

**INVESCO INC**

**Moderator: Marty Flanagan**  
**October 23, 2019**  
**8:00 am CT**

Woman: Good morning and thank you all for joining us.

As a reminder, this conference call and the related presentation may include forward-looking statements which reflect management's expectation about future events and overall operating plans and performance. These forward-looking statements are made as of today and are not guaranteed. They involve risks, uncertainties and assumptions, and there can be no assurance that actual results will not differ materially from our expectations.

For a discussion of these risks and uncertainties, please see the risks described in our most recent Form 10-K and subsequent filings with the SEC. Invesco makes no obligation to update any forward-looking statements.

We may also discuss non-GAAP financial measures during today's call. Reconciliations of these non-GAAP financial measures may be found at the end of our earnings presentation.

Coordinator: Welcome to Invesco's Third Quarter Results Conference Call.

All participants will be in a listen-only mode until the question-and-answer session. At that time to ask a question, press star 1.

Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now I would like to turn the call over to your speakers for today, Marty Flanagan, President and CEO of Invesco; Loren Starr, Chief Financial Officer; and Greg McGreevey, Senior Managing Director, Investments.

Mr. Flanagan, you may begin.

Marty Flanagan: Thank you very much and thank you everybody for joining us.

The Q3 presentation is available on the Web site for your reference. But to allow more time for Q&A, we're going to shorten our prepared remarks and really get to the questions, you know, quite quickly. So I'll just give a brief overview of the results and Loren will make a couple of comments, and again we'll get to questions, so we'll have more time to have a discussion.

So now with only four months post the close of the acquisition of Oppenheimer, we've made tremendous progress bringing the two organizations together. And you can see by this quarter it's generating meaningful results already. As we've discussed on previous calls, we do look at this as a multiyear growth story that deepens relationships in the US, provides us capabilities to take around the world while also creating scale for organization. That said, the first full quarter of the combined organization has delivered powerful results.

If you look at very strong earnings quarter over quarter, generating \$502 million of operating income, a 38% improvement compared to last quarter; operating margin expansion exceeding 500 basis points, taking our margin up to 40.9%. The combined firm added \$200 million net revenues during the quarter while adding only less than \$60 million in expenses. And we're particularly pleased to announce that we're delivering on our expense synergies well ahead of schedule and exceeding our initial target of \$475 million. We are now estimating savings of \$501 million.

Importantly, we achieved these results and what was a very challenging macro-environmental flows and also being in the early days, this combination between our two organizations. During the quarter, clients reacted to the market news by derisking, which resulted in outflows in our Americas and UK retail businesses. Flows in our legacy or byproducts slowed during the quarter, which we had expected. But they are stabilizing and we'll speak about that in a couple of minutes.

These outflows were offset by positive flows in China or EMEA, ex-UK business and ETFs. So the positive flows during the quarter really demonstrate the tremendous strength and potential of the combination. Furthermore, the operating and financial strength of the combined firm enabled us to return \$440 million to common shareholders during the quarter through dividends and stock buybacks. So finally, it is still very early days. But from our perspective, the initial results are very strong.

Loren?

Loren Starr: Great. Thanks, Marty.

So before we get to Q&A, I wanted to spend a few minutes highlighting some key items for you on the topics of flows and expense synergies, resulting from the Oppenheimer transaction.

So if you look to Page 5 or Slide 5, we had \$10.5 billion of net outflows in the Americas. The majority of this is attributable to the retail business. On the next page, we drilled down on this a little more.

So on Slide 6, we show that 2019 history of monthly gross sales and net flows for the Invesco and Oppenheimer US active retail products combined, which includes periods of both pre- and post-close. So said another way, this illustrates the trend for the two firms together over the entire period, including the pre-acquisition period.

I think there are few important takeaways from this chart. First, gross sales post-close are increasing. We see a positive trend line. However, while gross sales are improving, they're not yet to the pre-deal level. So there is obviously more room for improvement.

Second, the chart clearly highlights that the deal has had an impact on our gross sales levels. The integration of the two sales team are well underway and in fact going quite well, but they're not yet complete. And as the integration is completed, we would expect the gross sales levels to come back to at least the pre-acquisition levels.

And third point, net outflows have been more elevated post-close. But this is largely a function of the abnormally low gross sales level I just mentioned. And we'd expect net flows to improve as we complete all phases of the sales integration work through this year and into 2020.

While staying on the topic of flows but moving away from US retail, I'd like to point out that we continue to see a strong institutional pipeline. The institutional won but not funded AUM continues to build quarter-over-quarter and year-over-year. And on particular notes, we were notified this quarter of a \$10-billion mandate, won by our solutions team which is expected to fund in the first half of 2020. Also, we received notification of a recent \$100 million win into the newly launched OFI Emerging Markets Local Debt Fund on our cross-border fund range in EMEA. It's still very early days but we're beginning to see revenue synergies from the deal. There is strong retail and institutional interest in the OFI products and a pipeline is forming.

So next, let me move to the topic of expense synergies. If you'll recall, we have been projecting to achieve run rate net expense synergies of \$475 million by the end of the first quarter of 2021. At the end of the third quarter, we achieved 105% of our synergy target or \$501 million of run rate expense reductions for the combined organizations. This represents an elimination of 15% of the expense base of the pre-combined organizations.

We always thought that there'd be opportunity to save more than \$475 million. But at the time of the transaction closing, we only had a clear line of sight regarding the \$475 million of savings. After we closed the deal, we were able to look deeper into the business and we started making significant progress on the integration. And we now see that we can run the business with this lower expense base.

There's still further integration work to be completed but we're confident that we can deliver the higher level of expense synergies that we're presenting to you today. And as a reminder, the synergy level is net of the investments made in areas that further strengthen our distribution and investment

capabilities and processes which allow us to drive future growth and avoid future cost.

