |
| Puerto Rico 1.39%  |       |          |       |            |
| Puerto Rico Electric Power Authority; Series 2010 XX,<br>Power RB  | 5.25% | 07/01/40 | 200   | 174,446    |
| Puerto Rico Sales Tax Financing Corp.;<br>Series 2009 A, First Sub. Sales Tax RB <sup>(d)(e)(g)</sup>  | 5.00% | 08/01/11 | 240   | 244,757    |
| Series 2010 C, First Sub. Sales Tax RB   | 5.00% | 08/01/35 | 250   | 222,548    |
|  |       |          |       | 641,751    |

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

**10 Invesco Insured California Municipal Securities**

---

|  | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value         |
|--|------------------|------------------|------------------------------|---------------|
| Virgin Islands 1.06%   |                  |                  |                              |               |
| Virgin Islands Public Finance Authority (Matching Fund Loan Note); Series 2010 A, Sr. Lien Working Capital RB  | 5.00%            | 10/01/25         | \$ 250                       | \$ 246,727    |
| Virgin Islands Public Finance Authority (Virgin Islands Matching Fund Loan Note Diageo); Series 2009 A, Sub. RB  | 6.63%            | 10/01/29         | 240                          | 246,761       |
|  |                  |                  |                              | 493,488       |
| TOTAL INVESTMENTS <sup>(i)</sup> 105.76% (Cost \$51,155,977)   |                  |                  |                              | 48,945,371    |
| FLOATING RATE NOTE OBLIGATIONS (8.63)%<br>Notes with interest rates ranging from 0.23% to 0.32% at 02/28/11 and contractual maturities of collateral ranging from 04/01/26 to 05/15/34. (See Note 1H) <sup>(i)</sup> |                  |                  |                              | (3,995,000)   |
| OTHER ASSETS LESS LIABILITIES 2.87%  |                  |                  |                              | 1,328,026     |
| NET ASSETS 100.00%   |                  |                  |                              | \$ 46,278,397 |

Investment Abbreviations:

|       |  |
|-------|--|
| AGC   | Assured Guaranty Corp.                   |
| AGM   | Assured Guaranty Municipal Corp.         |
| AMBAC | American Municipal Bond Assurance Corp.* |
| CAB   | Capital Appreciation Bonds               |
| BAN   | Bond Anticipation Notes                  |
| COP   | Certificates of Participation            |
| FGIC  | Financial Guaranty Insurance Co.         |
| GO    | General Obligation                       |
| INS   | Insurer                                  |
| NATL  | National Public Finance Guarantee Corp.  |
| RB    | Revenue Bonds                            |
| Ref.  | Refunding                                |
| Sr.   | Senior                                   |
| Sub.  | Subordinated                             |
| VRD   | Variable Rate Demand                     |

Notes to Schedule of Investments:

- (a) Principal and/or interest payments are secured by the bond insurance company listed.
- (b) Zero coupon bond issued at a discount.
- (c) Underlying security related to Dealer Trusts entered into by the Trust. See Note 1H.
- (d) Advance refunded; secured by an escrow fund of U.S. Government obligations or other highly rated collateral.
- (e) Security has an irrevocable call by the issuer or mandatory put by the holder. Maturity date reflects such call or put.
- (f) Demand security payable upon demand by the Trust at specified time intervals no greater than thirteen months. Interest rate is redetermined periodically. Rate shown is the rate in effect on February 28, 2011.
- (g) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on February 28, 2011.
- (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 \$955,000. However, such shortfall payment would be reduced by the proceeds from the sale of the security underlying the Dealer Trusts.
- (i) 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.

| <b>Entities</b>                          | <b>Percentage</b> |
|--|-------------------|
| Assured Guaranty Municipal Corp.         | 41.0%             |
| National Public Finance Guarantee Corp.  | 23.2              |
| American Municipal Bond Assurance Corp.* | 7.6               |
| Assured Guaranty Corp.                   | 5.4               |

- (j) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at February 28, 2011. At February 28, 2011, the Trust's investments with a value of \$6,603,358 are held by Dealer Trusts and serve as collateral for the \$3,995,000 in the floating rate note obligations outstanding at that date.

\* AMBAC filed for bankruptcy on November 8, 2010.

