

**INVESCO INC**

**Moderator: Marty Flanagan  
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Coordinator: And welcome to Invesco's Third Quarter Results Conference Call. All participants will be on a listen-only mode until the question-and-answer session. At that time, to ask a question, please press star 1. Today's conference is being recorded. If you have any objections, please disconnect at this time. And now I would like to turn the call over to your speaker for today, Marty Flanagan, President and CEO of Invesco, and Loren Starr, Chief Financial Officer. Mr. Flanagan, you may begin.

Marty Flanagan: Thank you. And thank you, everybody, for joining us and I appreciate you changing your schedule so quickly. Some very, very good news. You know, we're going to talk about the transaction between ourselves, Oppenheimer and MassMutual and also go over the third quarter results.

And if you're so inclined, the presentation is on our Web site, if you want to follow along. So I also realized there's been, you know, quite a bit of news in the market about this combination for a period of time. But before we get into third quarter results, I really want to clarify some very important key points.

The combination will result in Invesco being the 13th largest global asset manager in the world and the sixth largest manager in the US retail channel; both are very important when you think of the importance of scale and client relevance as we look forward.

The financial returns are extraordinarily compelling. For the partial year 2019, we're expecting 18% accretion, in the full year 2020, 27% accretion. And post synergies, we anticipate an additional \$1 billion of cash flow for the combined company. So really quite extraordinary.

We're also very excited that MassMutual is going to be a long time strategic shareholder of 15% - 15.5% equity stake in \$4 billion of perpetual preferred that Loren will get into details in a few minutes but what's really important, MassMutual is not selling or taking every dollar of all the proceeds to put a backing of the combined institution showing their commitment and the excitement for the opportunity in front of us.

And the other point I want to make, we're going to initiate today a \$1.2 billion stock buyback which is also an important part of the discussion that we'll be having today.

So with that, Loren, will you talk through the financials?

Loren Starr: Yes.

Marty Flanagan: Yes.

Loren Starr: Thank you very much, Marty.

So on Slide 7, you'll see a summary of the results for the third quarter and continued to demonstrate strong long-term investment performance with 63% and 67% of actively managed assets in the top half of peers over the three and five years.

Our year-to-date gross sales are up 16.7% versus prior year. Market dynamics and some near-term performance challenges continue to impact redemptions, leading to total long-term net outflows of \$11.2 billion for the quarter.

Adjusted net operating income was \$358 million for the quarter and that was down from \$377 million in the prior quarter and that was driven by lower revenue yield, resulting from a change in AUM mix, the negative impact of foreign exchange and the impact of lower transaction fees within other revenues.

Additionally, on expense side, we saw some elevated marketing and technology expenses this quarter. These items also impacted our adjusted operating margin which decreased to 37% from 38.7% in the prior quarter.

We returned \$124 million to shareholders during the quarter through dividends and we've made good progress in paying down the balance on our credit revolver in early October and we expect to have our leverage ratios roughly in line with our pre-Guggenheim acquisition levels by the end of the fourth quarter.

And moving on to Slide 8, we highlight long-term investment performance for the quarter over the one, three and five years. As we've noted in past conversations, our investment processes and approach are focused on generating outperformance over a full market cycle. So we typically see fluctuations between quarters.

The current market cycle is impacting the relative performance of a number of large value-based equity investment approaches, representing more than 10% of included AUM. But some of the recent market volatility and more favorable market conditions, however, these teams have seen near-term

improvements as you'd expect. As an example, diversified dividend is now in the top decile on a quarter-to-date basis and also our UK equity portfolios and international growth portfolios are in the top quartile.

So let's turn to flows on Slide 8. As I noted, while gross sales remain robust for the quarter, up more than 17% on a year-to-date basis for 2017, we did see net negative flows during the third quarter as market dynamics weighed on redemptions and the net results.

With pockets of strengths within ETFs with nearly \$1-1/2 billion of inflows in US ETFs and that included nearly half of \$1 billion of flows into our BulletShares franchise, bringing the flows in these products since close to nearly \$1 billion. Commodity ETFs in Europe and certain commodity ETFs in US were weaker in line with industry trends which led to modestly negative path of the ETF flows for the quarter.

On the active side, the outflows were largest in US, in the UK retail equity products which continue to face some of the challenges as noted earlier.

Additionally, on the institutional side, we saw two sovereign wealth fund outflows which total nearly \$2-1/2 billion.

We also saw \$1 billion outflow from an Asian client in our bank loan strategies and there was a \$1 billion real estate outflow which we had mentioned on the previous quarter call, all of which contributed to the negative flow this quarter.

So despite these one-time outflows in our outflows, I want to mention that our institutional pipeline is, in fact, in all-time high in terms of both AUM and revenues with AUM in the pipeline, which is one but not funded, up more

than 35% versus the prior quarter and up over 30% versus prior year and that should help elevate our flows in future periods.

And also like to note that while you see on this chart, we did see very strong flows and there are great wall JV, money market product with nearly \$5 billion in inflows for this quarter and that's a trend that we would expect to continue in Q4.

So with that, I'm going to turn it back to you, Marty.

Marty Flanagan: Thanks, Loren. And why don't we now turn to the transaction?

Again, we're very excited about it. It's 100% consistent with our strategy and really it's going to rapidly advance the strategy that we've been talking about with all of you.

But if you turn to Page 11, I think, importantly, really want to - you know, fact-based Oppenheimer Funds because it's clear. It's not understood really that robustness of Oppenheimer and how it's consistent with the strategy that we've been talking to you about.

The first thing we're really excited about, obviously, it's a strength to the organization. Its incredible talents with group of people. We're looking forward to working with them going forward and helping create something really quite special.

The organization has \$250 billion in assets under management. Seventy-five percent of the assets are hard to replicate, differentiated, active and alternative strategies. They have exceptional investment talent, generating very good, consistent, long-term performance. Fifty-nine percent of assets are in 4- and 5-

star rated funds. And the business is financially robust. Net annual revenues of \$1.4 billion, the net revenue yield is 56 basis points and operating margin of 40%, all of which is accretive to Invesco.

On Page 12, I want to make very, very clear, our strategy is unchanged. We continue to focus on strengthening our leadership in our core markets, while executing in the high-growth areas. And we believe you must do both of these to be successful going forward. And one is not going to be satisfactory for success as you look to the future. If you do both of these very well, we feel very strongly that you generate, you know, an elite set of capabilities for the benefit of both clients and shareholders.

What we truly believe as unique about Invesco is a combination of our leadership in core markets and our investments into these high-growth areas. The combination with Oppenheimer and our relationship with MassMutual will meaningfully expand our leadership in the US wealth management industry while also strengthening our ability to execute in several of these high-growth areas. This transaction rapidly advances our growth strategy and it's fully aligned with our clients' needs as we look to the future and that of the industry.

One final point that I would like to make on Page 14 is that from a context point of view of the \$87 trillion in assets under management in the industry, the US Wealth Management segment is the largest segment in the world with 23% of global assets under management. It's going to continue to grow. But I think what's also very important I think is all clear to all of us that it will grow and be important but it'll be concentrated in fewer investment managers' hands in the years ahead. The notion of having client relevant to scale is an absolute necessity.

