INVESCO INC

Moderator: Marty Flanagan
April 28, 2016
8:00 am CT

Coordinator: Welcome to Invesco's First 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, 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 the speakers for today. Mr. Martin L. Flanagan, President and CEO of Invesco, and Mr. Loren Starr, Chief Financial Officer. You may now begin.

Man: This presentation and comments made in the association conference call today may include forward-looking statements. Forward-looking statements include information concerning future results of our operations, expenses, earnings, liquidity, cash flow and capital expenditures, industry or market conditions, AUN, acquisitions and divestitures, debt and our ability to obtain additional financing or make payments.

Regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, words such as believes, expects, anticipates, intends, plans, estimates, projects, forecasts, and future or conditional verbs such as well, may, could, should, and would, as well as any other statement that necessarily depends on future events or intended to identify forward-looking statements.

Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations.

We caution investors not to rely unduly on any forward looking statements, and urge you carefully consider the risks described in our most recent form 10K and subsequent forms 10Q filed with the FCC.

You may obtain these reports from the FCCs Web site at www.fcc.gov. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

Martin Flanagan: Thank you. This is Marty Flanagan, and thank you for joining us today. On the call with me today is Loren Starr, Invesco CFO. And we'll be speaking from the presentation that's available on the Web site, if you're so inclined to follow.

Today I will review the business results for the 1st quarter. Loren will go into greater details of the financials, and we'll open it up to questions. So let me begin by highlighting the firms operating results for the 1st quarter, which you'll find on Slide 3.

Long-term investment course remained strong during the quarter. Seven-two and seventy-six percent of active managed assets were ahead of piers on a three and five year basis, respectively.

Strong investment performance and our continued focus on meeting client needs were not enough to off-set the impact of the volatile markets, particularly in January and February.

Strong institutional and active demand were off-set by volatility among retail and passive capabilities, which lead to long-term net outflows of $1.3 billion during the quarter.

Market volatility and net outflows put pressure on the operating margin during the quarter, which was 37.5%. During the quarter, we returned $238 million to shareholders through dividends and stock buybacks.

In addition, reflecting continued confidence in the fundamentals of our business over the long-term, we are raising our quarterly dividend to 28 cents per share, up 4% from the prior year.

Assets under management were $771 billion at the end of the 1st quarter, down slightly from $775 billion at the end of last year. More indicative of the results during the quarter were the average assets under management, which were down $36 billion during the 1st quarter, as compared to $778 billion at year-end.

Operating income was $307 million end of quarter versus $356 million in the prior quarter. Earnings per share were 49 cents versus 58 cents in the prior quarter. And as noted earlier, we increased the dividend 28 cents per share. We also purchased $125 million of stock during the quarter.

Before Loren goes into detail on the company financials, let me take a moment to review the investment performance and flows during the quarter.

Turning to Slide 6 now, you'll note investment performance is strong in the quarter, with 72% of assets in the top half on a 3 year basis. And 76 were in the top half on a 5-year basis.

One year results partially reflect the underperformance of energy and financial sectors earlier in the year, which impacted some of our value portfolios. We've seen both of these sectors begin to recover somewhat in March and April. And consequently, positively impacted their performance here today. In fact, it's a very strong performance.

On Page 7, you'll see positive active flows were experienced during the quarter. We're not (unintelligible) passive capabilities. Active flows were driven primarily by alternative capabilities, as we saw strong growth in Real Estate, including both direct and (unintelligible), and global targeted return.

Those in the passive capabilities declined during the market volatility in January and February, they recovered in March. But not enough to return to positive territory for the quarter.

It's important to note that although passive flows were negative, they were reduced by $1.5 billion of de-leveraging from Invesco mortgage capital. As a reminder, there's no revenue impact related to those flows.

Again, we saw strong institutional flows during the quarter, in spite of the volatility, which continues the series of positive institutional flows going back nearly two years.

Line demand trends remain consistent, with particular strong interest in fixed-income Real Estate and GTR. Retail flows were impacted by the macro environment, as investors weighed their options during the volatile quarter.

Despite seeing up flows in many equity-mutual funds in the U.S. in AMIA we saw continued strength in retail alternative capabilities, specifically GTR and Real Estate securities. As noted, our global target of (insurance) capability continues to attract strong flows globally.

We're keeping $2.3 billion in net flows during the quarter, across AMIA institutional, and across the border. It's the UK, retail, Asia Pacific and North America. Despite some challenges in the first two months of the year, we feel good about the momentum of our business.

Flows in March were much better than January/February. And we're experiencing solid flows in April. We continue to see strength across our global business, and in particular within Asia Pacific and AMIA.

Before I hand the call over to Loren, let me say a few words about the new fiduciary rule released by the U.S Department of Labor in early April. Ultimately we believe this fiduciary rule is good for investors.

