

Invesco Insured California Municipal Securities  
Form N-CSRS  
November 07, 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: 8/31/11

Item 1. Reports to Stockholders.

---

**Invesco Insured California Municipal Securities**

Semiannual Report to Shareholders § August 31, 2011

NYSE: ICS

|    |   |
|----|---|
| 2  | Letters to Shareholders                                     |
| 3  | Trust Performance   |
| 4  | Trust Updates   |
| 5  | Dividend Reinvestment Plan                                  |
| 6  | Schedule of Investments                                     |
| 10 | Financial Statements  |
| 12 | Notes to Financial Statements                               |
| 17 | Financial Highlights  |
| 18 | Approval of Investment Advisory and Sub-Advisory Agreements |
| 20 | Results of Proxy  |

Unless otherwise noted, all data provided by Invesco.

**NOT FDIC INSURED**

**MAY LOSE VALUE**

**NO BANK GUARANTEE**

## Letters to Shareholders

Bruce Crockett

Dear Fellow Shareholders:

In today's volatile market environment, investors face risks that could make it more difficult to achieve their long-term financial goals—a secure retirement, home ownership, a child's college education. Although the markets are complex and dynamic, there are ways to simplify the process and potentially increase your odds of achieving your goals. The best approach is to create a solid financial plan that helps you save and invest in ways that anticipate your needs over the long term.

Your financial adviser can help you define your financial plan, develop an appropriate investment strategy and put you in a better position to achieve your financial goals over the long term. This can take some of the guesswork out of the process and help you make thoughtful investments. Your financial adviser also can help you better understand your tolerance for risk, so that your investment approach lets you sleep at night while getting you closer to your goals. Lastly, your financial adviser can develop an asset allocation strategy that seeks to balance your investment approach, providing some protection against a decline in the markets while allowing you to participate in rising markets. Invesco calls this type of approach intentional investing. It means thinking carefully, planning thoughtfully and acting deliberately.

While no investment can guarantee favorable returns, your Board remains committed to managing costs and enhancing the performance of Invesco's funds as part of our Investor First orientation. We continue to oversee the funds with the same strong sense of responsibility for your money and your continued trust that we've always maintained.

As always, please contact me at [bruce@brucecrockett.com](mailto:bruce@brucecrockett.com) with any questions or concerns you may have. On behalf of your Board, we look forward to continuing to represent your interests and serving your needs.

Sincerely,

Bruce L. Crockett

Independent Chair

Invesco Funds Board of Trustees

Philip Taylor

Dear Shareholders:

Enclosed is important information about your Fund, its performance and its holdings as of the close of the reporting period.

In light of economic uncertainty and market volatility, I suggest you check the timely market updates and commentary from many of our fund managers and other investment professionals at [invesco.com/us](http://invesco.com/us). On our website, 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 at [invesco.com/us](http://invesco.com/us).

As we've seen over the last several years, market conditions can change—often suddenly and dramatically. That's one reason financial advisers typically advise their clients to be well diversified and to maintain a long-term investment focus. While diversification can't guarantee a profit or protect against loss, it can cushion the impact of dramatic market moves. Maintaining a long-term investment focus for your long-term goals—financing your retirement or your children's education, for example—may help you avoid making rash investment decisions based on short-term market swings.

Our funds are managed strictly according to their stated investment objectives and strategies, with robust risk oversight using consistent, repeatable investment processes that don't change in response to short-term market events. This disciplined approach can't guarantee a profit; no investment can do that, since all involve some measure of risk.

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

But it can ensure that your money is managed the way we said it would be, and that it is managed with a long-term focus.

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. 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**

---

## Trust Performance

### Performance summary

*Cumulative total returns, 2/28/11 to 8/31/11*

|   |       |
|---|-------|
| Trust at NAV                                | 8.89% |
| Trust at Market Value                       | 7.73  |
| Barclays Capital California Municipal Index | 7.27  |
| Market Price Discount to NAV as of 8/31/11  | -8.99 |

Barclays Capital via FactSet Research Systems Inc.

*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.*

The **Barclays Capital California Municipal Index** is an index of California investment grade municipal bonds.

The Trust is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Trust may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges.

**NYSE Symbol**

**ICS**

**3 Invesco Insured California Municipal Securities**

### **Portfolio Management Update**

The following individuals are jointly and primarily responsible for the day-to-day of Invesco Insured California Municipal Securities.

Effective June 28, 2011, **Stephen Turman** joined the Trust's management team. He has been associated with Invesco or its affiliates in an investment capacity since 1985.

Effective June 28, 2011, **Julius Williams** joined the Trust's management team. He has been associated with Invesco or its affiliates in an investment capacity since 2010. From 2000 to 2010, Mr. Williams was associated with Van Kampen Asset Management or its affiliates in an investment capacity.

**Thomas Byron** began managing the Trust in 2009 and has been associated with Invesco or its affiliates in an investment capacity since 2010. From 1981 to 2010, Mr. Byron was associated with Van Kampen Asset Management or its affiliates in an investment capacity.

**Robert Stryker** began managing the Trust in 2009 and has been associated with Invesco or its affiliates in an investment capacity since 2010. From 1994 to 2010, Mr. Stryker was associated with Van Kampen Asset Management or its affiliates in an investment capacity.

**Robert Wimmel** began managing the Trust in 2009 and has been associated with Invesco or its affiliates in an investment capacity since 2010. From 1996 to 2010, Mr. Wimmel was associated with Van Kampen Asset Management or its affiliates in an investment capacity.