So turning to the combination itself, creating a \$1.2 trillion global asset manager, the mission of Oppenheimer Fund is to provide a number of benefits to the combined organization for our business. Our shareholders represents a strong strategic and cultural fit for both of our organizations and the power really comes from the combination of four different areas -- scale and client relevance, differentiated investment capabilities, compelling financial returns and the strategic relationship with MassMutual.

If you take a look at client scale and relevance, as I mentioned, we'll be the 13th largest global investment manager in the world, providing the necessary skill to compete and invest on behalf of our clients and our shareholders. But importantly, the immediate impact of the combination will create a clear leader in US retail with Invesco becoming the sixth largest US investment manager with \$680 billion in client assets.

Another point of client relevance is looking at the relationships with the top ten US wealth management organizations in United States. Our relationships will be meaningfully more important, as you can see with these key platforms. At the close, we will have five relationships with more than \$30 billion in assets under management.

When we turn to the investment capabilities themselves and the impact on the combined organization is incredibly compelling. Invesco's and Oppenheimer's strengths are very complimentary to one another. It broadens our comprehensive range of investment capabilities, which will not only benefit the US retail market which is what we're looking at here but opportunities in the combined firm and the institutional market both in the United States and outside of the United States and again a number of these capabilities in the retail channels outside of United States, too.



Importantly, 85% of the Oppenheimer Funds are in high demand, alpha persistent, you know, asset classes. You can take a look international equities, emerging markets, global equities and also very important, income-focused alternative areas, high yield munis, bank loans, et cetera. So again, the combined rankings post-transaction are incredibly compelling.

If you take a look at the investment profiles - investment performance profiles of the two firms, they are also highly complementary as you would imagine from my prior comments. They are generally countercyclical. This will - this is great news for our clients. It will help them through different market cycles and it is also a business benefit at the same time.

So I truly believe, and the organization believes, this is incredibly powerful combination that will, you know, immediately benefit our clients, our shareholders and both of the organizations and we couldn't be more excited about it.

I'm going to turn it over to Loren and have him go into more depths of the financial results of the combination.

Loren Starr: Thanks, Marty.

So, in addition to a very compelling strategic rationale for the combination that Marty just outlined, we expect the transaction to provide strong returns for our shareholders in line with our previously-stated financial criteria for acquisitions.

For those following along, I'm now on Slide 20.

Excluding the impact of incremental intangible amortization and onetime integration charges, our pro forma EPS accretion is approximately 38 cents or 18% in the year of closing and this assumes a second quarter close date and 3/4 of accretion.

In 2020, with the full benefit of the cost synergies in place and a full year of financial accretion, we expect to achieve 80 cents or 27% EPS accretion. As a result of the combination and the inclusive - an inclusive of the expected run rate synergies of \$475 million, we expect to add nearly \$1 billion in incremental EBITDA. And by 2020, we project to have an operating margin well in excess of 45% and a combined annual EBITDA of more than \$3 billion.

The purchase price will be satisfied with a combination of roughly \$81.9 million common shares and \$4 billion in noncumulative perpetual preferred shares that has a 21 non-call period and a fixed rate coupon of 5.9%. Today, stock price based on where we are today that translates into a total consideration value of approximately \$5.7 billion.

In addition, MassMutual will become a long-term shareholder and our largest shareholder at 15.5%. MassMutual intends to be a long-term strategic partner and a shareholder of Invesco in this regard. They're entering into a two-year lock-up on the common shares.

In addition, MassMutual has indicated that they do not intend to sell their common shares after the lock-up period expires. The transaction is a tax-free reorganization for them and it's highly tax efficient for MassMutual. So any sale of shares in the future could trigger a sizable taxable event for them, again, incentive for them to continue to hold those shares on a long-term basis.

So reflecting the financial strength of the combined business, as well as the additional cash flow that will result from the combination, as Marty mentioned, we are announcing a \$1.2 billion common share buyback program which is to be completed within the next two years. Importantly, this will be funded through operating cash and as such, we do not intend to take on any additional leverage to satisfy that.

So onto the next page, as noted, we expect to add nearly \$1 billion in incremental EBITDA after synergies. In terms of the modeling for your purposes, we included some assumption of breakage and the acquired AUM of about 4 percentage points in 2019 and a modest level of organic growth in future years. Additionally, we've modeled modest fee reductions of approximately \$45 million in future periods.

We have a plan to capture by 2020 an approximately \$475 million in cost synergies within the combined organization and that represents approximately 14% of our combined expense base.

We have a high degree of confidence that we can achieve our synergy target and it clearly is something we've demonstrated in the past through prior acquisitions. The savings will come from the scale benefits and the platform synergies and this will be focused primarily in the middle and back office areas and activities, such like - such as streamlining our operational technology platforms, leveraging preferred vendors and rate cards across the combined organization.

And the transaction, which has been approved by the board of directors of both companies, is expected to close, as I mentioned, in the second quarter of 2019.

And with that, I'm going to turn it back to you, Marty.

Marty Flanagan: Thanks, Loren.

And I do want to come back to the history of our success in making these combinations work on Page 22. A number of you have followed us for years and the track record is a proven track record and I have a high degree of confidence in the team. It's highly experienced. I believe we have a, you know, industry-leading track record of success in delivering the benefits to clients and shareholders as we've discussed and laid out here.

And if you just look at what's happened from PowerShares with \$6 billion in assets under management originally in organic growth and two follow-on acquisitions, \$230 billion in assets under management today and the number two position in smart beta and four - number four position in ETFs overall, really quite compelling. The Morgan Stanley/Van Kampen track record by all accounts was also an incredible success for the organization for our shareholders. So when we look at our history, we have delivered each and every time and I have tremendous confidence in our abilities to that.

With this combination, between the two organizations, we will create an exceptional organization. We're going to have a better client experience by the time that we're done with this and it's going to generate, you know, excellent results for our shareholders. We're going to do this arm in arm with our new colleagues at Oppenheimer and I couldn't be more excited.

And to put this all in context, you know, we believe this transaction is incredibly compelling, bringing scale and client relevance, differentiated investment capabilities, really compelling financial returns for our

shareholders and important strategic partner in MassMutual. It is going to be really a special organization and we look forward to doing it with our colleagues at Oppenheimer.

So with that, why don't we open it up to Q&A?

Coordinator: Thank you. And at this time, if you would like to ask an audio question, please press star 1. You will be announced prior to asking your question. Please pick up your handset when asking your question. And to withdraw your request, press star 2. One moment for the first question. Our first question today is from Bill Katz. And please state your company name.

Bill Katz: Okay, thank you very much, from Citigroup. So thank you very much for taking the question this morning.

So I'd like just to come back to the savings opportunity for a moment. I think you highlighted 175 million and Loren just gave a little bit more detail in your closing comments here. Can we break that down a little bit more a couple of different ways? How much of it is coming from standalone Invesco platform, how much is coming from the legacy Oppenheimer footprint? And then can you break it down maybe by line item between - in between, you mentioned, the comp versus non-comp just to get a sense of the savings? Because I guess the question is, you're running about a 45% margin round numbers, they're running at 40%, both are pretty good, I'm just surprised by the amount of redundancy that you've identified.