We presented on Slide 9 of our deck summarizing these expense synergies. This illustrates the combined firms' representative run rate, annual operating expense base. But please do keep in mind that this assumes FX and market conditions are in line roughly with the end of Q3 levels.

So in summary, before we go to Q&A, let me just say that we see the potential for the long-term net flows to trend in the right direction, although they're clearly not where we want them to be right now. One of the key areas of outflows we're experiencing is centered in US retail space. And that is largely due to the shortfall and gross sales that we expect will ultimately be corrected as the US retail sales teams complete their integration. We continue to work hard managing the things within our control, improving gross sales, funding greater expense savings and adding to our deal-related expense and revenue synergies and continuing to invest in areas that we believe will allow us to grow more quickly in the future.

And with that, Operator, I'd ask you to please open up the call for Q&A.

Marty Flanagan: Great.

Coordinator: Thank you. At this time, if you'd 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.

To withdraw your request, please press star 2.

We do have our first question from Ken Worthington with JPMorgan. Your line is open.

Ken Worthington: Hi good morning.

Marty Flanagan: Good morning.

Loren Starr: Hey, good morning, Ken.

Ken Worthington: Can you first talk about the journey back to positive long-term net sales? So our positive net long-term sales, something you foresee for Invesco in 2020 and if not, 2020, when? And then can you maybe describe the path to positive sales? Which new or existing products or asset classes do you see driving the incrementally better sales or incrementally lower outflows than we're seeing today -- the more specific you could be the better -- and then, you know, why?

Marty Flanagan: Yes. Good question, Ken. Let me hit a couple of those and I'll ask Loren and Greg to pitch in, too.

So, you know, let's say on the - you know, what Loren was pointing out about the deal because I think it's actually quite critical. The - to put sales force points in, you know, clarity as we've said in the past, literally, sales force now represents half of old Invesco, old OFI. They're literally going through training right now. We actually, as you always do, have disruption when you do transfer agency conversions and the like. They'll probably be up and running, I'd say, you know, fully, you know, into December, so I think early, you know, next year. And the quality of the team is the best we've ever had.

So, you know, we view that, you know, the historical gross sales, you know, we will exceed those. That will be - you know, so when does it happen? You

know, into next year that will surely happen. You know, ideally, you know, on the first half of next year from our perspective, again I'd put it in the context that Loren did of the - it all depends on the market but it's - you know, with this - as this market continues, that's what we foresee.

Loren Starr: Yes. And I think in terms of the path to positive, so we're clearly saying we're going to become less negative. And that's really what we're saying because of the sales improving. I think the path to positive is going to be a function of some other things that are - some within our control and some without of our control. So one thing that is still, you know, very much weighing on our flow picture for the firm globally is sort of just the macro environment and some of the political uncertainty that exists where we see risk off, it's affecting everybody.

And so, you know, in Europe for example, that risk-off behavior has driven flows into cash and away from active products. And that's something that, you know, we can't control but we're, you know, definitely looking to see, you know, hopefully some of these events becoming more clear -- Brexit being the most obvious one.

The other element that I think is moving in a positive direction and is an important precursor to flows is performance. And we've had some, you know, headwinds around performance that we're beginning to see, you know, sort of a turnaround and particularly in sort of recent months where you can see just how strong the comeback or the pullback in performance is when, you know, we see, you know, some release on some of these macro topics. For example, what we're seeing, you know, in terms of what's going on in Europe and UK has a big impact on our UK business.

And I think Greg, I mean, you could speak to that a little bit if you want.

Greg McGreevey: Yes. Maybe, Ken, just to get a little granular to the essence of your question, so it's that intersection between demand and performance. And I may be point to kind of four or five areas to get to the specific question that you asked on. One would be fixed income where, as you know, we have very strong performance. We're seeing, you know, quite strong demand in almost all markets. Part of the transaction that we talked about before with Oppenheimer was to really leverage their global equity capability, which was incredibly strong. There's quite strong demand for global equities and its various flavors in a lot of markets outside of the US. And so we're seeing that.

I think ETFs and the traction that Loren kind of mentioned with this win that we're going to hopefully see in the first quarter and when it (funds) in solutions, we're seeing that traction really take shape in almost to kind of all markets, if you will. And then global liquidity that was kind of mentioned as one of those areas, not only in China that we talked about on prior calls but we're just kind of seeing that in other markets. So that's really for I think the gross sales side and where that demand and performance, where we have that strong performance kind of intersects.

Clearly, we're seeing some - you know, on the redemption side, some important performance improvements in a number of those funds that have had the most significant amount of outflows. And I'm happy to drill into those numbers. But I think on a year-to-date basis, which was still short-term for most of our funds, both here with the legacy Oppenheimer, we're seeing some notable improvement. That has to continue. But if we see that in concert with those things that I talked about, that's really how I think we get to the positive flow picture.

Ken Worthington: Okay. Thank you. And then on the synergies, can you talk about the outlook from here both synergies and dissynergies? So maybe starting with dissynergies, I believe there's still a 529 plan outflow. I think that's a fourth quarter event. Correct me if I'm wrong. Any other deal related dissynergies that we should expect in the near-term?

And then on the cost side, you took out \$501 million. Is that the end number we should expect? In other words, if you get more, do you reinvest it? Are you going to reinvest some of the \$501 million? And if not, you know, any idea on how much more we'll be able - shareholders will be able to keep that wouldn't be reinvested?

Loren Starr: So, Ken, on the first point, the dissynergies, you're correct, there is the \$2-billion New Mexico outflow that is to be expected in the fourth quarter. That is a dissynergy. The only other dissynergies are the ones we just talked about in terms of the gross sales being abnormally low, some of the kind of general disruption related to (TA) conversions. I mean, those have been dissynergies to the flow picture that should end we're seeing begin to improve overtime.