### **Upcoming Changes to Investment Policy and Trust Name**

The Board of Trustees of the Trust recently adopted a change in the Trust's investment policy regarding investment in insured municipal securities to provide the Trust's investment adviser with more flexibility regarding the types of securities available for investment by the Trust in seeking to achieve its investment objective. The Trust's fundamental investment policy provides that under normal market conditions the Trust will invest at least 80% of its net assets in municipal obligations. The Trust is eliminating its existing non-fundamental investment policy requiring that it invest substantially all of its assets in municipal securities that are insured at the time of purchase by insurers whose claims-paying ability is rated **A** by S&P, **A** by Moody's or the equivalent by another nationally recognized statistical rating organization.<sup>1</sup> Over the past few years, many municipal bond insurers have had their credit ratings downgraded, and only two insurers remain that are rated at least **A**, only one of which is currently insuring new municipal bonds. As a result, the supply of insured municipal securities has decreased dramatically. Invesco

believes that by eliminating this policy, Invesco will be better able to manage the Trust's portfolio in the best interests of Trust shareholders. The Trust is not changing its investment objective, and the Trust will continue to invest primarily in a portfolio of municipal obligations. In connection with the change in policy, the Trust will change its name to Invesco California Municipal Securities. The Trust will implement these changes effective on or about January 23, 2012.

1 A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. For more information on rating methodologies, please visit the following NRSRO websites: [standardandpoors.com](http://standardandpoors.com) and select "Understanding Ratings" under Rating Resources on the homepage; [moody.com](http://moody.com) and select "Rating Methodologies" under Research and Ratings on the homepage; and [fitchratings.com](http://fitchratings.com) and select "Ratings Definitions" on the homepage.

**4 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 one week before such Distributions are paid. If your authorization arrives after such record date, your participation in the Plan will begin with the following Distributions.

### **How the Plan Works**

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**

August 31, 2011

(Unaudited)

|  | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount<br/>(000)</b> | <b>Value</b> |
|--|--------------------------|--------------------------|---------------------------------------|--------------|
| <b>Municipal Obligations 107.31%</b>   |                          |                          |                                       |              |
| California 105.20%   |                          |                          |                                       |              |
| Alameda (County of) Joint Powers Authority (Juvenile Justice Refunding); Series 2008 A, Lease RB (INS AGM <sup>(3)</sup> )           | 5.00%                    | 12/01/24                 | \$ 235                                | \$ 251,217   |
| Alhambra Unified School District (Election of 2004); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(3)(b)</sup> )          | 0.00%                    | 08/01/35                 | 280                                   | 62,348       |
| Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(3)(b)</sup> )   | 0.00%                    | 08/01/36                 | 450                                   | 86,485       |
| Alvord Unified School District (Election of 2007); Series 2008 A, Unlimited Tax GO Bonds (INS AGM <sup>(3)</sup> )                   | 5.00%                    | 08/01/28                 | 185                                   | 193,854      |
| Anaheim (City of) Public Financing Authority (Electric System Distribution Facilities); Series 2007 A, RB (INS NATL <sup>(3)</sup> ) | 4.50%                    | 10/01/37                 | 500                                   | 478,300      |
| Bakersfield (City of); Series 2007 A, Wastewater RB (INS AGM <sup>(3)</sup> )  | 5.00%                    | 09/15/32                 | 500                                   | 514,015      |
| Bay Area Toll Authority (San Francisco Bay Area); Series 2009 F-1, Toll Bridge RB <sup>(c)</sup>                                     | 5.25%                    | 04/01/26                 | 680                                   | 758,880      |
| Series 2009 F-1, Toll Bridge RB <sup>(c)</sup>   | 5.25%                    | 04/01/29                 | 760                                   | 824,433      |
| Beverly Hills Unified School District (Election of 2008); Series 2009, Unlimited Tax CAB GO Bonds <sup>(b)</sup>                     | 0.00%                    | 08/01/26                 | 205                                   | 96,578       |
| Series 2009, Unlimited Tax CAB GO Bonds <sup>(b)</sup>   | 0.00%                    | 08/01/32                 | 430                                   | 134,345      |
| California (State of) Health Facilities Financing Authority (Children s Hospital Los Angeles); Series 2010, RB                       | 5.25%                    | 07/01/38                 | 450                                   | 441,396      |

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

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

|  |       |          |       |           |
|--|-------|----------|-------|-----------|
| California (State of) Health Facilities Financing Authority<br>(Scripps Health); Series 2010 A, RB   | 5.00% | 11/15/36 | 250   | 250,483   |
| California (State of) Health Facilities Financing Authority<br>(Sutter Health); Series 2011 B, RB  | 5.50% | 08/15/26 | 250   | 266,735   |
| California (State of) Municipal Finance Authority<br>(Community Hospitals of Central California Obligated<br>Group); Series 2007, COP              | 5.00% | 02/01/19 | 250   | 254,498   |
| California (State of) Pollution Control Financing Authority<br>(San Jose Water Co.); Series 2010 A, RB   | 5.10% | 06/01/40 | 300   | 296,406   |
| California (State of) Statewide Communities Development<br>Authority (American Baptist Homes of the West);<br>Series 2010, RB                      | 6.25% | 10/01/39 | 250   | 252,033   |
| California (State of) Statewide Communities Development<br>Authority (Cottage Health System Obligated Group);<br>Series 2010, RB                   | 5.25% | 11/01/30 | 275   | 280,189   |
| California (State of) Statewide Communities Development<br>Authority (St. Joseph Health System); Series 2000, RB<br>(INS NATL <sup>3</sup> )       | 5.13% | 07/01/24 | 750   | 785,805   |
| 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 | 1,886,190 |
| Campbell Union High School District; Series 2008,<br>Unlimited Tax GO Bonds (INS AGC <sup>3</sup> )  | 5.00% | 08/01/35 | 590   | 600,502   |
| 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   | 253,490   |
| 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   | 36,534    |
| 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   | 509,590   |
| 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 | 242,156   |
| East Bay Municipal Utility District Series 2005 A, Sub.<br>Water System RB (INS NATL <sup>3</sup> )  | 5.00% | 06/01/35 | 650   | 689,825   |
|  | 0.00% | 08/01/33 | 615   | 155,933   |