Marty Flanagan: Yes. Thanks, Bill. So I appreciate the question. You shouldn't be surprised. So what has been presented right here is something that's been a conversation amongst the industry in the benefit of scale. And if you think of the Oppenheimer organization, incredible organization, largely in the mutual fund

industry but their capabilities are beyond that. So that's another topic. There is the opportunity, as I said earlier, for institutional channel non-US. But where I'm really going with this is you're looking at an organization where we have a mutual fund operation, too. The scale benefits from operation are astonishing, right? It's really the systems conversions that come out of it, you know, just all the benefits you get from scale. That's really the model that we're looking at. And if you compare that to different combinations that you've seen in the marketplace, if it's two organizations and two different industries or two different segments or two different continents, you can't get scale benefits. This plays right down the middle of something that will, you know, be a huge benefit to the organization.

So where we are right now this - we have a high degree of confidence in these numbers. It comes from all of our experience and what we know about the operating platforms. Oppenheimer was already heading down the path to make a number of changes themselves. You do have to look at it across the combined platforms. Our next step is to, you know, use our playbook and we'll team up, you know, area by area with each of our colleagues at Oppenheimer and work through the plan and execute, you know, over the next number of months. And again, we just feel very confident and know the path forward. So the level of detail that you're asking for now, you know, we're not in a position to share that. We have to create the plans with Oppenheimer and - but do know we know how to do this.

Bill Katz: Okay. Thank you.

Coordinator: Thank you. Our next question is from Glenn Schorr.

Coordinator: And please state your company name.

Glenn Schorr: Hi, thanks. Could we first talk about distribution? I get the scale and I get all the advantages you talked about at the scale and the rankings in each of the channels and wealth management is important but is there much unique overlap on distribution where you were strong, they weren't, and vice versa?

((Crosstalk))

Glenn Schorr: ...bring specific distribution?

Marty Flanagan: Yes. So, you know, the best way to look at the complementary nature of it is, you know, on Page 17 where we list the top ten wealth managers and you'll note where we're stronger and they're stronger and again, it's a combination that is creating, you know, much better set of outcomes. So that's at that level. So client relevance is kind of really come through with those wealth management platforms.

But I think what I really want to point you to is that if you look at the investment capabilities between these two organizations, they're very complementary. And if you look at really where, you know, going forward, the impact is in high-demand asset categories, right? International equities, emerging markets, global, et cetera, and you can look for yourself. And although we're presenting it from a mutual fund point of view for the two organizations, these are capabilities that are in demand in different channels beyond the US retail channel. And again, I think it's very important to understand I also do want to make a point. There are no revenue synergies contemplated at all in what you're seeing today. And so it's a very focused view on, you know, the existing business.

Does that get to the point?

Glenn Schorr: No, no, it definitely does. I appreciate that. It brings up the other interesting point of - you noted 85% of assets are in those categories where it passes sub 10%.

Marty Flanagan: Yes.

Glenn Schorr: And you mentioned that international, EM and global. Do you have high confidence that those aren't just next on the passive hit parade because I'm pretty sure you have passive strategies that are trying to get at assets in those categories. So, you know, I just want to make sure that we're not buying into just the next piece of secular decline.

Marty Flanagan: Yes. So it all depends on your core belief. Our core belief is that passive in a particular factor, high conviction active and alternative is here to stay. And if you - the notion that you're going to have a passive across the different asset categories is correct. You're going to be generating alpha from the active capabilities. It's just not going to go away. And, you know, that is not the common belief, I would say, right now but if you look at the track records, they're compelling.

Glenn Schorr: Let me do one last quickie on fund mergers on Slide 18, the - as much as there's not lots of overlap on the high-demand strategies, there seem to be within each of those categories enough overlap. Have you worked through some of those decisions within each of those asset classes?

Marty Flanagan: No. Look, we were all of two hours into the, you know, the go-forward and again, we will work with our, you know, colleagues at Oppenheimer and over the next month, you know, create a plan and again, we'll share it with you. But we don't have that level of detail right now.



Glenn Schorr: Okay. Thanks, Marty.

Coordinator: Thank you. Our next question is from Robert Lee. And please state your company name.

Robert Lee: Right, thank you. Robert Lee, KBW. Thanks guys for taking my question.

You know, maybe, Loren, going back to the phase of expense synergies, if I remember it correctly when you did the Van Kampen deal, you were able to pretty much get this - excuse me, get the synergies like day one after close and not that you're necessarily expecting this but can you give us, you know, some sense of kind of how you expect that to kind of layer in.

And then maybe as a follow-up with the breakage assumptions, I mean, understanding mainly mutual funds or maybe, you know, a little less breakage, you know, that you have in institutional but just given the importance of platforms and centralized research, you know, can you kind of help us get to how you (complement) that only \$10 billion of breakage from Oppenheimer is, you know, kind of a good number or a conservative number?

Loren Starr: So what we have assumed in terms of the modeling and we have a view or sense of confidence around is that most of the synergies we think would be sort of taken in the first year of close. I think we have somewhere between 75% to 85% assumption in terms of what could be achieved with the rest being fully achieved in 2020. I think, again, it's something that we feel like we have a good playbook in terms of how to execute this. So once again, it should not be very hard and complicated for us to go forward.

I think in terms of the breakage, the numbers that we used are actually quite similar to what we had thought as the percentage for Van Kampen. You know,

again, it's based on what we've done in terms of our studies of how these things work. We do think \$10 billion is a reasonably good estimate. Obviously, there's some swing around that number. It doesn't make a huge difference. It is, you know, a few percentage points maybe accretion here or there. But we don't think there's going to be anything, you know, much dramatically off of those numbers.

Robert Lee: Great. And if I can do some one quick follow-up, you know, just maybe going back you guys have obviously been, you know, talking a lot the last couple years about the investments you've been making in the platform, you know, whether it's Jemstep and other things and certainly been excited about that and thinking about 2019 as being the point in time where may we start to see some of the fruits of that stock to come through. I mean, are you all concerned that just given, you know, the size of this transaction that it just becomes kind of a distraction over the next six, nine months or year as people kind of wonder about, you know, where they shake out in this and maybe that actually pushes, you know, the ability to realize some of those benefits out?

Marty Flanagan: Good question. The answer is absolutely not. So again, we wouldn't be doing this if we think it was not going to advance the business and at the same time be able to advance a number of those growth efforts that we've been on and, you know, needless to say, the management team, we've been through that and have, you know, with a high degree of confidence that we'll not do it.

Loren Starr: Yes, I would say, I mean year-to-date, we've had about \$13 billion of net flows into the areas that we've been focusing on growth. We've talked about a lot of them already, ETF for example, some of the factor-based capabilities. A lot of that is in our pipeline, institutional pipeline. We're actually seeing an enormous sort of buildup in our Jemstep pipeline where we've got, you know, I think really very close to production and ongoing support as part of this

process, some very large client names that'll come through in short order and the area where we're seeing more sort of in contracting, you know, we're winning probably the - we're actually winning share in this space. I think we've sort of generated 4 out of 11 kind of major banks. And so we're feeling good about Jemstep in terms the digital advice and where that's going.

So across the board, I'd say our growth engines are moving forward in a very positive way. And again, I mentioned China, if you had another example. So obviously, we didn't have a lot of time to highlight it in this call but, you know, I think we're absolutely going to continue to provide visibility in terms of how our areas of growth are going to continue to allow us to sort of turn that slow trajectory to a positive number into 2019.