But there isn't anything else that we know of in terms of a dissynergy. And if anything, you know, again we're seeing more positive revenue synergies to take on potential for the products. And the C-Cap in Europe for example is a good real-life flow coming in.

In terms of the \$501 million, that number is net of investments. So that is the number that we are saying you're going to get. There is no intention for us to invest through that number. So that's the bottom line. There are more opportunities for us to, you know, sort of generate more synergies. We believe some of that may get invested; some may drop to the bottom line.

We're at this point comfortable with the \$501 million. And we will continue to keep you updated in terms of the potential upside on that number.

Ken Worthington: Thank you very much.

Loren Starr: You're welcome.

Coordinator: Thanks. Thank you. Our next question comes from Mike Carrier with Bank of America. Your line is open.

Mike Carrier: Good morning and thanks for taking the questions.

First one, just on the sales and the flows, you know, I think, Marty, you mentioned over the past, you know, probably one to two years, you know, there's been some negative, you know, impacts to the business, whether it, you know, was Brexit and some of the European, you know, headwinds and then on the value side versus growth, you know, that being the headwind. It seems like some of those, you know, things are at least starting, you know, to potentially, you know, shift gear. But I'm just wondering if you're seeing any early signs, you know, of some, like, improvement, you know, on that front.

Marty Flanagan: Yes. So look, what we think are fundamental strengths of our organization, so, you know, I think EMEA, I think, you know, Asia-Pac, Brexit and trade wars, they're just tremendous headwinds for us. And again, so (unintelligible) results in light of that. You know, it's not an excuse; it's just a reality.

We are sensing, you know, with Brexit in particular sort of an end game coming here. You're starting to see just recently the performance is starting to pick up very strongly, which is a very good sign. And, you know, so again, they say hope is not a strategy but you definitely are, you know, sensing, you

know, some relief here. And, look, you know, Sterling being at what is big, you know, 120, 129 is a whole lot different than 119. So again some of these , you know, we will continue to manage through but any relief is just really powerful.

Greg, I don't know if you'd add anything on the performance.

Greg McGreevey Yes, Mike. Look, like the rotation is starting to happen from growth to value. The market is starting to recognize that not all companies are the same. Some make better capital allocation and are able to produce different returns on investment. So we're starting to see probably the most impactful thing, is a lower correlation of stocks to the index. And that really gives our active managers the ability to use their strong stock-picking skills.

And so I think that's part of the reason when we kind of look at our year-to-date performance improvement, it's really the result of some of those factors that have kind of allowed our performance to improve. The \$64,000-question is not always - is that going to continue? The one thing we know is it's not going to continue forever in terms of, you know, what we've seen over the course of the last ten years. So, you know, that gives us some comfort that when this does change, given the strong teams that we have, we'll be able to generate the performance that we come to expect.

Mike Carrier: Okay. Thanks. And then, Loren, maybe just on the fee rate, so you got to bump this quarter, you know, with Oppenheimer. You know, the trend over the past, you know, couple of years has been a little bit more on the negative side, you know, just given the expansion on the ETF front and then the industry, you know, is seeing some pricing pressures. There're some news on SMAs that's come under pressure as well, you know, on some platforms. But just when you look at some of the investments that you guys are making and

now with Oppenheimer, you know, on the platform, I know it's tough to predict but do you see some areas, you know, that yes, like, higher fee, you know, like momentum or trends, you know, versus some of the areas that are going to pressure, you know, that fee rate overtime? Just any update on how you're thinking about that and then managing expenses, you know, with that in mind.

Loren Starr: So certainly, it's a very dynamic. There are a lot of puts and takes in the fee rate. There are some definitely some positive things in our fee rate, you know, in terms of we've talked about in the past our institutional pipeline, you know, where the assets that are funding are in at higher fee rates than the assets declining. We continue to build out, you know, I think a strong set of capabilities around alternatives, which tend to have a higher fee rates and aren't going to be sort of pressured by indexing.

We are also very supportive and like our ETF business and we want to continue to grow it. And so those are coming in at lower fee rates and that is a good thing for us. They're a great margin products as long as you can grow them quickly and, you know, sort of create scale on those products. We really embrace that phenomenon and want to grow that part of the book.

I think it is very hard to provide guidance on this measure just in general. And really there's just so much that's outside of our control in terms of the mix of products, not to mention currency in markets. So, you know, we're probably not in a great position or we're probably more likely to refrain on sort of providing guidance on fee rate going forward just because it is so dynamic. But I would say it's a real even fight in terms of the things that are sort of helping us on the fee rate on the positive side versus things that may be, you know, putting it to the flip side.

Mike Carrier: Okay. Thanks a lot.

Marty Flanagan: Yes.

Loren Starr: Thank you. Our next question comes from Brian Bedell with Deutsche Bank. Your line is open.

Brian Bedell: Great thanks. Good morning folks.

Maybe, Loren, if you can just go into just the integration process and you realized obviously you've hit the \$500 million of cost. But like you said, there's definitely still more work to do. It's still pretty early. Maybe just can you outline what types of things are being done over the next couple quarters? You know, for example, the - any kind of back-office arrangement on custody fund accounting and mid-office if that's in process for the combined organization. And any thoughts on how much product rationalization has contributed to the \$500 million and any future rationalization that might be planned from that?

Marty Flanagan: Let me hit a couple of things and then Loren or Greg can pitch in.

So yes, so all the systems have converted over to our systems from Oppenheimer. So that's, you know, a good development. We still have with the transfer agency, one more software upgrade that will happen at the end of November. All the middle and back office will end up converting through next year again. So I think - so I still think first quarter 2021 as we said. So that's in progress, too. And those are the areas where, look, we'll know more when we get in, you know, further into it. But that's all underway right now.