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

**11 Invesco Insured California Municipal Securities**

---



**Statement of Assets and Liabilities**

*February 28, 2011*

**Assets:**

|   |               |
|---|---------------|
| Investments, at value (Cost \$51,155,977)                         | \$ 48,945,371 |
| Cash  | 45,929        |
| Receivable for:<br>Investments sold                               | 1,520,063     |
| Interest  | 534,591       |
| Investment for trustee deferred compensation and retirement plans | 1,142         |
| Total assets  | 51,047,096    |

**Liabilities:**

|  |               |
|--|---------------|
| Floating rate note obligations                     | 3,995,000     |
| Payable for:<br>Investments purchased              | 717,276       |
| Accrued fees to affiliates                         | 14            |
| Accrued other operating expenses                   | 55,043        |
| Trustee deferred compensation and retirement plans | 1,366         |
| Total liabilities                                  | 4,768,699     |
| Net assets applicable to shares outstanding        | \$ 46,278,397 |

**Net assets consist of:**

|  |               |
|--|---------------|
| Shares of beneficial interest          | \$ 48,363,372 |
| Undistributed net investment income    | 587,882       |
| Undistributed net realized gain (loss) | (462,251)     |

|  |               |
|--|---------------|
| Unrealized appreciation (depreciation) | (2,210,606)   |
|  | \$ 46,278,397 |

**Shares outstanding, \$0.01 par value per share, with an unlimited number of shares authorized:**

|                           |           |
|---------------------------|-----------|
| Shares outstanding        | 3,399,956 |
| Net asset value per share | \$ 13.61  |
| Market value per share    | \$ 12.52  |

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

**12 Invesco Insured California Municipal Securities**

---

**Statement of Operations***For the period November 1, 2010 to February 28, 2011 and the year ended October 31, 2010*

|  | <b>For the four months<br/>ended February 28,<br/>2011</b> | <b>For the year ended<br/>October 31,<br/>2010</b> |
|--|--|--|
| <b>Investment income:</b>                        |  |  |
| Interest   | \$ 836,378   | \$ 2,602,020                                       |
| <b>Expenses:</b>                                 |  |  |
| Advisory fees                                    | 41,692   | 133,799  |
| Administrative services fees                     | 16,439   | 43,806   |
| Custodian fees                                   | 969  | 1,518  |
| Interest, facilities and maintenance fees        | 11,453   | 39,822   |
| Transfer agent fees                              | 3,699  | 8,075  |
| Trustees and officers fees and benefits          | 7,255  | 5,204  |
| Registration and filing fees                     | 6,250  |  |
| Reports to shareholders                          | 14,088   | 23,803   |
| Professional services fees                       | 13,576   | 59,314   |
| Other  | 2,075  | 43,490   |
| Total expenses                                   | 117,496  | 358,831  |
| Net investment income                            | 718,882  | 2,243,189  |
| <b>Realized and unrealized gain (loss) from:</b> |  |  |
| Net realized gain (loss) from:                   |  |  |
| Investment securities                            | (167,312)  | (429,747)  |
| Futures contracts                                |  | 405,235  |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|   |                |              |
|---|----------------|--------------|
|   | (167,312)      | (24,512)     |
| Change in net unrealized appreciation (depreciation) of:        |                |              |
| Investment securities   | (4,045,263)    | 2,079,811    |
| Futures contracts   |                | (274,043)    |
|   | (4,045,263)    | 1,805,768    |
| Net realized and unrealized gain (loss)                         | (4,212,575)    | 1,781,256    |
| Net increase (decrease) in net assets resulting from operations | \$ (3,493,693) | \$ 4,024,445 |