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

El Segundo Unified School District (Election of 2008);  
Series 2009 A, Unlimited Tax CAB GO Bonds<sup>(b)</sup>

Foothill-De Anza Community College District;  
Series 2011 C, Unlimited Tax GO Bonds

5.00% 08/01/40 900 950,769

Gilroy Unified School District (Election of 2008);  
Series 2009 A, Unlimited Tax CAB GO Bonds  
(INS AGC<sup>(9)</sup>)<sup>(b)</sup>

0.00% 08/01/29 750 251,168

Golden State Tobacco Securitization Corp.; Series 2005 A,  
Enhanced Tobacco Settlement Asset-Backed RB  
(INS FGIC<sup>(9)</sup>)

5.00% 06/01/38 500 452,840

Grossmont Union High School District (Election of 2004);  
Series 2006, Unlimited Tax CAB GO Bonds  
(INS NATL<sup>(9)</sup>)<sup>(b)</sup>

0.00% 08/01/24 775 380,068

Grossmont-Cuyamaca Community College District (Election  
of 2002); Series 2008 C, Unlimited Tax CAB GO Bonds  
(INS AGC<sup>(9)</sup>)<sup>(b)</sup>

0.00% 08/01/30 775 244,613

Huntington Beach Union High School District (Election of  
2004); Series 2004, Unlimited Tax GO Bonds (INS AGM<sup>(9)</sup>)

5.00% 08/01/26 1,280 1,353,856

Kern (County of) Board of Education; Series 2006 A, Ref.  
COP (INS NATL<sup>(9)</sup>)

5.00% 06/01/31 1,110 1,043,555

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

**6 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) Water Agency Improvement District<br>No. 4; Series 2008 A, COP (INS AGC <sup>(3)</sup> )   | 5.00%                    | 05/01/28                 | \$ 245                                | \$ 255,917   |
| La Quinta (City of) Financing Authority; Series 2004 A, Tax<br>Allocation RB (INS AMBAC <sup>(3)</sup> )  | 5.25%                    | 09/01/24                 | 1,100                                 | 1,112,551    |
| Los Angeles (City of) Department of Airports (Los Angeles<br>International Airport); Series 2010 A, Sr. RB  | 5.00%                    | 05/15/35                 | 250                                   | 257,542      |
| Los Angeles (City of) Department of Water & Power;<br>Series 2007 Subseries A-1, Power System RB<br>(INS AMBAC <sup>(3)</sup> )                                   | 5.00%                    | 07/01/39                 | 300                                   | 309,078      |
| Series 2011 A, Power System RB  | 5.00%                    | 07/01/22                 | 200                                   | 236,924      |
| Los Angeles (City of); Series 2004 A, Unlimited Tax GO<br>Bonds (INS NATL <sup>(3)</sup> )  | 5.00%                    | 09/01/24                 | 1,030                                 | 1,112,657    |
| Los Angeles (County of) Metropolitan Transportation<br>Authority;<br>Series 2005 A, Proposition A First Tier Sr. Sales Tax RB<br>(INS AMBAC <sup>(3)</sup> )      | 5.00%                    | 07/01/35                 | 450                                   | 463,000      |
| Series 2006 A, Proposition C Ref. Second Sr. Sales Tax RB<br>(INS AGM <sup>(3)</sup> )  | 4.50%                    | 07/01/29                 | 500                                   | 508,115      |
| Los Angeles Unified School District (Election of 2004);<br>Series 2009-I, Unlimited Tax GO Bonds (INS AGC <sup>(3)</sup> )  | 5.00%                    | 01/01/34                 | 500                                   | 513,825      |
| Moorpark Unified School District (Election of 2008);<br>Series 2009 A, Unlimited Tax CAB GO Bonds<br>(INS AGC <sup>(3)(b)</sup> )                                 | 0.00%                    | 08/01/31                 | 2,000                                 | 579,200      |
| Moreland School District (Crossover); Series 2014 C, Ref.<br>Unlimited Tax CAB GO Bonds (INS AMBAC <sup>(3)(b)</sup> )  | 0.00%                    | 08/01/29                 | 315                                   | 103,493      |
| Murrieta Valley Unified School District Public Financing<br>Authority (Election of 2006);<br>Series 2008, Unlimited Tax CAB GO Bonds (INS AGM <sup>(3)(b)</sup> ) | 0.00%                    | 09/01/31                 | 1,020                                 | 293,862      |