I don't know if you...

Loren Starr: Yes. I think, listen, the fund mergers and those types of product rationalizations have not happened yet. So that's not part of inherently the \$501 million. There may be some, you know, sort of incremental savings associated with that. There's probably some incremental investments as well that we're hoping to do. So I'd say really it is - the \$501 million is a number that we feel extremely confident that we'll be able to deliver through, you know, a variety. Well, we're there right now. We are going to continue to look at some of the other integration opportunities really around tech, around operations as well, you know, some - there's all sorts of efficiencies that we can still continue to create in our sales efforts as well as our investment efforts.

So I can't get too specific at this point. But ultimately, you know, we're still looking at a wide range of opportunities around this integration as we get closer to the business.

Marty Flanagan: I do want to come back to the product rationalization. Think of, you know, it's a small thing, not a big thing. And (unintelligible) some overreaction to it in the past. So it's a small thing, not a big thing. Just remember that.

Greg McGreevey: Yes. Maybe just to put a finer point on that, Marty, I mean, I think when you look at the impacted assets, we think it's around 2% of our total assets, you know, roughly 14 legacy Invesco or maybe 15 OppenheimerFunds. So we're not in the grand scheme of our whole product mix. It's really both small percentage of funds and it's an even smaller percentage of assets.

Brian Bedell: That color is really helpful. Is it clear to think that operating margin obviously is going up from the 40% that we're already seeing because it sounds like there will be incremental (saves), of course revenue dependent.

But maybe just also talk about the growth sale initiatives and the potential to improve that from even levels before the deal. You know, to what extent can you do that through the institutional offering of the Oppenheimer products and the potential sale of Oppenheimer Retail in Europe? And I guess any color for the \$10 billion mandate on the solutions team in terms of what disciplines that's coming in?

Marty Flanagan: Yes. So look, I could be repeating myself but there's nothing, you know, we are full steam ahead on driving gross sales right now. And I said previously, if you look at, you know, the most acute area where there was disruption, it was a US Wealth Management Platform. We think, you know, January 1st, we'll be on our front feet and, you know, full steam ahead. And we anticipate seeing higher gross sales, you know, on the back of that.

Greg mentioned, you know, we do now have - alarming here. We do now have six OppenheimerFunds on our C-Cap range. We've just had road shows in Europe for two weeks - two weeks ago, so early days. But as Loren said, you know, we saw, you know, already \$100 million. That's not going to change our world but that's very, very fast and it's going to continue.

So what we're seeing institutionally is Greg talked about a lot going on in fixed income, a lot going on in real estate. So that's really the (unintelligible) part of the business continues to be in high demand institutionally and to looking for some opportunities in the retail channel. So we're very excited about what's in front of us.

Loren Starr: Yes. And I think we also haven't yet fully, you know, sort of explored the full opportunity with MassMutual and their - the revenue synergies working with their advisors. Again, as we've talked in the past, they have 8500 advisors. They're the seventh largest distribution force in the wealth management

space. And so we are now actively working with MassMutual, you know, with our products and our solutions that we're trying to understand what is a good fit within their network. That has yet to sort of get plugged in. So that will provide some further lift that was not there pre, you know, pre-deal for any of the combined firms just as an example.

Marty Flanagan: And again, what we've not talked about is we'd really like our position in China and we can see that, you know, rapidly growing in the quarters and years ahead.

Greg McGreevey: Yes. I think this relates to Oppenheimer - maybe again just to put a finer point on one of the biggest opportunities we see is to promote the legacy OppenheimerFunds into both retail and institutional channels. So we've been spending a lot of time post the merger between investments, marketing and distribution. Those would be things like our global equity suite, things on the global fixed income side, muni bonds to mention kind of three very specific areas.

And so we're optimistic. It's still kind of early days. But we really come together across those three areas to see again on that intersection between demand and where we have investment capabilities, so where we're going to be able to get out to prospects and clients.

Loren Starr: And, Brian, just on the color on the \$10-billion solutions when it's not appropriate for us to talk about it just as the client has not sort of released their own notification of that. So, you know, when and if it becomes public, we'll be able to talk a little bit more about that deal.

Brian Bedell: Okay. Fair enough. Thanks for all the details. Super v helpful.

Coordinator: Thank you. Our next question comes from Alex Blostein with Goldman Sachs. Your line is open.

Ryan Bailey: Good morning. This is actually Ryan Bailey on behalf of Alex.

I was wondering going back to Slide 9, if we're looking at that \$2.9-billion number, is that the right run rate, I guess, as we should be thinking about the expense base entering 2020? And then are there any puts and takes in that number? And then maybe coming back to the \$501 million, that's a net synergy number. Can you give us a little bit of color around, like, maybe how much investments would be included in the gross number and then where those investments are going?

Loren Starr: Yes, so on the 2.905, that is the right run rate for you to be assuming going into through and through 2020. We feel confident, again assuming kind of market is flat to September and that that number is definitely achievable, if not it's one that we could do better on.

In terms of their \$501 million, that is a net number. There is about \$30 million of investment that has already been done relative to the Oppenheimer transaction. So you can think about our gross number being closer to \$531 million instead as a \$501 million. And those have been areas I think where we invested around technology, sort of their sales team effectiveness, really again trying to create a better platform for the WMI business to be successful.

We do think there's opportunity for us to invest more and we do plan to invest more to continue to grow and make our team more effective. That will be some - will be entirely funded by further, you know, sort of integration savings. But with that said, there is opportunity for us to deliver more net

synergies to the bottom line beyond the \$501 million, we believe. But we're not at the point where we're able to commit to that.

Ryan Bailey: Got it. Okay. And then maybe if we turn to capital for a second, so you've done two-forwards over the last two quarters. It's about \$500 million. It sounds like you're - you have to pay out between sort of 1Q and 2Q '21. Do you expect to do any more of these over the next, call it, year or so? And then is there any shift in capital priorities overall?