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

**13 Invesco Insured California Municipal Securities**

---

**Statement of Changes in Net Assets***For the period November 1, 2010 to February 28, 2011 and the years ended October 31, 2010 and 2009*

|  | <b>For the four months<br/>ended February 28,<br/>2011</b> | <b>For the year ended<br/>October 31,<br/>2010</b> | <b>For the year ended<br/>October 31,<br/>2009</b> |
|--|--|--|--|
| <b>Operations:</b>   |  |  |  |
| Net investment income  | \$ 718,882   | \$ 2,243,189                                       | \$ 2,113,777                                       |
| Net realized gain (loss)   | (167,312)  | (24,512)   | 1,452,672  |
| Change in net unrealized appreciation<br>(depreciation)  | (4,045,263)  | 1,805,768  | 3,963,896  |
| Net increase (decrease) in net assets resulting<br>from operations   | (3,493,693)  | 4,024,445  | 7,530,345  |
| Dividends to shareholders from net investment<br>income  | (662,991)  | (1,945,030)  | (2,049,352)  |
| Distributions to shareholders from net realized<br>gains   |  | (1,486,611)  | (12,901)   |
| Increase (decrease) from transactions in shares<br>of beneficial interest  |  | (356,091)  |  |
| Net increase (decrease) in net assets  | (4,156,684)  | 236,713  | 5,468,092  |
| <b>Net assets:</b>   |  |  |  |
| Beginning of period  | 50,435,081   | 50,198,368   | 44,730,276   |
| End of period (includes undistributed net<br>investment income of \$587,882, \$534,969 and<br>\$240,775, respectively) | \$ 46,278,397  | \$ 50,435,081                                      | \$ 50,198,368                                      |

**Notes to Financial Statements***February 28, 2011*

**NOTE 1 Significant Accounting Policies**

Invesco Insured California Municipal Securities (the Trust), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end series management investment company. Effective June 1, 2010, the Trust name changed from Morgan Stanley Insured California Municipal Securities to Invesco Insured California Municipal Securities.

Effective February 28, 2011, the Trust's fiscal year-end changed from October 31 to February 28.

The Trust's investment objective is to provide current income which is exempt from both federal and California income taxes.

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, yield, quality, coupon rate, maturity, type of issue, individual trading characteristics and other market data. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Securities with a demand feature exercisable within one to seven days are valued at par. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and principal payments.

Securities for which market quotations either are not readily available or are 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.

**14 Invesco Insured California Municipal Securities**

---

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** Distributions to common shareholders from income are declared and paid monthly. Distributions from net realized capital gain, if any, are generally paid annually and recorded on ex-dividend date.
- 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-interest 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 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. 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 interest 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.

**I. Futures Contracts** The Trust may enter into futures contracts to manage exposure to interest rate, equity and market price movements and/or currency risks. A futures contract is an agreement between two parties to purchase or sell a specified underlying security, currency or commodity (or delivery of a cash settlement price, in the case of an index future) for a fixed price at a future date. The Trust currently invests only in exchange-traded futures and they are standardized as to maturity date and underlying financial instrument. Initial margin deposits required upon entering into futures contracts are satisfied by the segregation of specific securities or cash as collateral at the futures commission merchant (broker). During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by recalculating the value of the contracts on a daily basis. Subsequent or variation margin payments are received or made depending upon whether unrealized gains or losses are incurred. These amounts are reflected as receivables or payables on the Statement of Assets and Liabilities. When the contracts are closed or expire, the Trust recognizes a realized gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the Trust's basis in the contract. The net realized gain (loss) and the change in unrealized gain (loss) on futures contracts held during the period is included on the Statement of Operations. The primary risks associated with futures contracts are market risk and the absence of a liquid secondary market. If the Trust were unable to liquidate a futures contract and/or enter into an offsetting closing transaction, the Trust would continue to be subject to market risk with respect to the value of the contracts and continue to be required to maintain the margin deposits on the futures contracts. Futures contracts have minimal counterparty risk since the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. Risks may exceed amounts recognized in the Statement of Assets and Liabilities.

**J. Other Risks** The value of, payment of interest on, repayment of principal for and the ability of the Trust 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 in which the Trust invests 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 the Trust.

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.

The Trust may be affected by economic and political developments in the state of California.

**K. Interest, Facilities and Maintenance Fees** Interest, Facilities and Maintenance Fees include interest and related borrowing costs such as commitment fees and other expenses associated with lines of credit and interest and administrative expenses related to establishing and maintaining floating rate note obligations, if any.

## **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). Under the terms of the investment advisory agreement, the Trust pays an advisory fee to the Adviser based on the annual rate 0.27% of the Trust's average weekly net assets including a portion of current preferred shares and leverage entered into to retire outstanding preferred shares of the Trust. Prior June 1, 2010, the Trust paid an advisory fee of \$77,133 to Morgan Stanley Investment Advisors Inc. (MSIA) based on the annual rate and Trust's average weekly net assets as discussed above.