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

|   |       |          |       |           |
|---|-------|----------|-------|-----------|
| Series 2008, Unlimited Tax CAB GO Bonds (INS AGM <sup>(a)</sup> <sup>(b)</sup> )  | 0.00% | 09/01/33 | 820   | 206,829   |
| Oakland (City of) Joint Powers Financing Authority<br>(Oakland Administration Buildings); Series 2008 B, Ref.<br>Lease RB (INS AGC <sup>(a)</sup> )     | 5.00% | 08/01/26 | 235   | 243,890   |
| Orange (County of) Water District; Series 2003 B, COP<br>(INS NATL <sup>(a)</sup> )   | 5.00% | 08/15/34 | 250   | 253,360   |
| Oxnard (City of) Finance Authority (Redwood Trunk<br>Sewer & Headworks); Series 2004 A, RB (INS NATL <sup>(a)</sup> )                                   | 5.00% | 06/01/29 | 1,000 | 1,040,120 |
| Patterson Joint Unified School District (Election of 2008);<br>Series 2009 B, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>(a)</sup> <sup>(b)</sup> )    | 0.00% | 03/01/49 | 3,920 | 318,539   |
| Planada Elementary School District (Election of 2008);<br>Series 2009 B, Unlimited Tax CAB GO Bonds<br>(INS AGC <sup>(a)</sup> <sup>(b)</sup> )         | 0.00% | 07/01/49 | 2,095 | 166,301   |
| Rancho Mirage Redevelopment Agency; Series 2003 A, Tax<br>Allocation Housing Bonds (INS NATL <sup>(a)</sup> )   | 5.00% | 04/01/33 | 1,000 | 905,600   |
| Redding (City of); Series 2008 A, Electric System Revenue<br>COP (INS AGM <sup>(a)</sup> )  | 5.00% | 06/01/27 | 360   | 375,142   |
| Regents of the University of California (The);<br>Series 2007 A, Medical Center Pooled RB (INS NATL <sup>(a)</sup> )                                    | 4.50% | 05/15/37 | 1,000 | 911,190   |
| Series 2009 O, General RB   | 5.25% | 05/15/39 | 500   | 530,340   |
| Series 2009 Q, General RB <sup>(c)(f)</sup>   | 5.00% | 05/15/34 | 1,435 | 1,483,173 |
| Riverside (City of); Series 2008 D, Electric RB<br>(INS AGM <sup>(a)</sup> )  | 5.00% | 10/01/28 | 500   | 526,305   |
| Rocklin Unified School District (Community Facilities<br>District No. 2);<br>Series 2007, Special Tax CAB (INS NATL <sup>(a)</sup> <sup>(b)</sup> )     | 0.00% | 09/01/34 | 1,235 | 245,765   |
| Series 2007, Special Tax CAB (INS NATL <sup>(a)</sup> <sup>(b)</sup> )  | 0.00% | 09/01/35 | 1,255 | 232,112   |
| Series 2007, Special Tax CAB (INS NATL <sup>(a)</sup> <sup>(b)</sup> )  | 0.00% | 09/01/36 | 1,230 | 211,585   |
| Series 2007, Special Tax CAB (INS NATL <sup>(a)</sup> <sup>(b)</sup> )  | 0.00% | 09/01/37 | 1,025 | 164,748   |
| Roseville Joint Union High School District (Election of<br>2004); Series 2007 C, Unlimited Tax CAB GO Bonds<br>(INS AGM <sup>(a)</sup> <sup>(b)</sup> ) | 0.00% | 08/01/25 | 675   | 299,707   |
|   | 5.75% | 12/01/22 | 180   | 179,968   |

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

Sacramento (City of) Financing Authority (Solid Waste and Redevelopment); Series 1999, Capital Improvement RB<sup>(d)</sup>

|   |       |          |       |           |
|---|-------|----------|-------|-----------|
| Sacramento (County of); Series 2010, Sr. Airport System RB  | 5.00% | 07/01/40 | 350   | 349,181   |
| Sacramento Municipal Utility District; Series 2008 U, Electric RB (INS AGM <sup>3</sup> )                               | 5.00% | 08/15/24 | 1,000 | 1,090,850 |
| San Diego (County of) Regional Airport Authority; Series 2010 A, Sub. Airport RB  | 5.00% | 07/01/40 | 250   | 246,600   |
| San Diego (County of) Water Authority; Series 2004 A, Water Revenue COP (INS AGM <sup>3</sup> )                         | 5.00% | 05/01/29 | 700   | 723,492   |
| 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 | 1,391,321 |
| San Francisco (City & County of) Airports Commission (San Francisco International Airport); Second Series 2010 F, RB    | 5.00% | 05/01/40 | 500   | 507,520   |
| San Francisco (City & County of) Public Utilities Commission; Series 2001 A, RB <sup>(d)(e)</sup>                       | 5.00% | 11/01/11 | 460   | 463,703   |
| Series 2001 A, RB (INS AGM <sup>3</sup> )   | 5.00% | 11/01/31 | 1,540 | 1,542,110 |

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

**7 Invesco Insured California Municipal Securities**

---



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

|   | Interest<br>Rate | Maturity<br>Date | Principal<br>Amount<br>(000) | Value      |
|---|------------------|------------------|------------------------------|------------|
| California (continued)  |                  |                  |                              |            |
| San Jose Evergreen Community College District (Election of 2004); Series 2008 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>(b)</sup> )                                 | 0.00%            | 09/01/32         | \$ 1,000                     | \$ 275,170 |
| San Luis Obispo (County of) Financing Authority (Lopez Dam Improvement); Series 2011 A, Ref. RB (INS AGM <sup>(b)</sup> )   | 5.00%            | 08/01/30         | 500                          | 515,965    |
| Santa Clara Valley Transportation Authority (2000-Measure A); Series 2007 A, Ref. Sales Tax RB (INS AMBAC <sup>(b)</sup> )  | 5.00%            | 04/01/32         | 480                          | 500,011    |
| Simi Valley (City of) (Capital Improvement); Series 2004, COP (INS AMBAC <sup>(b)</sup> )   | 5.00%            | 09/01/30         | 1,000                        | 952,840    |
| Simi Valley Unified School District (Election of 2004); Series 2007 C, Unlimited Tax CAB GO Bonds (INS AGM <sup>(b)</sup> )   | 0.00%            | 08/01/28         | 480                          | 172,699    |
| Series 2007 C, Unlimited Tax CAB GO Bonds (INS AGM <sup>(b)</sup> )   | 0.00%            | 08/01/30         | 380                          | 116,983    |
| Southern California Metropolitan Water District; Series 2009 B, Ref. RB <sup>(c)</sup>  | 5.00%            | 07/01/27         | 1,240                        | 1,374,032  |
| Southern California Public Power Authority (Southern Transmission); Series 2000 A, VRD Ref. Sub. RB (INS AGM <sup>(g)</sup> )   | 0.15%            | 07/01/23         | 1,900                        | 1,900,000  |
| Series 2002 A, Ref. Sub. RB (INS AGM <sup>(b)</sup> )   | 5.25%            | 07/01/18         | 1,000                        | 1,035,850  |
| Trustees of the California State University; Series 2005 A, Systemwide RB (INS AMBAC <sup>(b)</sup> )   | 5.00%            | 11/01/35         | 500                          | 503,210    |
| Series 2008 A, Systemwide RB (INS AGM <sup>(b)</sup> )  | 5.00%            | 11/01/39         | 450                          | 456,979    |
| Tustin Unified School District (School Facilities Improvement District No. 2002-1, Election of 2002); Series 2008 C, Unlimited Tax GO Bonds (INS AGM <sup>(b)</sup> ) | 5.00%            | 06/01/28         | 250                          | 264,722    |
|   | 3.50%            | 05/31/13         | 500                          | 500,405    |