Loren Starr: Good question. The answer is no, we don't intend to do any more forwards at this stage. We think that, you know, we will still be doing buybacks. But there's only \$260 million left on the remainder stub of what our commitment is. And that's one that - a commitment that we think we can complete, you know, over, you know, through open market purchases easily and effectively without using foreign purchases.

So that is, you know, going to be done, you know, probably through the course of 2020.

The - in terms of changes in capital priority, there are no changes to the capital priority. We continue to focus on, you know, first returning capital to organic needs through (seed). We've not seen, you know, significant needs around (seed) beyond the expectations. So we think that is largely sort of status quo. We want to continue to be able to grow our dividends every year under all markets. And so that's still part of our priority. And then the remainder of capital will be returned to shareholders through buybacks.

So that priority is still exists. I will say that we still - it's very important to us to maintain our investment credit rating and we also want to continue to build cash. So we have \$1 billion of cash in excess of what is required from a

regulatory perspective. All that is consistent with our past priorities and all are still intact in terms of our thinking.

Ryan Bailey: Got it. Thank you very much.

Loren Starr: You're welcome.

Coordinator: Thank you. Our next question comes from Brennan Hawken with UBS. Your line is open.

Brennan Hawken: Good morning. Thanks for taking the question. I just wanted to follow up on that last one on the expense comment and the 2.905. Loren, I just wanted to kind of clarify because previously you guys had walked through the synergy - the expense synergy quarter by quarter and you've upsized the ultimate target. So the \$475 million goes to \$501 million. That's really clear and clear that your end run rate for expenses would be the \$2.905 billion. But I thought in your response to the prior question you said that that - the \$2.905 billion would be the run rate entering in 2020. But I'd thought previously you had said the expense synergies you get there by the time you exit 1Q 2021. Is that - is the previous timeline still intact or are you accelerating the timeline too?

Loren Starr: We're accelerating the timeline. So we're delivering the full synergies, 105% of the synergies effective this quarter. So pretty much all that kind of wait for it to come has gone. We can declare victory effectively in terms of bringing you that run rate effective this quarter.

I think the point that we're trying to make or I've been making is that there's still integration work happening in the background. But we are getting the synergies and those savings effective this quarter into Q4 into - first quarter 2020. So that is - hopefully it helps answer your question.

Brennan Hawken: It does. It's very clear. Thank you. Sorry if that's a - if it was redundant and previously indicated. I just wanted to clarify.

((Crosstalk))

Brennan Hawken: Yes, agreed. Good and helpful.

So there was a previously referenced - you know, the announcement we got recently from Wirehouse expected to launch a program, optional for participating asset managers on SMA products. Is this a sort of product that you think would be compelling? I know that a lot of times on the shelf, you know, having a - you know, you got to have a good product that's got to be - the performance has to be strong, the value-add has to be clear, but it also has to be at a compelling value, a compelling fee rate especially versus the peers.

So is this a sort of program, you know, while not - maybe not commenting specific to any program because I know you wouldn't want to do that until then front run but is this a sort of program that you think would be compelling? Is this a sort of program that you think you would participate in? And do you think it would help accelerate your sales in that important broker-sold channel for you? Thanks.

Loren Starr: Yes. So, Brennan, I think just to put some context, in terms of the SMA business generally, you know, we're currently ranked 36th in the industry. So it's not a big part of our business. We have, you know, sort of under \$10 billion in overall SMA business. I think related to that particular platform that you're talking about, you know, our exposure is probably less than \$1/2 billion. So it's not a big deal for us, just in general. We did see it. It is little too early for us to say just how interesting and attractive it might be for us.

There is, you know, definitely some potential upside but also some, you know, things that we'd have to get an understanding before we, you know, said it would be interesting for us to participate. And I don't know...

Marty Flanagan: Yes. And I just add just, you know, listening to our conversation today, we just have so many opportunities in different channels to work in, you know, within the United States retail, institutional and globally. And, you know, our focus continues to be there, you know. And that's where we see the excitement and really what's going to, you know, be the force behind, you know, the continued growth of the organization.

So, again, we have plenty to work with what's on our plate right now.

Brennan Hawken: All right, fair enough. Thanks for taking my questions.

Loren Starr: Yes.

Marty Flanagan: Thank you.

Coordinator: Thank you. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

Patrick Davitt: Hey good morning guys. Thank you. Another one on the \$2.9-billion run rate, understanding that that's kind of a baseline for 2020, should we still assume, to the extent we assume asset inflation in our models, some upside to that, you know, with kind of normal increase in expenses related to asset build? Or is that really kind of what you think it will be and can go lower from there?

Loren Starr: Yes. So I think we made a caveat, which is that's based on sort of assets, you know, based on September AUM. If we saw a huge market uptick, there's definitely some amount of variability in our incentive plans that would, you know, scale up, which is what we - you'd expect. Similarly, if we saw a down market, we would also sort of see that flex down.

So there's normal kind of variability that would happen around incentive plans. But ultimately, you know, there is no - you should not expect any sort of hidden inflation numbers into 2020 on this number at all. This number, we're feeling is comfortable based on the current AUM levels.

Patrick Davitt: Okay great, that's helpful. Thanks. And then when you announced the deal, you kind of announced an expectation of I think 2 basis points of revenue yield deterioration from breakage. Is that related to the rationalization process, so we should still expect that when you do rationalize or is that something separate?

Loren Starr: That is something that would include, you know, the potential for breakage with those rationalizations. And again, that was \$45 million. We don't think it's going to be anywhere near that amount as I think it was already discussed. It's a small number of amounts of products or assets in general. So I think as I mentioned in the past, that \$45 million could be an upside to the overall modeling and the fee rate deterioration that we've provided in terms of, you know, deal economics.