Robert Lee: Great. Thanks for taking my questions, guys.

Marty Flanagan: Sure.

Coordinator: Thank you. Our next question is from Ken Worthington. And please state your company name.

Ken Worthington: Hi, Ken Worthington from JPMorgan.

So the deal comes nine years essentially to the day after you announced Van Kampen. So I guess we're going to have to pay attention closely to what you're doing in October 27 for the next one. So I guess congratulations.

So what are your thoughts in terms of cross-marketing or cross-selling with MassMutual over time?

Marty Flanagan: Yes.

Ken Worthington: Maybe as a place to start, what percentage of Oppenheimer's AUM is actually sourced from MassMutual and then what kind of incremental investment dollars might you expect from your new partner and what products - Invesco products seemed best positioned?

Marty Flanagan: Yes. So great question, Ken. So we've already had, you know, half a day, you know, conversation with, you know, the respective leadership between the two organizations and there are a number of areas where we think there are opportunities. By the way, we're just into it right now. So let me give you - as you know, they have 8500, you know, advisors in the United States. And so, you know, that is something that's going to be an obvious focus area for us.

MassMutual is also doing some very interesting things out in Asia, very complementary to what we're doing. So that's another area where we think there's some real opportunity for us. Those are two to name a few. And, you know, with their knowledge and, you know, skills in, you know, insurance and risk, along with what we do in investment management, I'm sure we're going to find some, you know, very interesting things.

There's going to be, you know, quite a bit of focus in this area. I really can't get through to disclose the level of, you know, what they've done together historically. That's just not in our, you know, permit to do right now but it is actually something that is, from our perspective, is going to be quite powerful as we go forward.

Ken Worthington: Okay. Thanks. Maybe a little one for Loren. You guys mentioned AUM was about \$250 billion. You know, market conditions, particularly outside the US, have been poor so far this quarter. Do you have maybe more accurate AUM figure for us to kind of start out from or even as of date of the \$250 billion?

Loren Starr: Yes, I mean, it's moved around plus or minus. I mean, they've actually held pretty closely to the 250. I think it's probably still rounding roughly to 250. So, it has not been, you know, a lot of, you know, turmoil in terms of the AUM number and flow trajectory we do have seen has been on a very positive trajectory for their franchise. So, you know, somewhat slight outflow but in - on a positive trajectory over the last two months. So I think, again, in terms of numbers, I would still be thinking 250 is the right modeling number for you.

Ken Worthington: Thank you very much.

Loren Starr: Yes.

Coordinator: Thank you. Our next question is from Dan Fannon. And please state your company name.

Dan Fannon: Thanks. Dan Fannon, Jefferies.

I guess just building on that last comment, can you talk about a little more detail about recent flow trends? And we obviously saw your results this morning on a standalone basis where outflows are close to 11 billion. You just mentioned, I think, with the data we can see is Oppenheimer has generally been in a little bit more out - that's improving but still been an outflow. So give us a little bit more around why you think flows on a, you know, 2020 basis will be positive given what we're seeing today from performance and, you know, kind of current industry trends?

Marty Flanagan: Yes. So let me back again and again, for all of us who are long-term investors that look quarter-to-quarter, which is probably not very constructive, so, you know, I'd put it in the context of I'm very bullish on the industry. It's \$87-

trillion initiative. It's not going to go away. The organizations that get it right are going to be very successful. We intend to be one of those organizations.

So now let me bring it down here. We have seen in net inflows for nine years, some headwinds and because of, you know, where we are in this market cycle for some of our value capabilities, as we told you, that will change and it is changing as, you know, again, will continue to see the impact there.

But what we're doing is building the organization that, you know, to push through these, you know, more extreme market environments, you know, I won't talk about the institutional flows, Jemstep in 2019, the opportunities that we're talking about, you know, with Oppenheimer here but stay back to, you know, even put that off to the side. What we are seeing in the factor capabilities and our solutions capabilities, our multi, you know, multiasset capabilities, they're real, they're meaningful and we're expecting, you know, to be, you know, very successful as we go forward.

Loren Starr: I think I would mentioned, Dan, there in the global and international capabilities that are hard to replicate that have persistent alpha, they've actually done very well in terms of flows and it's really some of the other areas, some of the domestic, you know, kind of equity areas that have been an industry trend where you've seen the biggest outflows. So, we do think as we are able to leverage their, you know, the capabilities on a global basis which are in demand that we're going to be able to bring the whole franchise a positive flow. And again, we've talked about our own strategies around growth and how we think we can bring sort of the core Invesco capabilities also to grow. So, that's why we, you know, 2019 definitely we got some outflows. It's not going to happen overnight but we do think by 2020, that's a reasonable estimate. Again, modest but certainly positive.

Dan Fannon: Got it. And then just a couple of questions on the accretion assumptions that you're making, just to be clear, is that on - based on consensus estimates? And then also is the buyback that you announced this morning included in that accretion? And then - or also just kind of like - and it's also, you know, kind of what market assumptions are in that?

Loren Starr: So, yes. So effectively, it's versus consensus. So that is the right assumption. In terms of the buyback, the 1.2 billion, there's about 400 million of incremental buyback that we have modeled in as a result of the transaction occurring but the 800 million is pretty much consistent with consensus. And so we're - that's not part of the accretion numbers. So I'd say there's about 1% accretion in 2019 due to that incremental 200 buyback and another sort of 2-1/2 in 2020.

Dan Fannon: Thank you.

Loren Starr: Sure.

Coordinator: Thank you. Our next question is from Mike Cyprys. And please state your company name.

Mike Cyprys, your line is open. Please check your mute feature.

Loren Starr: Mike, we cannot hear you.

Coordinator: We are getting no response. We'll move to the next question.

The next question is from Brennan Hawken. And please state your company name.

Brennan Hawken: Hey, good morning, guys. Thanks for taking the questions. From UBS.

So a quick one on the \$45-million fee rate cut in your merger, Mass, I think that gets me to about 2 or so basis points which would suggest about a 59% IAC for Oppenheimer. Can you - number one, is that generally right? And number two, how much fee rate pressure has Oppenheimer experienced over the past, you know, year or two either through their own fee cuts or the headwinds that we've seen from remixing across the industry?

Marty Flanagan: You know, let me hit the second part and then Loren can pick up. You know, literally, their effective fee rate has gone up over the last three years by - I think it's about 3 basis points. So they've been, you know, doing quite well. And again, their fees are very competitive, generate good, you know, just very good active managers.

Loren Starr: So again, the 45 is an estimate. Really, at this point, we don't have a real plan in terms of how, you know, funds come together and which funds are going to sort of win in terms of fee rates but there's definitely some amount of breakage that will happen when we bring funds together. So 45 is a number that I think still needs to be ultimately vetted out and we'll obviously give updates as we get closer to a real plan around how the funds come together. But we think it's a reasonably conservative number right now, a little bit more than we actually hope will be the case. But it does have that impact in terms of basis points, as you mentioned.

There is no assumption of further fee cuts and, you know, going forward, per se, because of their price - their products are actually reasonably priced. And so, again, in terms of the alpha creation and the ones that are higher priced, you know, and some of the alternative capabilities are all sort of reasonable on



the core products. We believe that there's no significant pressure on having to cut fees on the active capabilities.