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

|  |       |          |       |            |
|--|-------|----------|-------|------------|
| Twin Rivers Unified School District (School Facility Bridge Funding Program); Series 2007, COP (INS AGM <sup>(a)</sup> )(e)(h) |       |          |       |            |
| Twin Rivers Unified School District; Series 2009, Unlimited Tax CAB GO BAN <sup>(b)</sup>                                      | 0.00% | 04/01/14 | 250   | 234,938    |
| Upland Unified School District (Election of 2000); Series 2001 B, Unlimited Tax GO Bonds (INS AGM <sup>(a)</sup> )             | 5.13% | 08/01/25 | 1,000 | 1,062,840  |
| Val Verde Unified School District (Refunding and School Construction); Series 2005 B, COP (INS NATL <sup>(a)</sup> )           | 5.00% | 01/01/30 | 675   | 597,078    |
| Washington Unified School District (Election of 2004); Series 2004 A, Unlimited Tax GO Bonds (INS NATL <sup>(a)</sup> )        | 5.00% | 08/01/22 | 1,375 | 1,457,376  |
| West Basin Municipal Water District; Series 2008 B, Ref. COP (INS AGC <sup>(a)</sup> )   | 5.00% | 08/01/27 | 245   | 256,277    |
| Yosemite Community College District (Election of 2004); Series 2008 C, Unlimited Tax CAB GO Bonds (INS AGM <sup>(a)</sup> )(b) | 0.00% | 08/01/25 | 570   | 255,423    |
| Series 2008 C, Unlimited Tax GO Bonds (INS AGM <sup>(a)</sup> )(c)   | 5.00% | 08/01/32 | 2,515 | 2,603,302  |
| Yucaipa Valley Water District; Series 2004 A, COP (INS NATL <sup>(a)</sup> )   | 5.25% | 09/01/24 | 1,000 | 1,023,170  |
|  |       |          |       | 51,693,974 |
| Guam 0.20%   |       |          |       |            |
| Guam (Territory of) (Section 30); Series 2009 A, Limited Obligation RB   | 5.63% | 12/01/29 | 95    | 96,557     |
| Puerto Rico 0.89%  |       |          |       |            |
| Puerto Rico Electric Power Authority; Series 2010 XX, RB   | 5.25% | 07/01/40 | 200   | 194,628    |
| Puerto Rico Sales Tax Financing Corp.; First Sub. Series 2010 C, RB  | 5.00% | 08/01/35 | 250   | 244,362    |
|  |       |          |       | 438,990    |
| Virgin Islands 1.02%   |       |          |       |            |
| Virgin Islands Public Finance Authority (Virgin Islands Matching Fund Loan Note Diageo); Series 2009 A, Sub. RB                | 6.63% | 10/01/29 | 240   | 253,363    |

|  |       |          |     |               |
|--|-------|----------|-----|---------------|
| Virgin Islands Public Finance Authority (Virgin Islands Matching Fund Loan Note); Series 2010 A, Sr. Lien Working Capital RB   | 5.00% | 10/01/25 | 250 | 250,623       |
|  |       |          |     | 503,986       |
| TOTAL INVESTMENTS <sup>(i)</sup> 107.31% (Cost \$51,952,425)   |       |          |     | 52,733,507    |
| FLOATING RATE NOTE OBLIGATIONS (8.13%)<br>Notes with interest rates ranging from 0.18% to 0.27% at 08/31/11 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 0.82%  |       |          |     | 402,206       |
| NET ASSETS 100.00%   |       |          |     | \$ 49,140,713 |

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

**8 Invesco Insured California Municipal Securities**

---

Investment Abbreviations:

|       |   |
|-------|---|
| AGC   | Assured Guaranty Corp.                  |
| AGM   | Assured Guaranty Municipal Corp.        |
| AMBAC | American Municipal Bond Assurance Corp. |
| BAN   | Bond Anticipation Notes                 |
| CAB   | Capital Appreciation Bonds              |
| 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) 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.
- (g) 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 August 31, 2011.
- (h) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on August 31, 2011.
- (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.

| Entities                                | Percentage |
|---|------------|
| Assured Guaranty Municipal Corp.        | 37.4%      |
| National Public Finance Guarantee Corp. | 21.9       |
| American Municipal Bond Assurance Corp. | 8.0        |

Assured Guaranty Corp.

6.2

- (i) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at August 31, 2011. At August 31, 2011, the Trust's investments with a value of \$7,043,820 are held by Dealer Trusts and serve as collateral for the \$3,995,000 in the floating rate note obligations outstanding at that date.

### **Portfolio Composition**

*By credit sector, based on Total Investments  
as of August 31, 2011*

|                          |       |
|--------------------------|-------|
| Revenue Bonds            | 59.9% |
| General Obligation Bonds | 31.7  |
| Pre-refunded Bonds       | 4.8   |
| Other                    | 3.6   |

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

## **9 Invesco Insured California Municipal Securities**

---

**Statement of Assets and Liabilities**

*August 31, 2011*

*(Unaudited)*

**Assets:**

|   |               |
|---|---------------|
| Investments, at value (Cost \$51,952,425)                         | \$ 52,733,507 |
| Receivable for:   |               |
| Interest  | 546,919       |
| Investment for trustee deferred compensation and retirement plans | 2,103         |
| Other assets  | 8,016         |
| Total assets  | 53,290,545    |