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 Trimark 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 discretionary investment management services to the Trust based on the percentage of assets allocated to such Sub-Adviser(s).

Effective June 1, 2010, the Adviser has contractually agreed, through at least June 30, 2012, to waive advisory fees and/or reimburse expenses to the extent necessary to limit the Trust's expenses (excluding certain items discussed below) to 0.70%. 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; 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 June 30, 2012. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

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. Prior to June 1, 2010, the Trust paid an administration fee of \$22,847 to Morgan Stanley Services Company, Inc. For the period November 1, 2010 to February 28, 2011 and the year ended October 31, 2010, expenses incurred under these agreements are shown in the Statement of Operations as administrative services fees. Also, Invesco has entered into service agreements whereby State Street Bank and Trust Company (SSB) serves as the custodian and fund accountant and provides certain administrative services to the Trust.

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.

The following is a summary of the tiered valuation input levels, as of February 28, 2011. 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.

During the period November 1, 2010 to February 28, 2011, there were no significant transfers between investment levels.

|                       | <b>Level<br/>1</b> | <b>Level 2</b> | <b>Level<br/>3</b> | <b>Total</b>  |
|-----------------------|--------------------|----------------|--------------------|---------------|
| Municipal Obligations | \$                 | \$ 48,945,371  | \$                 | \$ 48,945,371 |

#### **NOTE 4 Derivative Investments**

The Trust has implemented the required disclosures about derivative instruments and hedging activities in accordance with GAAP. This disclosure is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position and financial performance. The enhanced disclosure has no impact on the results of operations reported in the financial statements.

#### **Effect of Derivative Instruments for the period November 1, 2010 to February 28, 2011 and the year ended October 31, 2010**

The table below summarizes the gains (losses) on derivative instruments, detailed by primary risk exposure, recognized in earnings during the period:

| <b>Location of Gain (Loss) on Statement of<br/>Operations</b> |   |
|---|---|
| <b>Futures</b>  |   |
| <b>For the four<br/>months ended</b>                          | <b>For the year ended<br/>October 31, 2010*</b> |

**February 28,  
2011**

|  |    |            |
|--|----|------------|
| Realized Gain                                    |    |            |
| Interest rate risk                               | \$ | \$ 405,235 |
| Change in Unrealized Appreciation (Depreciation) |    |            |
| Interest rate risk                               |    | (274,043)  |
| Total  | \$ | \$ 131,192 |

\* The average notional value of futures outstanding during the year ended October 31, 2010 was \$2,957,399.

#### **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 Funds 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.

During the period November 1, 2010 to February 28, 2011 and the period June 1, 2010 to October 31, 2010, the Trust paid legal fees of \$549 and \$58, respectively, for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

#### **NOTE 6 Cash Balances**

The Trust is permitted to temporarily carry a negative or overdrawn balance in its account with SSB, the custodian bank. 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.

#### **17 Invesco Insured California Municipal Securities**

---

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 period November 1, 2010 to February 28, 2011 were \$4,247,000 and 0.82%, respectively.

**NOTE 7 Distributions to Shareholders and Tax Components of Net Assets**

**Tax Character of Distributions to Shareholders Paid During the Period November 1, 2010 to February 28, 2011 and the Years ended October 31, 2010 and 2009:**

|                        | 2011       | 2010         | 2009         |
|------------------------|------------|--------------|--------------|
| Tax-exempt income      | \$ 662,991 | \$ 1,941,245 | \$ 2,039,395 |
| Ordinary income        |            | 558,393      | 9,957        |
| Long-term capital gain |            | 932,003      | 12,901       |
| Total distributions    | \$ 662,991 | \$ 3,431,641 | \$ 2,062,253 |

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

|  | 2011          |
|--|---------------|
| Undistributed ordinary income                          | \$ 557,515    |
| Net unrealized appreciation (depreciation) investments | (2,179,322)   |
| Temporary book/tax differences                         | (1,229)       |
| Capital loss carryforward                              | (461,939)     |
| Shares of beneficial interest                          | 48,363,372    |
| Total net assets                                       | \$ 46,278,397 |

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 (depreciation) difference is attributable primarily to bond premium amortization/accretion.