Brennan Hawken: Okay. Thanks for that color. And then have you spoken with the rating agencies about the potential impact of issuing this extensive amount of preferred equity? And is there any reason why the preferreds wouldn't be viewed as de facto debt given that they're non-callable in 20-year? And then finally, if you do see a downgrade from a rating agency, what kind of impact did you expect that would have?

Loren Starr: So, again. I think the agencies will release their reports, and ultimately, you know, after they go to committee on this and we hope we will hear some of the answers today, so we're not going to sort of go ahead of them doing that. I mean, I think we have our own views on the preferred and what it is. Obviously, it is a perpetual coupon 236 million, you know, that is going to be part of this deal, you know, 5.9% coupon right now, as you said, might feel expensive but we think over time it might not seem as expensive as you're implying. There is no commitment for us to have to repay the 4 billion perpetual. There's a whole option here that's out 21 years really as part of the requirements to have qualifying equity as part of the tax-free reorg that's necessary for MassMutual. So, again, you know, we don't - I mean, personally, I don't view it as debt. It is - got a lot of equity-like characteristics in terms of being noncumulative. And again, whatever - you know, you can sort of make your own approach and - or your own assessment but surely you'll hear from all our ratings partners in terms of how they perceive this and you can assimilate that.

Brennan Hawken: Thanks for the color.

Coordinator: Thank you. Our next question is from Mike Cyprys. Please state your company name.

Mike Cyprys: Great, thanks. Mike Cyprys from Morgan Stanley.

Just question more broadly on M&A, so look across the industry mix results M&A has you put it kindly. So I guess just what do you see - if you look across, what do others get wrong with M&A? What lessons do you take away with that? What do you think you have to get right to make this a highly successful transaction on the execution side for Invesco?

Marty Flanagan: Yes. It's a good question. So, you know, it's just my opinion. You know, I think trouble happens when you look at a piece of paper and it looks good on a piece of paper and you actually lose track of what really matters and, you know, these are fiduciary organizations with talented people and the value is really, you know, understanding what the value is and how do you maintain that and how do you have that talent - you know, how do you have that drive. And so, you know, we are very focused on being very clear and jointly working through the execution with, you know, our partners, as we've done historically, and it might sound pretty basic but that is, in my opinion, where things, you know, break down.

And I - but let me come back to this. So, Mike, you know, we've talked about this in the past. You know, there is this notion that there's going to be massive consolidation in the industry, maybe, maybe not. I do - the premise is that there's, you know, with that thought is that there's, you know, excess number of money managers that might be doing a middling job and I think that is the case. And, you know, that will get resolved one way or the other. But the notion that you're going to see this massive consolidation with people that have not had experience in that is going to be done well I think is a misnomer.

And, you know, so, you know, I'd look at this experience here but the first experience I had was, you know, in 1992 when Franklin bought Templeton when I was there. And, you know, so I've been on both sides of these things and there is a way to do this and do this successfully. And I understand your sweeping comment but I point you to our track record and we know how to do this.

Mike Cyprys: And somewhat related to that, you know, maybe you could talk a little about the risk around the large fund franchises that Oppenheimer has? How do you manage that? I guess particularly if you can talk about the incentive structures, retention structures you're putting in place to retain key investment professionals and to what extent are they going to be integrated or not? What the broader investment Invesco franchise?

Marty Flanagan: Yes. So important question. So MassMutual has put in a retention program which is great but more importantly, people don't stay at organizations for money. They stay at organizations because they want to be there because they thrive and in particular for investment managers. So they can actually, you know, express themselves through their craft. And we actually run our investment teams in a very similar way that MassMutual does. They're separate. They're distinct. We want them dedicated to the investment process and philosophy. We reinforce that. We want to make sure that they have the tools they need to continue to generate alpha for their clients. That's what Oppenheimer has done in the past. That's what still going to happen going forward. That's not going to change.

And, you know, we had the opportunity to meet with some of the, you know, senior leaders as a great culture. They really love what they have and that's going to - it's going to continue that way. And I think that's really important. And that's what matters. And again, this is where I come back to, you know,

when does it fail? It fails when an organization combines and somebody thinks they're going to, you know, institutionalize some, you know, process and it's probably the worst thing you can do.

Mike Cyprys: Thank you.

Marty Flanagan: Yes.

Coordinator: Thank you. Our next question is from Michael Carrier. And please state your company name.

Michael Carrier: Mike Carrier, Bank of America Merrill Lynch. Thanks, guys.

First one, just on the core business, you know, Marty or Loren, I think you mentioned just the institutional pipeline is strong. Just maybe, you know, when we saw - especially I think within August, you know, just some of the elevated outflows. Just maybe what you're seeing and what gives you mainly the confidence, you know, with that pipeline that we're not, you know, kind of seeing in the same level of redemptions or maybe any color on what drove, you know, some of those redemptions in the quarter?

Loren Starr: Well, again, I think I gave some color already. Obviously, a handful of individual accounts that decided to terminate. I think the sovereign wealth, you know, is one that we've seen a few times. That was the largest outflow. And so it's not a performance-related topic. It's not something systemic. It's not a trend. This is really just a single client topic more than anything else. I could - you know, I'm not saying it couldn't happen again but it's not something that is sweeping across all our institutional business. This is really localized to a particular client.

I think we do feel very good about the pipeline because it's broad-based. It's across equities, alternatives, balanced, fixed income. And so it is actually, again, I think it is a function of, you know, maybe things have shifted in terms of where client demand is going and we are actually heading, you know, newfound areas of demand around factor, for example, and, you know, some areas around alternatives that we haven't seen in the past.

So for us, revenue yield is also extremely strong. And so the revenue level is also at all-time high. And then when we look at - we do look at the pipeline of expected losses, that is not - I mean, that's flat quarter-over-quarter. So it's not escalating up. So, I mean, that's why we feel that we're just getting through a rough patch here in terms of the intuitional side and it should be persistent going into 2019. Certainly not anything we see with the information that we have today. Again, redemptions do happen. They can happen. We could get surprised. But it just doesn't feel like a trend and it's not based on performance. Again, when we look at the products that are selling, these are products that are in high, you know, really performing well, real estate and bank loans and other products that are done very well.

So then the other side of the flow story, I think, is the one we all know which is just, you know, domestic equity, you know, retail US has been an outflow. Some of the value-oriented capabilities that we've talked about have been under pressure. So that is something that, I think, in terms of the near-term sort of turnaround that we've seen in October in particular just given the market is sort of a proof point to our clients that, you know, what we've said was going to happen is happening.

Now, again, it's anybody's guess as to where the markets actually go but the fact, as we've said, that this would happen when markets begin to sort of turn around and you begin to see, you know, momentum become less interesting

that our products are going to outperform and if we do see, you know, we're all kind of moving into that direction, it should be really helpful for us. I mean, some of those redemptions going forward.

Michael Carrier: Okay, that's helpful. And then maybe one more from Marty. Marty, you know, when I look at the history for you guys and even the industry, it seems like you've done, you know, M&A on sort of the gross side and then, you know, you've also done some scale transactions and this one is a little bit of, you know, both but when you think about Invesco going forward, like in the areas that are very competitive, like the US, you know, mutual fund industry, if you just create like an upscale that you think over the next, you know, three, five years that you can combat, you know, any, you know, future, you know, exceed pressures, you know, outflows and then on the flipside, a lot of the message that you guys have made over the past three years on the growth front it seems like that you're still positioned, you know, in the, you know, the higher growth in your differentiated areas. But just when you think about that combination, you know, do you think going forward Invesco, you know, it is well positioned as you can get it to basically grow where you can and then, you know, offset, you know, the headwinds, you know, through scale?