Patrick Davitt: Thank you.

Coordinator: Does that conclude your question, Patrick?

Patrick Davitt: Yes, thank you.

Coordinator: Thank you. Our next question comes from Bill Katz with Citi. Your line is open.

Bill Katz: Okay thank you very much for taking the questions. Firstly, I do want to spend more time on this \$2.9 billion because I'm still actually a little confused by it. So I apologize with my denseness. So is there enough synergies go forward from here that could offset the inflation to the extent that flows were to build or it gets to path that you think that could play through and just assuming a "normalized" market, what's so-called 7 cents for equities? I'm just trying to sort of see, you know, how that 2.9 might trend as the business gets a little bit better.

Loren Starr: I mean, we haven't done a sensitivity. I mean, I think if you look at how the firm has, you know, it's bonus pools, it's really the largest component of it and it's a percentage of PCBOI. It's in the proxy. It's kind of - that's how we operate. You know, it's the same concept that's going to come into effect, you know, going forward.

So if we see flows really driving, you know, higher levels of AUM, which we'd love to see or if the market improves from here, you're going to see sort of just a normal type of flex around those types of bonus pools. So again, I would point you to kind of our past experience, the same kind of set of ratios that you've seen in the past in terms of how complexes with revenues and assets.

Marty Flanagan: But you're right. I think the point though is the profitability will improve, if that's really the underlying question.

Loren Starr: Yes.

Marty Flanagan: And you would get, you know, margin expansion in that scenario, what you're talking about if that's the fundamental question.

Loren Starr: Yes. The incremental margin is still, you know, at the high level of, you know, 50% to 65% as assets and revenues, you know, grow.

Bill Katz: Okay. That is very helpful. Just two more questions and just (unintelligible) at the moment. On the institutional channel, I certainly appreciate the notion that your pipeline is getting better and the fee rate underneath that is better than what's going out the door. But when I look at just over the slide that continues to sort of point to, you know, flattish flow - Page 5, flattish flows overall, at what point does some of that, you know, very strong pipeline feed into maybe a more positive growth? Or maybe another way to think about it is where you're losing traction, where you're gaining traction.

Loren Starr: I mean, I think in terms of pipeline, as we said we're gaining traction in some of the places that we're quite successful -- in China - Greater China. So geographically that's been, you know, really a strong area for growth across all sorts of asset classes -- Chinese equities, fixed income. That is one that I think has a lot of upside for us as we continue to see success and further penetration in that market.

We do think that Europe has got a lot of opportunity, particularly as we build out the solutions capabilities and, you know, we are meeting the needs around fixed income and general use of factors and other capabilities that have been part of our growth engine story for some time. So those are upsides. Real estate continues to be, you know, our major driver of opportunity for the firm overall.

You know, I think in terms downside, there isn't a ton of downsides. We don't see, you know, sort of big likely to terminate or, you know, sort of big ugly story on the downside for institutional. The reason that as it kind of turned negative here, you know, it's been largely because of the volatile market that we've been in and some of the fundings have slowed just because of the uncertainty, you know, work that we're doing in Europe and UK have definitely slowed to some extent just because of the, you know, sort of the risk-off behavior that we're seeing as people want to understand, you know, what direction things are going in.

And so we do believe that, I mean, those numbers are going to fund. It's just a matter of timing.

Bill Katz: Thank you. Just one last clarification, I apologize. I think you covered it before. On that \$10-billion mandate that you expect to fund in the first half of the year, is there a way to think about the fee rate associated with that? I apologize if you already covered that.

Loren Starr: Yes, no again, just because it hasn't been disclosed publicly, we're, you know, not going to talk about it because it really will be transparent to the client (unintelligible), you know, disclose it. So we just think it's appropriate for us to be talking about fee rates for clients.

Bill Katz: Okay. All right, thank you.

Coordinator: Thank you. Our next question comes from Dan Fannon with Jefferies. Your line is open.

Dan Fannon: Thanks. My question is around the UK. Obviously, Brexit has been an overhang but, you know, also there's been the scrutiny of Woodford and the

asset management industry as a whole. Could you talk about, you know, kind of perpetual because they're being just brought into same - in the same discussions around the platforms and how these funds are being sold and you're obviously - your performance there has been hit? And so I guess just in general, can you talk about the outlook for perpetual, what any ramifications you may or may not expect from some of the platforms and how funds were sold and how your business practice might differ from the way it's been written about in the press for other funds?

Marty Flanagan: Yes, look, it's a good question and, you know, obviously it's very topical in the UK. And, yes, I can't speak for when but what I will say, one of the most fundamental things that we did, strategically was, you know, purchasing Intelliflo. And, you know, that's early days but, you know, that is really a very powerful platform that we think is going to make, you know, quite a difference for us, you know, in that marketplace. And you should realize (we have 35%) market share we've just based the model portfolios. It's early. You know, clients are starting to go on the platform. It's going to start picking up next year. And I think that was a sort of very important strategic decision that we made.

And with regard to investment performance, again these markets more recently have been, you know, very, very positive for us and those teams. And, you know, the combination thereof I think puts us in a good place. And this is speaking at a retail level I think is what you're, you know, you're addressing. You know, institutionally, we continue to be very, very strong in the market and growing.

So, Greg, I don't (unintelligible).

Greg McGreevey: Yes, look, I think just highlight the year-to-date improvement that we've seen in our Henley business overall, especially on the equity side with a number of our assets, especially those that have had the most significant size in the top half of peers improving pretty dramatically from 2018 and '17. So we don't want to get, you know, too far ahead of the fact that it's relatively short-term performance. But September was an especially strong month for performance within the Henley equity side. And so we're trending definitely in the right direction, if you will, and we're seeing significant improvement also within the Henley fixed income side.