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 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 has a capital loss carryforward as of February 28, 2011 which expires as follows:

| <b>Expiration</b>               | <b>Capital Loss Carryforward*</b> |
|---------------------------------|-----------------------------------|
| February 28, 2018               | \$ 294,594                        |
| February 28, 2019               | 167,345                           |
| Total capital loss carryforward | \$ 461,939                        |

\* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

**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 period November 1, 2010 to February 28, 2011 was \$1,238,051 and \$2,706,052, 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          | \$ 748,758     |
| Aggregate unrealized (depreciation) of investment securities        | (2,928,080)    |
| Net unrealized appreciation (depreciation) of investment securities | \$ (2,179,322) |

Cost of investments for tax purposes is \$51,124,693.

**NOTE 9 Reclassification of Permanent Differences**

Primarily as a result of differing book/tax treatment of federal income taxes, on February 28, 2011, undistributed net investment income was decreased by \$2,978, undistributed net realized gain (loss) was decreased by \$32 and shares of beneficial interest increased by \$3,010. This reclassification had no effect on the net assets of the Trust.

**18 Invesco Insured California Municipal Securities**

---

**NOTE 10 Shares of Beneficial Interest**

Transactions in shares of beneficial interest were as follows:

|  | <b>Four months<br/>ended<br/>February 28, 2011</b> | <b>Year ended<br/>October 31, 2010</b> | <b>Year ended<br/>October 31, 2009</b> |
|--|--|--|--|
| Beginning shares   | 3,399,956  | 3,427,554                              | 3,427,554                              |
| Shares Issued Through Dividend Reinvestment<br>(Weighted average discount of 10.13%) |  | (27,598)                               |  |
| Ending shares  | 3,399,956  | 3,399,956                              | 3,427,554                              |

The Trustees have approved share repurchases whereby the 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.

The Trustees have voted to retire the shares purchased.

**NOTE 11 Dividends**

The Trust declared the following dividends to shareholders from net investment income subsequent to February 28, 2011.

| <b>Declaration Date</b> | <b>Amount per<br/>Share</b> | <b>Record Date</b> | <b>Payable Date</b> |
|-------------------------|-----------------------------|--------------------|---------------------|
| March 1, 2011           | \$ 0.050                    | March 15, 2011     | March 31, 2011      |
| April 1, 2011           | \$ 0.050                    | April 15, 2011     | April 29, 2011      |

**19 Invesco Insured California Municipal Securities**

**NOTE 12 Financial Highlights**

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

|  | <b>For the four<br/>months ended<br/>February 28,<br/>2011</b> | <b>2010</b> | <b>2009</b>         | <b>For the year ended<br/>October 31,<br/>2008</b> | <b>2007</b> | <b>2006</b> |
|--|--|-------------|---------------------|--|-------------|-------------|
| Selected per share data:   |  |             |                     |  |             |             |
| Net asset value, beginning of period                             | \$ 14.83   | \$ 14.65    | \$ 13.05            | \$ 14.86   | \$ 15.15    | \$ 15.17    |
| Income (loss) from investment operations:                        |  |             |                     |  |             |             |
| Net investment income <sup>(a)</sup>                             | 0.21   | 0.66        | 0.62                | 0.59   | 0.60        | 0.59        |
| Net realized and unrealized gain (loss)                          | (1.24)   | 0.52        | 1.58                | (1.65)   | (0.26)      | 0.32        |
| Total income (loss) from investment operations                   | (1.03)   | 1.18        | 2.20                | (1.06)   | 0.34        | 0.91        |
| Less dividends and distributions paid to shareholders from:      |  |             |                     |  |             |             |
| Net investment income  | (0.19)   | (0.57)      | (0.60)              | (0.65)   | (0.60)      | (0.61)      |
| Net realized gains   |  | (0.43)      | 0.00 <sup>(b)</sup> | (0.11)   | (0.04)      | (0.35)      |
| Total dividends and distributions paid to shareholders           | (0.19)   | (1.00)      | (0.60)              | (0.76)   | (0.64)      | (0.96)      |
| Anti-dilutive effect of acquiring treasury shares <sup>(a)</sup> |  |             |                     | 0.01   | 0.01        | 0.03        |
| Net asset value, end of period                                   | \$ 13.61   | \$ 14.83    | \$ 14.65            | \$ 13.05   | \$ 14.86    | \$ 15.15    |



Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|  |                      |           |           |                      |                      |                      |
|--|----------------------|-----------|-----------|----------------------|----------------------|----------------------|
| Market value, end of period  | \$ 12.52             | \$ 13.66  | \$ 13.17  | \$ 12.55             | \$ 14.19             | \$ 14.06             |
| Total return at net asset value <sup>(c)</sup>   | (6.79)%              | 9.27%     | 10.11%    | (6.46)%              | 5.54%                | 7.68%                |
| Total return at market value <sup>(c)</sup>  | (6.91)%              | 11.96%    |           |                      |                      |                      |
| Ratios of expenses to average net assets:  |                      |           |           |                      |                      |                      |
| With fee waivers and/or expense reimbursements   | 0.77% <sup>(d)</sup> | 0.72%     | 0.72%     | 0.66% <sup>(e)</sup> | 0.76% <sup>(f)</sup> | 0.61% <sup>(f)</sup> |
| With fee waivers and/or expense reimbursements, excluding interest, facilities and maintenance fees* | 0.70% <sup>(d)</sup> | 0.64%     | 0.71%     | 0.66% <sup>(e)</sup> | 0.62% <sup>(f)</sup> | 0.61% <sup>(f)</sup> |
| Ratio of net investment income to average net assets   | 4.68% <sup>(d)</sup> | 4.53%     | 4.41%     | 4.10%                | 4.05%                | 4.07%                |
| Supplemental data:   |                      |           |           |                      |                      |                      |
| Net assets, end of period (000 s omitted)  | \$ 46,278            | \$ 50,435 | \$ 50,198 | \$ 44,730            | \$ 51,282            | \$ 52,872            |
| Portfolio turnover rate <sup>(g)</sup>   | 2%                   | 12%       | 16%       | 18%                  | 25%                  | 5%                   |

(a) Calculated using average shares outstanding.

(b) Amount is less than \$0.005.

(c) Net asset value return includes adjustments in accordance with accounting principles generally accepted in the United States of America and measures the change in common share s value over the period indicated, taking into account dividends are reinvested. Market value total return is computed based on the New York Stock Exchange market price of the Trust s common shares and excludes the effects of brokerage commissions. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Trust s dividend reinvestment plan.

(d) Ratios are annualized and based on average daily net assets (000 s omitted) of \$46,696.

(e) Does not reflect the effect of expense offset of 0.02%.

(f) Does not reflect the effect of expense offset of 0.01%.

(g) Portfolio turnover is not annualized for periods less than one year, if applicable.

\* For the years ended October 31, 2010 and prior, ratio does not exclude facilities and maintenance fees.

**20 Invesco Insured California Municipal Securities**

**Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of  
Invesco Insured California Municipal Securities:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco Insured California Municipal Securities (hereafter referred to as the Trust ) at February 28, 2011, and the results of its operations, the changes in its net assets and the financial highlights for 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, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The statement of changes in net assets for the year ended October 31, 2009 and the financial highlights of the Trust for the periods ended October 31, 2009 and prior were audited by other independent auditors whose report dated December 24, 2009 expressed an unqualified opinion on those financial statements.

PRICEWATERHOUSECOOPERS LLP

April 21, 2011  
Houston, Texas

**21 Invesco Insured California Municipal Securities**

---

## 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, 2011:

### 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.

## 22 Invesco Insured California Municipal Securities

---

**Trustees and Officers**

The address of each trustee and officer is 1555 Peachtree, 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 | 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 |
|---|-------------------------------|---|---|---------------------------------------|
| <b>Interested Persons</b>                               |                               |   |   |                                       |
| Martin L. Flanagan <sup>1</sup> 1960<br>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, 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</p> | 208   | None                                  |

|   |             |   |            |             |
|---|-------------|---|------------|-------------|
|   |             | <p>Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)</p>   |            |             |
| <p>Philip A. Taylor<sup>2</sup> 1954<br/>Trustee, President and Principal Executive Officer</p> | <p>2010</p> | <p>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, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent) and AIM GP Canada Inc. (general partner for limited partnerships); Director and Chairman, Invesco Investment Services, Inc. (formerly</p> | <p>208</p> | <p>None</p> |