Marty Flanagan: Yes, you know, absolutely. Again, also the points I was trying to drive home. I mean, if you look at, you know, the US, you know, retail industry, you know, we become the sixth largest, you know, within that and, you know, we end up as one of the absolute leaders. And I think that's - but I also think what's important is just not the number. It is the capabilities that we're bringing there. And so, historically, you know, if you think of, you know, the active management capabilities, the addition of Oppenheimer it's dramatically expanding the capabilities that are in high demand there.

You then add that with the early days of factored capabilities being picked up in that retail channel, you know, early days of trying to get alternatives into that channel in a way that works for the channel, the solutions capabilities that are being, you know, taken up right now, the models that are being built by organizations, such as ourselves, for that channel, you know, we're uniquely placed there and there are not many competitors that can do that. But, you know, the scale just puts us on another level there. So I think it's, you know, really important.

And the other thing that I do want to make really clear where you're going is the information that you're seeing today that we're putting forward that expresses, you know, the vast majority of Oppenheimer's investment capabilities happen to be in a mutual fund wrapper. They are capabilities that are beyond - there is greater demand beyond mutual fund capabilities, as I've said. So it's the institutional opportunity, the non-US opportunity, both institutional and retail, the opportunities are meaningful.

And again, you really have to put this in the context of everything that we've been talking about and executing against, right? It is a combination of this high conviction active/passive factor in particular for us alternatives and I really feel really good about where we've gotten the organization over the last number of years, the last couple of years actually in particular, with this very rapid advancement of our strategy. And, you know, as I've said it in the past, it's - the world is not going back, you know, back to the future, right? It is changing. It's changing rapidly. And our efforts have been get ahead of that curve in a meaningful way and we think we've done that.

Michael Carrier: Okay. Thanks a lot.

Marty Flanagan: Yes.

Coordinator: Thank you. Our next question is from Kenneth Lee. And please state your company name.

Kenneth Lee: Hi. Thanks for taking my question. Kenneth Lee, RBC Capital Markets.

Just want to know whether you guys have any updated thoughts on long-term organic growth targets post-acquisition, you know, maybe post 2019 as well. Previously, there was sort of like a 3% to 5% range. Wondering if that's changing? Thanks.

Loren Starr: I mean, I think we're - you know, still believe that 3% to 5% is feasible for us as a firm across market cycles. This acquisition we think is going to help significantly improve our ability to grow not just in the US in a more consistent way but also, as Marty mentioned, taking some of the capabilities globally is going to be a big opportunity for us. So I think there's nothing that's really changed. Obviously, you know, the market itself will have something to do with ultimately where we achieve and how we're going to achieve the growth.

But the growth engines that we talked about, you know, are still ones that we feel strongly are, you know, sort of at a very high level, higher than the industry average particularly around, you know, digital advice, China. Those things are, you know, double-digit kind of growth opportunities and factor based. We think we can continue to really drive, you know, more growth there. So I think long answer to 3% to 5% still feels quite achievable for us.

Kenneth Lee: Okay, great. And just a follow-up on an earlier question about the strategic partnership with MassMutual, just want to clarify, is there some sort of



agreement in place for Invesco to provide asset management services going forward or MassMutual insurance and retirement products?

Marty Flanagan: No. No, there's no agreement. I think, you know, I think what's really important to understand is MassMutual has put every dollar of the proceeds back into the combined institution. There's a high degree that they are not getting out of the asset management business. They're staying in it and they're expressing it through their equity holding and the preferred that Loren talked about. And as I said, you know, we have had, you know, high level of conversations. I feel very strongly that the appropriate, you know, ways to work together will emerge and it will be beneficial to both organizations. So again, just very confident in the relationship.

Kenneth Lee: Got you. And just one last one, just in the quarter, within the EU region, there were some outflows there. Just wondering whether, you know, what key factors drove some of those flows. Thanks.

Loren Starr: Yes. So that was the sovereign wealth outflows that I mentioned, you know, specifically it was around some of our Asian equity capabilities managed out of our (Henley team).

Coordinator: Thank you. Our next question is from Chris Shutler. And please state your company name.

Chris Shutler: Hi, guys, good morning. Chris Shutler from William Blair.

Within retail, how much of Oppenheimer's AUM is in the broker-dealer channel relative to the RIA channel?

Marty Flanagan: Loren is going to speak to that number. What I do know is - Loren is looking for some numbers if we have it. But they have an incredible distribution capability, probably one of the better in the industry, very highly regarded and, you know, the results show that. They also have, you know, some very good success in the high net worth segment of the market, which we do not have, and again, so we look at the combination of the theme, you know. We will be better off with, you know, the Oppenheimer, you know, talent and the things that they have done.

Loren Starr: Yes. So, again, I'm not sure if it's - if I have enough transparency to really start commenting in detail around the various assets and channels but it looks like RIA has, you know, sort of been around 15 billion of their total numbers. So it's those themes that we mostly - through the...

Marty Flanagan: Wealth management platforms.

Loren Starr: ...wealth management platforms, yes.

Chris Shutler: One-five, 15?

Loren Starr: One-five, 15.

Chris Shutler: Okay. Okay. Thanks, Loren. And then correct me if I'm wrong but it looks like, I think, about 85% of their Oppenheimer's AUM is in mutual fund wrapper. Can you give us some kind of breakout of what the other 15%-ish of the assets look like, how much of it is institutional versus sub-advisory, whatever kind of flow trends within that piece of Oppenheimer?

Loren Starr: So I think they have a smaller institutional capability. So that's been, you know, an area that they've been trying to grow. There's just probably about 10

- 12 billion. Sub-advisory seems to be around 27 billion, you know, 25 billion. So those are the big other pieces that you might not see through the normal sort of channels that you've seen. They do have, you know, smaller other business which, again, I think is about 6 billion. So, it's mostly the mutual fund side and ETFs, right?

Marty Flanagan: Yes, 3 billion in ETFs.

Loren Starr: Yes.

Marty Flanagan: So let me come back to that. So what I do want to make very, very clear is, you know, the bulk of the business has been in mutual funds. That is a vehicle. The capabilities with mutual funds are really very, very strong and we look there is going to be an opportunity for a number of those capabilities to be, you know, taken to the distribution channels we have outside of the United States, retail probably, you know, the most immediate followed by institutional both in the US and non-US. So again, the high-quality investment seems really offer us real opportunities as we look forward.

Chris Shutler: Last one, guys, real quick. How much - and you may have stated this already, so I apologize if that's the case but the - how much of the AUM at Oppenheimer is in kind of an overlapping strategy with Invesco where there's two strategies that look pretty close?

Marty Flanagan: Yes, very little overlap which is actually what is so attractive about, you know, the combination. So again, we look at the, you know, the combination of the teams and the strategies as, you know, complementary an additive as we look forward.

Chris Shutler: Thank you.

Coordinator: Thank you. Our next question is from Alex Blostein. And please state your company name.