So the one thing that I think on that business because it kind of gets to outflows and what we may see there, I think that group historically, like a lot of our other equity teams has an incredibly strong culture, skill and capabilities. And I think that team historically has produced incredibly strong performance. It's really been the recent market environment in the short run that's kind of impacted our performance, you know, notwithstanding, you know, the positive things that have happened on a year-to-date basis.

So, you know, I'm highly confident that we'll be able to, given those skills to return back to what we would expect that group and what they historically have produced in terms of performance.

Marty Flanagan: And, look, you know, you're on a point. The Brexit, you know, coming into, you know, the market environment has been a tremendous headwind for us. But that's a high degree of confidence in our investment teams. And at some point, it will not be a risk-off world and we anticipate, you know, participating very strongly in.

Dan Fannon: I guess to clarify on the performance, I'm looking at Slide 14 and I look at the UK on the one-, three- and five-year numbers. And so what improvement are you citing, I guess, or is it somewhere else that I could see that?

Greg McGreevey: Yes. So the - yes, so this is at the end of - this is looking at it on a one-year basis. I was giving you year-to-date numbers. So the four quarter of last year as I think you know is an especially troubling year for kind of all equity performance. And so that really impacted when you looked at the one-year performance at the end of September of '19. Those numbers, if you look at it on a year-to-date basis you would definitely see improvement.

And then I was referencing specifically the September number where we had roughly about 90% of all of our assets within the Henley group in the top half of our peer groups. So again, it's relatively short-term but we're starting to see that trend in the right direction for the same reasons that we talked about earlier.

So hopefully that - did that clarify?

Dan Fannon: Yes. Yes it does. And then just to follow up on Asia, outside of Money Markets, I guess what products are selling in that region and just kind of what, I guess, or what do you or where you see potential other, you know, kind of avenues of growth in that region?

Marty Flanagan: Yes. So through Invesco Great Wall, it's very broad. You know, equity products are very, very strong, highly performing, probably recognized as one of the top, you know, local money managers there. You know, institutionally, in China it's very broad, you know, heavy real estate fixed income...

((Crosstalk))

Loren Starr: Emerging market debt.

Marty Flanagan: Emerging market debt. So very broad and very deep in that area.

Dan Fannon: Okay. Thank you.

Marty Flanagan: Yes.

Coordinator: Thank you. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

Michael Cyprys: Hey good morning. Thanks for taking the question. I was just hoping to dig in a little bit more on the institutional channel. It's good to hear that the pipeline is improving here. I was just hoping you could talk a little bit about some of the investments that you've been making in the institutional business, particularly around data, technology and also the ability to customize. And I guess the question is how is your approach different today versus, say, two years ago and what might be most different as you look out over the next two to three years?

Marty Flanagan: Yes, look, it's a great question. And let me hit on a couple of points and I'll have Greg pitch into.

You know, I think we and all our competitors would tell you it's a, you know, great opportunity. The other reality is the demands on clients have never been - the upfront client has never been stronger. And so, you know, this depth and breadth of investment capabilities has mattered. But right behind it, exactly what you're talking about. Investments and technology around analytics, insights, has been very material. And if we look at that as, you know, beyond

- you know, as a necessity as you're going to compete and win with institutions, leadership is an another area that becomes very, very important in these conversations because what we're seeing with our clients is they're wanting to work with us very deeply and very broadly.

And so it's effectively opening up the organization to whatever set of capabilities that we have. And so it's been material and it's been real.

Greg, what would you...

Greg McGreevey: Yes, I think the big three areas that we've invested in are capabilities on the solutions front, the client experience, which would be both technology and systems, as well as thought leadership where we've added with very strong content from our investment teams the ability on both in marketing and within that group to be able to provide that content into the marketplace.

On the solutions front, it's been one of the largest investments I think we've made as an organization. And the ability to partner with clients to help them create outcomes that they really desire is where the market is moving to. And it gives us I think an ability because of the individual resources and expertise that we've added to really have the conversations that we need to, and provide those outcomes that I think are so - you know, the clients are looking for.

Part of the reason that we were able to talk about that client on the institutional side and a lot of the other pipeline is really the result of that investment that we made a number of years ago in solutions. We wouldn't have been able to obtain that client, when we talked about that was \$10 billion without the investment that we made. And we're seeing a lot of momentum with other clients as a result of those three areas that I kind of talked about and

Marty talked about within the institutional side. And we think that's, you know, only going to be a trend that will continue. So we're excited about that.

Michael Cyprys: Great. And just a quick follow-up, is there any way to sort of quantify, I guess, how much investment spend is currently in the expense run rate and how we should think about that, if anything kind of peeling back over the next couple of years or if that gets recycled into other investments? How should we be thinking about it?

Loren Starr Yes, I mean, so, I mean, we have an enormous amount of investments in our run rate. You know, I think we've - it's, you know, well in excess of sort of \$100 million of investments just generally around the firm across a variety of growth engine areas that we've talked about in the past around China, around solutions, around factor-based investing.

So that is, you know, in our run rate. We expect to continue to build that number over time but offset that with, you know, further savings as we talked about through synergies and just general, you know, sort of prudent expense management and discipline.

Greg McGreevey: I mean, I think the key thing for where we're at within solutions, which is kind of a broad area, you know, we feel quite confident that the majority of the investments that we've made within solutions has already been made. There'll be other things that we might need to do on the distribution side in another area to kind of support that. But, you know, we really feel like we've made, you know, the significant amount of headway into the individuals that we'd need to hire there.