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 Trimark Corporate Class Inc. (corporate mutual fund company) and Invesco Trimark Canada Fund Inc. (corporate mutual fund company); Director and Chief Executive Officer, Invesco Trimark Ltd./Invesco Trimark Ltée (registered investment adviser and registered transfer agent) and Invesco Trimark Dealer Inc. (registered broker dealer); 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 President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); and Director, Van Kampen Asset Management; Director, Chief Executive Officer and President, Van

Kampen Investments Inc. and Van Kampen Exchange Corp.; Director and Chairman, Van Kampen Investor Services Inc. and Director and President, Van Kampen Advisors, Inc.

Formerly: 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 Ltèe; 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 (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.   |     |   |
| Wayne M. Whalen <sup>3</sup><br>Trustee | 1939 | 2010 | Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex   | 226 | Director of the Abraham Lincoln Presidential Library Foundation   |
| <b>Independent Trustees</b>             |      |      |  |     |   |
| Bruce L. Crockett<br>Trustee and Chair  | 1944 | 2010 | Chairman, Crockett Technology Associates (technology consulting company)<br><br>Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company) | 208 | ACE Limited (insurance company); and Investment Company Institute   |
| David C. Arch<br>Trustee                | 1945 | 2010 | Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.  | 226 | Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan |



Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

- <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 Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

**T-1**

---

**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</b>  |
|--|-------------------------------------|--|--|---|
| <b>Independent Trustees</b>                                    |                                     |  |  |   |
| Bob R. Baker 1936<br>Trustee                                   | 2010                                | Retired<br><br>Formerly: President and Chief Executive Officer, AMC Cancer Research Center; and Chairman and Chief Executive Officer, First Columbia Financial Corporation                                   | 208  | None  |
| Frank S. Bayley 1939<br>Trustee                                | 2010                                | Retired<br><br>Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie  | 208  | None  |
| James T. Bunch 1942<br>Trustee                                 | 2010                                | Founder, Green, Manning & Bunch Ltd. (investment banking firm)<br><br>Formerly: Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation | 208  | Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society                                       |
| Rodney Dammeyer 1940<br>Trustee                                | 2010                                | President of CAC, LLC, a private company offering capital investment and management advisory services.<br><br>Formerly: Prior to   | 226  | Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana |

|                                     |             |             |   |            |   |
|-------------------------------------|-------------|-------------|---|------------|---|
|                                     |             |             | <p>January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; 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.</p>  |            | <p>Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.</p> |
| <p>Albert R. Dowden<br/>Trustee</p> | <p>1941</p> | <p>2010</p> | <p>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>Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company);</p> | <p>208</p> | <p>Board of Nature s<br/>Sunshine Products,<br/>Inc.</p>  |

|                            |      |      |   |     |  |
|----------------------------|------|------|---|-----|--|
|                            |      |      | <p>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)</p> |     |  |
| Jack M. Fields<br>Trustee  | 1952 | 2010 | <p>Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit)</p> <p>Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives</p>  | 208 | Administaff                                  |
| Carl Frischling<br>Trustee | 1937 | 2010 | <p>Partner, law firm of Kramer Levin Naftalis and Frankel LLP</p>   | 208 | Director, Reich & Tang Funds (16 portfolios) |

Edgar Filing: Invesco Insured California Municipal Securities - Form N-CSR

|                                 |      |      |  |     |   |
|---------------------------------|------|------|--|-----|---|
| Prema Mathai-Davis<br>Trustee   | 1950 | 2010 | Retired<br><br>Formerly: Chief Executive Officer, YWCA of the U.S.A.   | 208 | None  |
| Larry Soll<br>Trustee           | 1942 | 2010 | Retired<br><br>Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)   | 208 | None  |
| Hugo F. Sonnenschein<br>Trustee | 1940 | 2010 | President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago. | 226 | 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 |
| Raymond Stickel, Jr.<br>Trustee | 1944 | 2010 | Retired<br><br>Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche   | 208 | None  |