That said, we continue to be concerned about the potential for unintended consequences of a rule that proposes such dramatic changes within the industry. It's well-known that many of us aren't saving enough to maintain their standard of living during retirement.

The deal helps - rule is intended to insure that retirement savers get better advice by expanding the types of retirement investment advice covered by the fiduciary protections.

We've said all along that investors are best served by using advisors, we can help them assist - help them assess their risk-tolerance, savings horizons, and other factors to develop a portfolio that help them achieve their investment objectives.

The key outcome of the new rule could be greater confidence in the advice investors are receiving. Investors have been through a lot in the last seven years since this national crisis.

Anything that builds confidence could encourage them to save more for retirement, and seek advice that helps them achieve their investment objectives. That's good for investors, and would also benefit the industry as well.

The DOL rule is long and complex. The rule and its related documents are more than a thousand pages. We'll work to understand how our distributor - our partners are interpreting the rule, which should help us support and assist them.

We believe the recent acquisition of Jemstep, a market-leading provider of advisor-focused digital solutions, opens up further opportunities to provide meaningful support to our clients.

As we engage with our clients and seek to understand how they will approach adopting the new rules, we'll look for opportunities for Jemstep to assist our distribution partners.

We believe Invesco is very well-positioned to help our clients as the DOL rule is implemented, because Invesco puts our clients first in everything we do, and has tremendous experience in addressing regulatory topics.

We view this as an opportunity to further deepen our relationship, provide new capabilities, and enhance our business. I'd like to turn it over to Loren to review the financials in more detail.

Loren Starr: Thanks, Marty. So, quarter over quarter, our total AUM decreased 4.1 million, or .5%. And that as driven by dispositions of 3.6 billion, negative market returns of 3 billion, outflows from the QQQs of 2.6 billion, and long-term net outflows of 1.3 billion.

These were partially off-set by inflows from the money market of 3.9 billion, and positive FX translation of 2.6 billion. Our average AUM for the 1st quarter was 747.5 billion, which was down 4.6%, versus the 4th quarter. Our net revenue yield came in at 43.8 basis points, and that was a decrease of 1.4 basis points, versus Q4.

Currency mix reduced the yield by .7 basis points. One less day in the period reduced the yield by .4 basis points. It decreased in performance fees and other revenues together accounted for the remainder of .3 basis points.

Now I'm going to turn to the operating results. Our net revenues declined by 68 million, or 7.7% quarter over quarter, to 818.1 million, which includes a negative FX rate impact of 12.6 million.

Within the net revenue number, you'll see the investment management fees fell by 78.5 million, or 7.8% to 930.3 million. This reflects the lower average AUM, the changes in the AUM product and currency mix, and one less day during the quarter.

FX reduced 4th quarter management fees by 16.1 million. Service and distribution revenues declined by 9.9 million, or 4.8%. We're (unintelligible) lower average AUM during the quarter.

FX decreased service and distribution revenues by .2 million, performance fees came in at 15.5 million in Q1 and they were earned from a variety - pardon me - of different investment capabilities.

Including 9.1 million from UK Equities, foreign exchange reduced performances by .6 million. Other revenues in the 1st quarter were 24 million, that was a drop of 5 million lower - due to lower transaction fees from Real Estate, as well a decline in UIT rollovers.

Foreign exchange decreased revenues by .1 million. Third party distribution, services and advisory spends, which we net against gross revenues, fell by 28.7 million, or 7.6%. This movement was in line with lower revenues arrived from retail AUM, foreign exchange decreased these expenses by 4.4 million.

Moving on down, the slide you'll see that our adjusted operating expenses at 511 million decreased by 19.4 million, or 3.7 %, relative to the prior quarter. Foreign exchange decreased operating expenses by 6.5 million during the quarter.

Employee compensation came in at 340.3 million, an increase of one and a half million of .4%. This is driven by a normal seasonal increase in payroll taxes, which was largely offset by a reduction in variable compensation. FX reduced compensation by 4.3 million.

Marketing expense decreased 9.2 million, or 26.2% to 25.4 million, the drop was due to a lower level of advertising, literature, travel, and client events during the quarter. These expenditures were deferred in light of the volatile market conditions that we were in.

Foreign exchange reduced marketing expense by .2 million in the quarter. Property offers and technology expenses came in at 81.1 million in the quarter. That was an increase of .7 million over the 4th quarter, driven by additional outsource administrative expenses.

FX decreased these expenses by .9 million. General and administrative expenses at 64.2 million, decreased 12.4 million, or 16.2%. This decline was a result of focused expense-management during the quarter as non-essential professional services, and other non-essential discretionary spending was reduced or postponed. FX decreased GNA by 1.1 million.