Marty Flanagan: And really, again, just to put some - you know, how do we see it and what have we done, our solutions team uses our capabilities, right? And I think

that's quite different than, you know, what a number of our competitors do. So it literally, you know, sort of sits on top of - or, you know, looking through all the investment capabilities that we have and it's really hand in hand with the clients. And what we're seeing clients do where if you go back two and three and four years it was more of a, you know, what product does a client want and what do we have and it doesn't match up. Much more, it's becoming a much more holistic engagement with our clients.

Now it might be, you know, a capability or second capability, but it's really that insights and analytics that is really just changing the dynamic with the clients for any institutional money manager to be successful in our view.

Michael Cyprys: Great. Thank you.

Coordinator: Thank you. Our next question comes from Glenn Schorr with (Everclear) - Evercore, excuse me. Your line is open.

Glenn Schorr: Thank you. I want to drill down a little bit more on the MassMutual potential. You mentioned the 8500 advisors. You also in the past talked about the general account. The advisors are not the same type of businesses as, say, the retail broker dealers, the wirehouses. So can you talk about what you expect to be selling into that channel? What do they typically consume and how quickly that can be? And then anything you could add on the general account, that'd be great.

Marty Flanagan: So, look, with the - with MassMutual, again I'd say early days, it's a very strong robust relationship and we're working through those multiple areas that we talked about. What we'll do better on is telling you once we've accomplished something as opposed to what's coming that's not been received so well on these calls. That said, with the 8500, we're looking at,

you know, us, you know, building models for that sales force. And you can think of, you know, traditional, you know, investment capabilities that would be available and, you know, some of the other wirehouses.

So it's not as different as - it is different but again, the commonality is there that (unintelligible) workforce. And, frankly, we are in multiple conversations around the general accounts right now with MassMutual. And again, once we accomplish something, we'll let you know.

Glenn Schorr: And the models, are that a product of Jemstep being deployed?

Marty Flanagan: It's really the solutions team that's doing them, sort of building a combination of our active and factor capabilities and, you know, in consultation with, you know, the CIO and what they are looking for for their client base.

Glenn Schorr: Cool. And then maybe just you could just update us on GTR. I always saw in the past in choppy markets like we saw this quarter that was a decent backdrop for GTR. Just - if you could just talk about what you're seeing on the ground in terms of potential demand.

Loren Starr: I mean, I think what we've seen is, you know, there's been a fair amount of outflow in the retail side, particularly in EMEA as that product has underperformed some loss and I think there's sort of generally been, again, as I mentioned, sort of risk-off and people have sort of moved into cash.

It still actually appeals to a lot of people in principle in terms of what it's trying to achieve as an outcome. You know, lower risk than equity markets with, you know, good return over cash. It's currently, I think, you know, somewhat underperforming that level maybe by, you know, 200, 300 basis points. It's been improving in the current markets. And so the performance

has, you know, sort of come - is moving in the right direction. So again, we're, you know, hopeful that we can see that product at least stabilize at a minimum as opposed to sort of currently where it's in that flow.

Glenn Schorr: Okay. Thanks, Loren.

Loren Starr: Yes.

Coordinator: Thank you. Our last question comes from Kenneth Lee with RBC Capital Markets. Your line is open.

Kenneth Lee: Hi, thanks for taking the question. Just to follow up on the UK flows, I'm looking at it from a broader perspective. I just wanted to get some of your thoughts, you know, whether any of the recent regulatory activity or Brexit have been changing client preferences over the past year and maybe just how would you characterize the sentiment of clients within the UK.

Marty Flanagan: Yes, look, it's a - you know, it's really wearing on, you know, on clients, right? It's been about - you know, Brexit transition has been long and difficult. But from our perspective where it's really come to light where you can feel it is it's really, you know, '18 into this year. I mean, you can see it in our business. You can see it in the actions of clients and what they're doing. So it's more of a movement to risk off cash type things. And we're seeing less of a movement towards, you know, passive as you see here in the United States.

And, you know, so again it, you know, has been a headwind. And again, so what have we done about it? We think it's been very important, you know, to, you know, change our, you know, way to, you know, support our clients. And Intelliflo was a very important part of that. And again as, you know, Greg

talked about the active performance was picking up, what we are introducing though in our portfolios are we are bringing factors and assets into the market. And that is also something that will be, you know, on the Intelliflo also. You know, that trend will pick up there in our mind and again I think you can see it just more broadly from our ETF flows, you know, throughout EMEA that's just incredibly strong. And right now we're the number two flowing, you know, ETF provider, you know, in that part of the world.

So again, source transaction was very important for us and we see that pace just, you know, picking up as we look to the future. And if you remember when you go back when we announced it, you can look at the ETF business in EMEA literally looks like it's ten years behind where the United States was. And that was a couple of years ago. And you are absolutely seeing that demand pickup as we anticipated and we are a beneficiary of that. And we look at that as another area of very important growth for us.

Kenneth Lee: Great. That's helpful. And just one more. Looking further out, you know, when you take into account potential synergies with MassMutual, fully integrated sales force being able to leverage a broader product set, any updated thoughts on what could be like a long-term potential organic growth expectations for the combined Invesco and OppenheimerFunds complex?

Marty Flanagan: Yes. So I wish I had that crystal ball but what I will tell you is our organic growth rate will exceed that of, you know, our competition. And, you know, we've strongly believe with what we're building and what we have built puts us in a very strong position for where the industry is going and how we're positioned against it. And so we are starting to see that in very - you know, in the areas that we've talked about on this call. Are they all at full potential? Absolutely not. But they are absolutely contributing, you know, right now. We're seeing it, you're seeing it and we're very excited about it.

Kenneth Lee: Great. Thanks.

Marty Flanagan: Yes.

Coordinator: At this time, we have no further questions.

Marty Flanagan: Great. Again, on behalf of Loren, Greg and myself, you know, thank you for your time and appreciate the questions and the dialogues. And have a great day.

Coordinator: That concludes today's conference. Thank you for participating. You may disconnect at this time.

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