Alex Blostein: Hey, good morning. Thanks. Goldman Sachs.

I would like to go back to the cost synergy question just one more time, guys, and I'm sorry if I missed it, but if you think about the \$475 million, it looks like it's 50% to 60% of Oppenheimer's cost base that's well above what we've seen with any other transaction in the asset management space of the size in recent history. So what makes this one different, I guess, to get you guys to this level of synergies? That's, I guess, part one. And part two, when you guys talk about the 450 of integration cost, that also feels pretty sizable. So maybe help us maybe break that up kind of what that comprises of and how long do you think this integration cost will be in Invesco's run rate?

Marty Flanagan: Yes. So the - I want to clarify that point. So you cannot look at it as a percentage of Oppenheimer's basis. It's not factual or correct. So what we said earlier was the opportunity becomes the dominance of their platform being in mutual funds and our mutual fund capability all being in the United States, the scale benefits that come out of, you know, the systems integrations and the operations supporting the mutual fund business across both platforms is material and real. And Oppenheimer already was heading down a path of simplification and the like. So, this will just speed that up. So again, it is - that was very different than the other combinations that you've seen, you know, in the marketplace.

Loren Starr: Yes. And then the 450, so again, there's all sorts of cost associated with completing the transaction and getting, you know, proxy solicitation and so forth, you know. And so we have some estimates in here in terms of, you

know, getting to, you know, one platform plus one platform and, you know, get to - you have to get the one platform, so there's cost around, you know, technology and integration to get there. So it's a generous number but it's one that, you know, we think is conservative but, you know, potentially you're going to be all used given the degree and the 475 is a big number, as we've mentioned. So we would expect to see that sort of in line with the timing around the synergies. So you can think of it sort of occurring roughly in step with, you know, mostly in Year 1 and then the rest sort of getting finished up in Year 2 being the smaller piece.

Alex Blostein: Got it. And the 450 is mostly cash, I'm assuming, right? Cash expenses?

Loren Starr: Yes. Those would be cash expenses onetime sort of cash expenses.

Alex Blostein: Got you. Sorry, last one. On the tax rate, so I'm assuming you guys will kind of proceed with the adjusted tax rate methodology in terms of how you report earnings. This probably creates a pretty sizable amortization shield. What should be sort of the adjusted tax rate we should be thinking about post the transaction and does that feed into your accretion enough?

Loren Starr: Yes, there is no benefit here from a tax perspective for us. So there's no element in the accretion related to tax benefits. The accounting around the intangible amortization is going to be small, modest, probably somewhere in between \$50 million to \$70 million a year but there is no tax benefit associated with that. So nothing. So the step up in tax rate is going to take our current rate of roughly 20.6% and probably add another two percentage points to it for the firm as a whole just because of the higher degree of US earnings that we're going to be generating.

Alex Blostein: Understood. Thanks very much.

Coordinator: Thank you. Our next question is from Jeremy Campbell. And please state your company name.

Jeremy Campbell: Hey, it's Jeremy Campbell from Barclays.

Most of them have been answered. Just got one quick clean-up question here on the OpEx thing. Loren, I think you obviously mentioned that 75% to 85% is going to come in '19. With, you know, a few months of planning, how do you guys in the books here? Are we really looking at something where you can come up pretty hot and heavy out of the shoot or is it going to kind of gradually build from 2Q through 4Q?

Loren Starr: Yes, I think, again, a little early for us to get into details. We need to work with our colleagues at Oppenheimer to really understand how to execute this. Obviously, our intention is to go reasonably quickly. We don't think sort of long, you know, timeframe is helpful for anyone. But we need to be thoughtful in terms of doing this in a way we execute it. So, I think we'll be able to provide more color exactly around kind of how it gets sort of split by quarter as we get a little bit closer to close.

Jeremy Campbell: Got it. And then just one quick follow-up on Alex's question there. Just want to be sure point of clarification that outside of like the OpEx and to very kind of small extent the buyback here, there's no other kind of elements to the accretion math that we might be missing there, right?

Loren Starr: Nothing else, no. As I mentioned, the only thing is 200 million of extra buyback in two years. And so to quantify that, that is - that's about the only thing. Everything else should be straight from the numbers that you're seeing.

Jeremy Campbell: Great, thanks.

Marty Flanagan: Thank you.

Coordinator: Thank you. Our next question is from Brian Bedell. And please state your company name.

Brian Bedell: Deutsche Bank. Thanks very much for keeping the call going here.

Two main questions, one on the cost synergy side and one on the potential for revenue synergies. And maybe just starting on the cost side, you know, you naturally took a crack at trying to estimate the synergies after this is roaming in the press. You know, 14% cost saves on the total base is pretty high and implies some product rationalization around this. And so, you know, we took a crack at that and came up with around 150 billion of AUM on the mutual fund side between both organizations that could, you know, potentially be merged and that was almost 200 billion in cost saves the way we came up with it. So just want to see if that's way off base. And then if you can just talk about the process of timing of doing this fund mergers, you know, for example, do you have fund board approvals yet or does that come after the deal closes and then would you look to integrate funds, you know, fairly quickly as - so that you're not put on, you know, gatekeeper watch list?

Marty Flanagan: Yes. So with all due respect, that's not how we do it. So there are no plans for fund mergers. You know, our focus right now is to get to a combined operating platform that will be 100% focus between now and closing and the synergies that you're seeing are coming from what I've talked about. This is the benefit of scale within, you know, an organization and again, it happens because it's the operational benefits that you get, you know, through, you know, emerging operational capabilities within - largely mutual fund

capabilities within the United States. That's where that's coming from. And there's no contemplation and no plan for fund mergers in this work and it won't be until after - you know, we'll turn our head to sort of what - you know, after the closing and, you know, see, you know, what makes sense there.

Brian Bedell: And so if you do come up with fund mergers later down the road, would that be upside to the 475 thing?

Marty Flanagan: Yes.

Brian Bedell: Okay, great. And then maybe on the distribution synergy side, so I appreciate your comment on the new product structures. You know, obviously, mutual funds have been a challenged product structure for a long time but if you have the investment teams in there and Oppenheimer didn't really, you know, create a big product range in that area, how quickly do you think you can come up with institutional product structures to really crank up the net flow, you know, ability of the franchise? And the 10 billion that you estimated, I assume that's a gross outflow number or is that net of the potential of new products, you know, offsetting some of the mutual fund outflows.

Marty Flanagan: Yes. So let me hit on it. So again, we're all of two hours into this. So we have some work to do on being clear. But what we do know spending time with the teams there, high-quality teams, they are in high-demand areas, we, as an organization, have a very robust instructional capability to get teams, you know, what we call "client ready" for the institutional channel and we are very well equipped to introduce, if you want to call it, you know, retail structures outside of the United States. But it's just not the structure. It's really the go-to-market strategy, the, you know, matching up against client demand, the sales forces, the marketing capabilities, that's what is so robust about this. So again,



once we spend time with one another and figure out what clients are looking for, you know, we'll get after it pretty quickly.

Loren Starr: And the 10 is a net - that's a net outflow number. So it's not a - just a redemption number. It's a net flow.

Brian Bedell: A net number, okay. And then so - without the fund mergers, too, you really don't anticipate being put on watch list...

Marty Flanagan: No.

Brian Bedell: ...from either gatekeepers at big distributors or consultants?