Continuing on down the slide, you'll see that non-operating income decreased 2.9 million compared to the 4th quarter, included in the 1st quarter were non-cash negative marks to March markets on the intercompany loans of 7.1 million and 1.4 million on trading investments.

These were slightly offset by a 3.4 million gain, which is realized on our pound sterling U.S. dollar hedge. Just to remind people, as we said in the past, we have in place a hedge through the end of Q1 2017 with a strike price of 1.4355 U.S. dollars. This is the pound hedge that we put in place.

The firm's effective tax rate on pre-tax adjusted net income in Q1 was 26.5% that was down from 26.6% in the prior quarter, which then brings us to our adjusted EPS of 49 cents, and adjusted net operating margin of 37-1/2%.

Before turning things back over to Marty, just wanted to provide a quick update on the business optimization work that we began to implement in Q4 of last year.

As a reminder, as we stated, we expect to incur up to 85 million in expenses during 2016 related to these activities with an expected run-rate savings however of 30 million to 45 million, so beginning at the beginning of 2017.

In the 1st quarter we encourage 6.8 million of the 85 million optimization cost. That was primarily in the form of staff severance costs. And as previously discussed, these expenses do impact our U.S. gap (unintelligible), but they're being excluded from our non-gap results

And also just to finalize the point, we did generate approximately 2 million in permanent run-rate savings in Q1 as a result of the optimization efforts to date, which was in line with our plan. And so, with that, I'm going to turn it back over to Marty.

Marty Flanagan: All right, thank you Loren. We'll open it up for questions.

Coordinator: 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. One moment for the first question. First one is from (Craig) of Credit Sys. Your line is now open.

(Craig): Thanks, good morning.

Martin Flanagan: Good morning, (Craig).

(Craig): Can you provide an update on your U.S. equities business? I'm just looking here at Slide 18, and looking at some of the performance across some of these capabilities. And I just want to see if you maybe have any plan to, sort of, get some of this performance stronger here?

Martin Flanagan: Yes, (Craig) I -- good follow-up question. So, that was my point. Actually, if you look at the value portfolios they have had, you know, quite a bit of exposure to energy and financials in particular.

And the year they're taking perform has actually been quite stunning. And that's really started in the last, you know, last couple weeks here. Where essentially Comstock is 90 percentile growth and income, 4 percentile American values, 3 percentile. So, really, really very strong.

So strong teams, you know, really do a good job with their philosophies, and they - I can (unintelligible) approach. And, you know, the numbers are coming in really strong.

(Craig): Got it. And then just a follow-up question for Loren. And Loren, I know there's a lot of moving pieces here, and it's always tough to anticipate data. But the operating margins always depressed in the 1st quarter, due to a few items that we all know about.

But, you know, AUM finished the quarter much stronger, and you have those initiatives in place. So I'm wondering, do we have a shot of getting the margin back to the 40% range with stable markets here?

Loren Starr: Yes, great question. I mean, we certainly would hope to see margins improve through the course of the year. Obviously there is a lot of moving parts, a lot of volatility.

We've got the pound and the currency topics, which have, you know, been bouncing around a little bit. So, you know, I'm not going to put out a number in terms of what I think margins could be.

Obviously the inherent strength of the business is there. And, you know, as markets stabilize, currency stabilizes, we should continue to see the very positive trend of incremental margins working in our favor to pull up our overall rate of, in a sort of margin overall.

But it will depend, ultimately, on what the markets do through the rest of the year. We are, as you know, still at the level of assets below where we were on average for last year. And so, you know, I'd say we're still catching up to where we were last year in terms of overall, you know, margin potential.

Martin Flanagan: So I may just add a bit of a weight. There's absolutely nothing in the way of us, you know, exceeding 40% margins, you know, where they were again. And I think that the issue - as long as it's a timing issue more than anything else, you know, with the markets.

But I think also very importantly, you know, regardless even though the market has come back some, and, you know, flows are picking up again, you know, we continue with the optimization programs. And, you know, we're going to finish those. And again, we'll just be net better off because of all those activities.

Loren Starr: Yes, and just remind people. I mean, the optimization program is operating through the course of 2016, and we don't really get to the full run-rate benefit until we get to the end of the year, which we talked about that 30 to 45 million potential.

We are going to see some continue to benefit through the course of this year. But again, so the 2 million, 3-1/2, 4-1/2, you know, it's going to get into scale through the course of the year. But it's still not at a level, I'd say, that's going to be able to dramatically move the margin picture.

(Craig): Thank you.

Coordinator: Thank you. Next question is from (Glen) of Evercore. Sir, your line is now open.

(Glen): Hi, thanks very much. Two part on a follow-up there. With ending AUM over 3% better than average, and April positive, end-year positive comments on flows. I look at the revenue decline in the quarter year and year, and half of that was performance fees.