T-2

---

**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 |
|---|------------------------------|--|---|---------------------------------------|
| <b>Other Officers</b>   |                              |  |   |                                       |
| Russell C. Burk 1958<br>Senior Vice President and Senior Officer              | 2010                         | Senior Vice President and Senior Officer of Invesco Funds  | N/A   | N/A                                   |
| John M. Zerr 1962<br>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.), Van Kampen Investments 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, | N/A   | N/A                                   |

Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Van Kampen Asset Management; Director and Secretary, Van Kampen Advisors Inc.; Secretary and General Counsel, Van Kampen Funds Inc.; and Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services 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

Formerly: Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, 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

|  |             |             |  |            |            |
|--|-------------|-------------|--|------------|------------|
|  |             |             | <p>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>Lisa O. Brinkley<br/>Vice President</p> | <p>1959</p> | <p>2010</p> | <p>Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and Van Kampen Investor Services Inc.; and Vice President, The Invesco Funds</p> <p>Formerly: Senior Vice President, Invesco Management Group, Inc.; Senior Vice President</p>   | <p>N/A</p> | <p>N/A</p> |





|  |      |  |  |     |     |
|--|------|--|--|-----|-----|
|  |      |  | and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company  |     |     |
| Sheri Morris 1964<br>Vice President, Treasurer and Principal Financial Officer | 2010 |  | Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; and Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser)  | N/A | N/A |
|  |      |  | Formerly: Vice President, Invesco 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. |     |     |
| Karen Dunn Kelley 1960<br>Vice President                                       | 2010 |  | Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser) and Van  | N/A | N/A |

Kampen Investments Inc.; Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); and Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); 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: 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,

|  |             |  |            |            |
|--|-------------|--|------------|------------|
|  |             | <p>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)</p>  |            |            |
| <p>Lance A. Rejsek 1967<br/>Anti-Money Laundering Compliance Officer</p> | <p>2010</p> | <p>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 as Invesco Aim Investment Services, Inc.), The Invesco Funds, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Trust II, PowerShares India Exchange- Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust, Van Kampen Asset Management, Van Kampen Investor Services Inc., and Van Kampen Funds Inc.</p> <p>Formerly: Anti-Money Laundering Compliance Officer, Fund Management Company, Invesco Advisers, Inc.,</p> | <p>N/A</p> | <p>N/A</p> |

 Invesco Aim Capital  
Management, Inc. and  
Invesco Aim Private  
Asset Management, Inc. 

**T-3**

---

**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 |
|---|-------------------------------|--|---|---------------------------------------|
| <b>Other Officers</b>                                   |                               |  |   |                                       |
| Todd L. Spillane 1958<br>Chief Compliance Officer       | 2010                          | Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.), Van Kampen Investments 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, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange- Traded Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust, INVESCO Private Capital Investments, Inc. (holding company), and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment | N/A   | N/A                                   |

|  |   |  |
|--|---|--|
|  | Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and Van Kampen Investor Services Inc.  |  |
|  | Formerly: Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc. and Invesco Senior Secured Management, Inc. (registered investment adviser); Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company |  |

**Office of the Fund**

555 Peachtree Street, N.E.  
Atlanta, GA 3030911

**Investment Adviser**

Invesco Advisers, Inc.  
1555 Peachtree Street, N.E.  
Atlanta, GA 30309

**Auditors**

PricewaterhouseCoopers LLP  
1201 Louisiana Street, Suite 2900  
Houston, TX 77002-5678

**Custodian**

State Street Bank and Trust Company  
225 Franklin  
Boston, MA 02110-2801

**Counsel to the Fund**

Stradley Ronon Stevens & Young, LLP

600 One Commerce Square  
Philadelphia, PA 19103

**Counsel to the Independent Trustees**

Kramer, Levin, Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, NY 10036-2714

**Transfer Agent**

Computershare Trust Company, N.A.  
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. 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 811-07111.

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 12 months ended June 30, 2010, 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).

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

MS-CE-ICAMS-AR-1 Invesco Distributors, Inc.

---



ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the Registrant had adopted a code of ethics (the Code ) that applies to the Registrant's principal executive officer ( PEO ) and principal financial officer ( PFO ). There were no amendments to the Code 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:

| Percentage of<br>Fees<br>Billed<br>Applicable to<br>Non-Audit<br>Services | Percentage of<br>Fees<br>Billed<br>Applicable to<br>Non-Audit<br>Services |
|---|---|
|---|---|