**Liabilities:**

|  |               |
|--|---------------|
| Floating rate note obligations                     | 3,995,000     |
| Payable for:                                       |               |
| Amount due custodian                               | 94,968        |
| Accrued other operating expenses                   | 57,243        |
| Trustee deferred compensation and retirement plans | 2,621         |
| Total liabilities                                  | 4,149,832     |
| Net assets applicable to shares outstanding        | \$ 49,140,713 |

**Net assets consist of:**

|  |               |
|--|---------------|
| Shares of beneficial interest          | \$ 48,363,372 |
| Undistributed net investment income    | 588,484       |
| Undistributed net realized gain (loss) | (592,225)     |
| Unrealized appreciation                | 781,082       |
|  | \$ 49,140,713 |

**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 | \$ 14.45  |
| Market value per share    | \$ 13.16  |

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

**10 Invesco Insured California Municipal Securities**

---

**Statement of Operations***For the six months ended August 31, 2011**(Unaudited)***Investment income:**

|          |              |
|----------|--------------|
| Interest | \$ 1,247,441 |
|----------|--------------|

**Expenses:**

|               |        |
|---------------|--------|
| Advisory fees | 64,241 |
|---------------|--------|

|                              |        |
|------------------------------|--------|
| Administrative services fees | 25,137 |
|------------------------------|--------|

|                |       |
|----------------|-------|
| Custodian fees | 2,447 |
|----------------|-------|

|   |        |
|---|--------|
| Interest, facilities and maintenance fees | 17,770 |
|---|--------|

|                     |       |
|---------------------|-------|
| Transfer agent fees | 4,416 |
|---------------------|-------|

|   |       |
|---|-------|
| Trustees and officers fees and benefits | 8,147 |
|---|-------|

|                              |        |
|------------------------------|--------|
| Registration and filing fees | 10,625 |
|------------------------------|--------|

|                            |        |
|----------------------------|--------|
| Professional services fees | 30,966 |
|----------------------------|--------|

|       |        |
|-------|--------|
| Other | 20,604 |
|-------|--------|

|                |         |
|----------------|---------|
| Total expenses | 184,353 |
|----------------|---------|

|                       |           |
|-----------------------|-----------|
| Net investment income | 1,063,088 |
|-----------------------|-----------|

**Realized and unrealized gain (loss) from:**

|   |           |
|---|-----------|
| Net realized gain (loss) from investment securities | (129,974) |
|---|-----------|

|  |           |
|--|-----------|
| Change in net unrealized appreciation of investment securities | 2,991,688 |
|--|-----------|

|                                  |           |
|----------------------------------|-----------|
| Net realized and unrealized gain | 2,861,714 |
|----------------------------------|-----------|

|   |              |
|---|--------------|
| Net increase (decrease) in net assets resulting from operations | \$ 3,924,802 |
|---|--------------|



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

**11 Invesco Insured California Municipal Securities**

---

**Statement of Changes in Net Assets**

*For the six months ended August 31, 2011, the four months ended February 28, 2011 and the year ended October 31, 2010*

*(Unaudited)*

|  | <b>For the six<br/>months ended<br/>August 31,<br/>2011</b> | <b>For the four<br/>months ended<br/>February 28,<br/>2011</b> | <b>For the year<br/>ended<br/>October 31,<br/>2010</b> |
|--|---|--|--|
| <b>Operations:</b>   |   |  |  |
| Net investment income  | \$ 1,063,088  | \$ 718,882   | \$ 2,243,189   |
| Net realized gain (loss)   | (129,974)   | (167,312)  | (24,512)   |
| Change in net unrealized appreciation (depreciation)   | 2,991,688   | (4,045,263)  | 1,805,768  |
| Net increase (decrease) in net assets resulting from operations  | 3,924,802   | (3,493,693)  | 4,024,445  |
| Dividends to shareholders from net investment income   | (1,062,486)   | (662,991)  | (1,945,030)  |
| Distributions to shareholders from net realized gains  |   |  | (1,486,611)  |
| Increase (decrease) from transactions in shares of beneficial interest   |   |  | (356,091)  |
| Net increase (decrease) in net assets  | 2,862,316   | (4,156,684)  | 236,713  |
| <b>Net assets:</b>   |   |  |  |
| Beginning of period  | 46,278,397  | 50,435,081   | 50,198,368   |
| End of period (includes undistributed net investment income of \$588,484, \$587,882 and \$534,969, respectively) | \$ 49,140,713   | \$ 46,278,397  | \$ 50,435,081  |

**Notes to Financial Statements**

*August 31, 2011*

*(Unaudited)*

## 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.

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.

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)

## 12 Invesco Insured California Municipal Securities

---

on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Trust's net asset value and, accordingly, they reduce the Trust's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Trust and the investment adviser.

- C. Country Determination** For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.
- D. Distributions** The Trust declares and pays monthly dividends from net investment income to common shareholders. Distributions from net realized capital gain, if any, are generally paid annually and are distributed on a pro rata basis to common and preferred shareholders. The Trust may elect to treat a portion of the proceeds from redemptions as distributions for federal income tax purposes.
- E. Federal Income Taxes** The Trust intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Trust's taxable earnings to shareholders. As such, the Trust will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.
- In addition, the Trust intends to invest in such municipal securities to allow it to qualify to pay shareholders exempt dividends, as defined in the Internal Revenue Code.
- The Trust files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Trust is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.
- F. Accounting Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Trust monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.
- G. Indemnifications** Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of 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. Other Risks** The value of, payment of interest on, repayment of principal for and the ability to sell a municipal security may be affected by constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives and the economics of the regions in which the issuers are located.

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

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

- J. 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 current preferred shares and leverage entered into to retire preferred shares of the Trust.

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers) the Adviser, not the Trust, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide(s) discretionary investment management services to the Trust based on the percentage of assets allocated to such Sub-Adviser(s).

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. For the six months ended August 31, 2011, expenses incurred under these agreements are shown in the Statement of Operations as administrative services fees.