Marty Flanagan: No.

Brian Bedell: Okay. Okay, great. Thank you.

Marty Flanagan: Yes. Thank you.

Coordinator: Thank you. Our next question is from Patrick Davitt. And please state your company name.

Patrick Davitt: Hey, good morning. It's Autonomous Research. I appreciate Slide 17. That's helpful. I imagine most of these probably want to be doing business with less managers. But is there a risk of hitting any exposure limits with being bigger with all of these guys?

Marty Flanagan: I wish we had that problem but no.

Patrick Davitt: Okay. And then you mentioned the great wall of flows. I imagine that's all money funds still, if not, that's great but what's kind of runway to getting, you know, more non-money fund kind of flows from that distribution?

Marty Flanagan: Yes. So a couple of points. So, you know, let me - we couldn't be more excited about that actually, so, you know, and if you look at, you know, our joint venture partnership there, you know, it is, as you know, very digitally-based, you know, economy within, you know, the retail world and, you know, through - and financial, you know, we are the first and only western joint venture partner that's in there and it starts with money funds. And, you know, by the way, its 10 basis points. So that's 10 basis points. Tens of billions of dollars isn't so bad. But if, you know, the natural follow-on is, you know, including, you know, further investment capabilities in that platform and we anticipate that happening in the, you know, future here. I don't have the specific dates of it, though. But it's a good start for us.

Patrick Davitt: Thanks.

Marty Flanagan: Yes.

Coordinator: Thank you. Our next question is from Chris Harrison. Please state your company name.

Chris Harrison: Good morning. Wells Fargo. Can you guys talk to us a little bit about how this transaction came about and maybe share your perspective on why MassMutual is selling?

Marty Flanagan: Yes. Let's see. The transaction came about simply from, you know, conversation of, you know, where do we think the world is going? We were very likeminded in where we thought it was going, that all the things that we

talked about today are real and they're meaningful. And, you know, when you have an alignment like that, you know, you tend to continue to, you know, focus, you know, on what can you do together.

But I do want to clarify a point. MassMutual is not selling. And they're making that very, very clear. And they are taking - they are holding the, was it, 81 million common equity shares and \$4 billion of preferred over the long term. As you know, they are a mutual company. They talk about having a long-term view. It's extraordinary. And every single dollar that would be proceeds is going back into this combined intuition and I think it's really important for people to hear and understand. They're committed to the combined firm and they have a high degree of confidence in what we're going to do together going forward.

Chris Harrison: Okay, understood. And kind of unrelated question, you know, some of the larger Oppenheimer funds we looked at that have had, you know, really extraordinary performance, they do have a large overweighting in the tech sector. And so I guess I'm wondering, is there a way you guys can mitigate the risks or how do you mitigate the risks of acquiring that after what's been, you know, the very good run for stocks in that particular sector?

Marty Flanagan: Yes. So you're really hitting on a question that comes up in a different way. No different than Invesco the investment team's managed money consistent with our investment philosophy. And that's one, two, three in the list. That's what we want them to do and they're going to continue to do that. And they generate, as you say, very good performance over the market cycles and within the portfolio sort of the full discretion of the portfolio managers, that's not going to change and our primary has never changed at Invesco. The way that it gets, if you want to call it, mitigated is through having complementary strategies and that's what we are trying to point out earlier. And so when you

look at the lineups side by side, you know, if you want to call it, that's how you're mitigating, you know, the different styles, when styles are in favor and out of favor as an organization. It gives clients choice but its also good for, you know, having a more stable business.

Coordinator: And we do have time for one final question. Our last question today is from Gregory Warren. And please state your company name.

Gregory Warren: Good morning. This is Greg Warren from Morningstar.

Just a quick question, want to step back to kind of the breakage forecast you guys put out there. You know, I understand that, you know, you're basing it on what you saw with Van Kampen but, in all honesty, that was ten years ago and that was a completely different market environment. So what gives you the belief that with the disruption like this with you guys picking up Oppenheimer Funds that you're only going to see 10 billion in outflows out of the gate? I would assume you see something slightly higher than that. And I guess a follow-on to that is, how much of MassMutual is actually invested in Oppenheimer Funds? How much business are you guys getting from them?

Loren Starr: I think with the Van Kampen transaction, we used the estimate of 10. It was nothing close to that. It was much less. So that 10 was way conservative back then and we think it's probably still conservative but we're using it. And again, when we think about it, it's really, you know, because there is no real breakage, we're not forcing teams to sort of come together, do anything different with, you know, the process. So maybe that 10 is just not going to happen. So they are just as a - a point of conservatism in the modeling. I don't think there's anything explicitly that we expect to sort of trigger big outflows as a result of this transaction but we thought we really needed it when we're thinking about, you know, just the uncertainty. So that's why the 10 is there.

It's not based on fact or data. It's more, you know, kind of conservatism. I think - what was your second question, Gregg, I'm sorry?

Greggory Warren: Yes. Just wondering how much does MassMutual actually have because usually most situations where the life insurer or, you know, an insurer owns part of an asset management firm, there's plenty of cross-business between them. So I was just wondering how much does MassMutual actually have invested in Oppenheimer Funds at this point.

Marty Flanagan: Yes. No, it is not a large number. And again, I am not trying to - I just don't feel liberty to - that I can have that conversation. So it's not a large number. The intent going forward though is, you know, one of the first parts that we collectively want to look at is, you know, making available, you know, more robustly the, you know, investment capabilities here in the United States at, you know, 8500 advisors.

Greggory Warren: Okay.

Loren Starr: Right. And in terms of a general account, there's really no relationship between what Oppenheimer is doing in the management of MassMutual general account.

Greggory Warren: Okay. And then, Loren, just real quick, I don't know if I caught it or not during the course of the call but you've got 1.2 billion share repurchase sort of authorized now. Did you give an indication of how soon you might start buying back stock or how much maybe a quarterly run rate you're looking at?

Loren Starr: So we can start and we have our intention of beginning after, obviously, this release gets its due process in terms of two days. So think about starting next week.

Greggory Warren: Okay.

Loren Starr: And so we're going to be obviously interested given the fact that the stock we feel is incredibly undervalued, particularly in light of this transaction. But we're also being sensitive to the fact we haven't yet completed the deal and a lot of the buyback and the extra buyback is really on the backs of, you know, this deal ultimately bringing more cash flow. So with that said, we are absolutely intent on sort of starting in a very serious way the 1.2. It was now laid out by quarter at this point in time but we will be in the market almost immediately.

Greggory Warren: So would it be comfortable to say you could easily finance 1/3 of that right out of the gate?

Loren Starr: No question.

Greggory Warren: Okay. Perfect. Thank you.

Loren Starr: Yes.

Marty Flanagan: Thanks, everybody.

Operator, I think that's it.

Coordinator: I would now turn it up - call back to speakers for closing remarks.

Marty Flanagan: Good. Again, just want to thank everybody for changing their schedules and really appreciate the engagement, the questions and we're very excited about the opportunity in the future here. So thank you very much. And we will

continue to, you know, communicate progress on this combination but also, as Loren pointed out, you know, many good things are going on in our core business and we'll bring you up to speed on those in future calls.

So have a good rest of the day. Thank you.

Coordinator: Thank you. This does conclude today's conference. You may disconnect at this time.

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