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

## **NOTE 3 Additional Valuation Information**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation

inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

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

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

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

The following is a summary of the tiered valuation input levels, as of August 31, 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 six months ended August 31, 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 | \$                 | \$ 52,733,507  | \$                 | \$ 52,733,507 |

**14 Invesco Insured California Municipal Securities**

---

**NOTE 4 Trustees and Officers Fees and Benefits**

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

During the six months ended August 31, 2011, the Trust paid legal fees of \$996 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

**NOTE 5 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.

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 six months ended August 31, 2011 were \$3,995,000 and 0.88%, respectively.

**NOTE 6 Tax Information**

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Trust's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Trust's fiscal year-end.

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 had 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 7 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 six months ended August 31, 2011 was \$7,831,805 and \$7,347,170, 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   | \$ 2,036,260 |
| Aggregate unrealized (depreciation) of investment securities | (1,223,894)  |
| Net unrealized appreciation of investment securities         | \$ 812,366   |

Cost of investments for tax purposes is \$51,921,141.

**15 Invesco Insured California Municipal Securities**

---

**NOTE 8 Shares of Beneficial Interest**

Transactions in shares of beneficial interest were as follows:

|  | <b>Six months ended<br/>August 31,<br/>2011</b> | <b>Four months<br/>ended<br/>February<br/>28, 2011</b> | <b>Year ended<br/>October 31,<br/>2010</b> |
|--|---|--|--|
| Beginning Shares   | 3,399,956                                       | 3,399,956  | 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  | 3,399,956                                  |

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 9 Dividends**

The Trust declared the following dividends to common shareholders from net investment income subsequent to August 31, 2011:

| <b>Declaration Date</b> | <b>Amount Per<br/>Share</b> | <b>Record Date</b> | <b>Payable Date</b> |
|-------------------------|-----------------------------|--------------------|---------------------|
| September 1, 2011       | \$ 0.055                    | September 15, 2011 | September 30, 2011  |
| September 30, 2011      | \$ 0.055                    | October 14, 2011   | October 31, 2011    |

**NOTE 10 Financial Highlights**

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

|   | <b>Six months<br/>ended</b> | <b>For the<br/>four months<br/>ended<br/>February</b> |             | <b>For the year ended October 31,</b> |             |             |             |
|---|-----------------------------|---|-------------|---------------------------------------|-------------|-------------|-------------|
|   | <b>August 31,<br/>2011</b>  | <b>28,<br/>2011</b>                                   | <b>2010</b> | <b>2009</b>                           | <b>2008</b> | <b>2007</b> | <b>2006</b> |
| Net asset value,<br>beginning of<br>period                                | \$ 13.61                    | \$ 14.83  | \$ 14.65    | \$ 13.05                              | \$ 14.86    | \$ 15.15    | \$ 15.17    |
| Income (loss) from investment operations:                                 |                             |   |             |                                       |             |             |             |
| Net investment<br>income <sup>(a)</sup>                                   | 0.31                        | 0.21  | 0.66        | 0.62                                  | 0.59        | 0.60        | 0.59        |
| Net realized and<br>unrealized gain<br>(loss)                             | 0.84                        | (1.24)  | 0.52        | 1.58                                  | (1.65)      | (0.26)      | 0.32        |
| Total income<br>(loss) from<br>investment<br>operations                   | 1.15                        | (1.03)  | 1.18        | 2.20                                  | (1.06)      | 0.34        | 0.91        |
| Less distributions and distributions paid to shareholders from:           |                             |   |             |                                       |             |             |             |
| Net investment<br>income  | (0.31)                      | (0.19)  | (0.57)      | (0.60)                                | (0.65)      | (0.60)      | (0.61)      |
| Net realized<br>gains   |                             |   | (0.43)      | 0.00 <sup>(b)</sup>                   | (0.11)      | (0.04)      | (0.35)      |
| Total dividends<br>and distributions<br>paid to<br>shareholders           | (0.31)                      | (0.19)  | (1.00)      | (0.60)                                | (0.76)      | (0.64)      | (0.96)      |
| Anti-dilutive<br>effect of<br>acquiring<br>treasury shares <sup>(a)</sup> |                             |   |             |                                       | 0.01        | 0.01        | 0.03        |
|   | \$ 14.45                    | \$ 13.61  | \$ 14.83    | \$ 14.65                              | \$ 13.05    | \$ 14.86    | \$ 15.15    |

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

|   |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|
| Net asset value,<br>end of period                 |          |          |          |          |          |          |          |
| Market value,<br>end of period                    | \$ 13.16 | \$ 12.52 | \$ 13.66 | \$ 13.17 | \$ 12.55 | \$ 14.19 | \$ 14.06 |
| Total return at<br>net asset value <sup>(c)</sup> | 8.68%    | (6.79)%  | 9.27%    | 10.11%   | (6.46)%  | 5.54%    | 7.68%    |
| Total return at<br>market value <sup>(c)</sup>    | 7.73%    | (6.91)%  | 11.96%   |          |          |          |          |

**Ratios of expenses to average net assets:**

|  |                      |       |       |       |                      |                      |                      |
|--|----------------------|-------|-------|-------|----------------------|----------------------|----------------------|
| With fee waivers<br>and/or expense<br>reimbursements   | 0.77% <sup>(d)</sup> | 0.77% | 0.72% | 0.72% | 0.66% <sup>(e)</sup> | 0.76% <sup>(f)</sup> | 0.61% <sup>(f)</sup> |
| With fee waivers<br>and/or expense<br>reimbursements,<br>excluding<br>interest, facilities<br>and maintenance<br>fees* | 0.70% <sup>(d)</sup> | 0.70% | 0.64% | 0.71% | 0.66% <sup>(e)</sup> | 0.62% <sup>(f)</sup> | 0.61% <sup>(f)</sup> |
| Ratio of net<br>investment<br>income to<br>average net<br>assets   | 4.46% <sup>(d)</sup> | 4.68% | 4.53% | 4.41% | 4.10%                | 4.05%                | 4.07%                |

**Supplemental data:**

|  |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net assets, end<br>of period (000s<br>omitted) | \$ 49,141 | \$ 46,278 | \$ 50,435 | \$ 50,198 | \$ 44,730 | \$ 51,282 | \$ 52,872 |
| Portfolio<br>turnover rate <sup>(g)</sup>      | 15%       | 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 \$47,417.
  - (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 October 31, 2010 and prior, ratio does not exclude facilities and maintenance fees.

**17 Invesco Insured California Municipal Securities**

---

### **Approval of Investment Advisory and Sub-Advisory Contracts**

The Board of Trustees (the Board) of Invesco Insured California Municipal Securities is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco Insured California Municipal Securities (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 14-15, 2011, the Board as a whole, and the disinterested or independent Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2011. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

### **The Board's Fund Evaluation Process**

The Board's Investments Committee has established three Sub-Committees, each of which is responsible for overseeing the management of a number of the closed-end funds and all of the open-end funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper, Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds' proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. The independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees inherited from Morgan Stanley and Van Kampen funds following the acquisition of the retail mutual fund business of Morgan Stanley (the Morgan Stanley Transaction). The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless

otherwise stated, this information is current as of June 15, 2011, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

### **Factors and Conclusions and Summary of Independent Written Fee Evaluation**

#### *A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers*

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Board has met since the closing of the Morgan Stanley Transaction. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part, because of such knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and the advisory services are provided in accordance with the terms of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and in accordance with the terms of the Fund's sub-advisory contracts. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and in accordance with the terms of the Fund's sub-advisory contracts.

*B. Fund Performance*

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper Closed-End Single-State Insured Municipal Debt Funds Index. The Board noted that the Fund's performance was in the fifth quintile of its performance universe for the one and five year periods and the fourth quintile for the three year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that the Fund's performance was below the performance of the Index for the one, three and five year periods. Invesco Advisers advised the Board that the insured marketplace has almost completely shut down severely limiting the management team's ability to structure the Fund based on market outlook. Although the independent written evaluation of the Fund's Senior Officer only considered Fund performance through the most recent calendar year, the Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

*C. Advisory and Sub-Advisory Fees and Fee Waivers*

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the Fund's contractual advisory fee rate was below the median contractual advisory fee rate of funds in its expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board also compared the Fund's effective fee rate (the advisory fee after advisory fee waivers and before expense limitations/waivers) to the advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates with investment strategies comparable to those of the Fund. The Board noted that the Fund's rate was below the rate of the other closed-end fund advised by Invesco Advisers with comparable investment strategies.

Other than the mutual fund described above, the Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other mutual funds or client accounts in a manner substantially similar to the management of the Fund.

The Board noted that as part of the Morgan Stanley Transaction, Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2012 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board also considered the effect this fee waiver would have on the Fund's total estimated expenses.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

*D. Economies of Scale*

The Board noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers.

*E. Profitability and Financial Resources*



The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Fund and the Invesco Funds. The Board concluded that the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund is not excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board considered whether Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts. The Board concluded that Invesco Advisers and each Affiliated Sub-Adviser have the financial resources necessary to fulfill these obligations.

*F. Collateral Benefits to Invesco Advisers and its Affiliates*

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through soft dollar arrangements. The Board noted that soft dollar arrangements shift the payment obligation for research and execution services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco Funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board concluded that the soft dollar arrangements are appropriate. The Board also concluded that, based on their review and representations made by the Chief Compliance Officer of the Invesco Funds, these arrangements are consistent with regulatory requirements.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

**19 Invesco Insured California Municipal Securities**

---

**Proxy Results**

An Annual Meeting ( Meeting ) of Shareholders of Invesco Insured California Municipal Securities was held on July 14, 2011. The Meeting was held for the following purpose:

- (1) Elect six Trustees by the holders of Common Shares, each of whom will serve for a three-year term or until a successor has been duly elected and qualified.

The results of the voting on the above matter were as follows:

| <b>Matter</b>     | <b>Votes For</b> | <b>Votes Withheld</b> |
|-------------------|------------------|-----------------------|
| (1) David C. Arch | 2,795,472        | 79,007                |
| Bob R. Baker      | 2,795,472        | 79,007                |
| Frank S. Bayley   | 2,795,472        | 79,007                |
| Larry Soll        | 2,795,472        | 79,007                |
| Philip A. Taylor  | 2,795,472        | 79,007                |
| Wayne W. Whalen   | 2,795,472        | 79,007                |

**20 Invesco Insured California Municipal Securities**

---

### **Correspondence information**

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

### **Invesco privacy policy**

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

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

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

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

The Trust provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Trust's semiannual and annual reports to shareholders. For the first and third quarters, the Trust files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. 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, 2011, 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-SAR-1

Invesco Distributors, Inc.

ITEM 2. CODE OF ETHICS.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

None.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) As of September 16, 2011, an evaluation was performed under the supervision and with the participation of the officers of the Registrant, including the Principal Executive Officer ( PEO ) and Principal Financial Officer ( PFO ), to assess the effectiveness of the Registrant's disclosure controls and procedures, as that term is defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the Act ), as amended. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of September 16, 2011, the Registrant's disclosure controls and procedures were reasonably designed to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR is
-

recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

- (b) There have been no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by the report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

12(a) (1) Not applicable.

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

12(a)(3) Not applicable.

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

---

SIGNATURES

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

By: /s/ Philip A. Taylor  
Philip A. Taylor  
Principal Executive Officer

Date: November 7, 2011

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

By: /s/ Philip A. Taylor  
Philip A. Taylor  
Principal Executive Officer

Date: November 7, 2011

By: /s/ Sheri Morris  
Sheri Morris  
Principal Financial Officer

Date: November 7, 2011

---

EXHIBIT INDEX

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