So first question is if you can talk through what you should expect from here over the progression of the year on performance fees. I know they're tough to predict but it was half the decline in revenues in the quarter. So I think that might have a big influence on the margin question.

Loren Starr: Yes, and you get to one of my favorite topics, Glen. Predicting performance fees, which again, I used to and will continue to profess I'm not very able to do that. Generally performance fees are lighter through the last half to the year, they're the heaviest in the 1st quarter.

And so you sort of seen the heavy performance fee quarter already. So, you know, my expectation of performance fees through the remainder of the year, as I've often said as sort of place marked, ear marked.

When we're thinking about our planning, somewhere around that $5 million a quarter, you know, which is an estimate that assumes a lot of different things kicking in across the globe. But no one thing driving it. So I'd say that's one thing.

I mean, we would hope to see the other revenue line improve somewhat. Because, the volatility in the 1st quarter was pretty extreme. And so as I mentioned, the transaction fees in Real Estate rollovers in the UIT business, you know, we're really slowed down by that degree of volatility.

You know, if we get to a more stable - and that's a big if - but if we get to a more stable market environment, you know, that line item should be closer to that 30 to 35 million number to each quarter.

(Glen): Okay. And, on the expense side, if you look at, I think it was Comp Marketing and GNA that all declined. In line with non-performance fees, revenues, or better, how much of that - I know this is a softy question, but how much of that is response to the weak revenue environment in 1Q versus more run-ratish (sic) type levels?

Loren Starr: Yes, the optimization work is what's going to drive a permanent reduction, and so that stuff is - I don't want to say real. But it certainly - I mean, there's work that we can do, and we have done in 1st quarter.

And that we're going to continue to do through the rest of the year, in terms of trying to manage our discretionary expenses to lower levels. Some of that you can defer for a reasonable period of time, some of it you can't defer forever.

And so we do have some seasonal costs related to marketing that will be, you know, a little bit heavier in the first and 4th quarters, as they always are. And so, you know, I think it's just good to know that, you know, we want to continue to be present.

And then continue to be able to work with our clients, and have client events, as we always had. That's important. It helps the business, it helps the growth of the business. And we don't want to defer those expenses, you know, for a year, for example.

So I think the other thing that we see in the 2nd quarter versus the 1st quarter would be some of the impacts around salary increases, and deferred compensation, which are, you know, typically you get a differential of about two months' worth of impact in the 2nd quarter versus the 1st quarter.

And, you know, between those two items, that's probably somewhere around an increase of 5 to $6 million. So, again, there's some things that, you know, we're going to manage, and we're going to continue to apply a very thoughtful and disciplined approach to our hiring, and to our, you know, discretionary expense management.

But I don't want to, sort of, give guidance explicitly quarter to quarter, also because just given the volatility of markets and FX, it really becomes quite difficult for us to, you know, give useful information.

(Glen): Okay, I appreciate all that. Thanks.

Coordinator: Thank you. Next question is from (Bill) of Citi. Sir, your line is now open.

(Bill): Thanks so much, good morning everybody. So I just want to come back to Jemstep for a moment. One of your peers says out there as well, with their own platform, they've actually signed up a few third-party distributors to, I think, celebrate the opportunity there. Could you talk a little bit about how you plan to leverage the platform, and maybe synthesize that with your comments around the DOL?

Martin Flanagan: Yes. So (Bill), we think - obviously we're very excited about it. And, you know, we look at it differently than the other, I want to call it technology's (row boats) out there.

It was actually developed for the advisors themselves. And it is an open platform, and it can use everything, you know all vehicles, from ETFs to mutual funds, and those are limitations of some of the others. And ours is to be supportive of the advisors, not to compete with them.

And so, you know, there is no direct-to-consumer element to it, and that was by design. And, you know, so we're able to just have a much deeper relationship with our clients.

All the thought leadership that we have is an element also, so delivering our solutions capabilities to various different clients through that. So another very good venue there.

And also again, the combination of, you know, the high conviction fundamental and factor base, you know, capabilities whether it be mutual funds, ETFs, UITs. So, you know, we think it's also going to broaden our channel in our exposure in the RIA market.

And that's been sort of an early indicator. And quite frankly, the level of interest has been quite surprising, and I think that's frankly somewhat driven by the DOL also because they are looking for technologies to help serve their clients. And, it's a market that really needs tools like this.

(Glen): Okay, and this follow-up perhaps for Loren. On just margins overall, I think you talked about maybe it was in the press release, or maybe it was your (unintelligible) comments, that GNA was a bit on the softer side, you delayed some items.

How do you think about that on a go-forward basis? And then stepping back, a pretty wide range on the optimization between, I guess, 30-45 million, what would define the higher end of that range, in terms of things to be done from here incrementally?

Loren Starr: So, great question. So on GNA, I mean, that's the line-item that we'll probably in some ways best able to manage. It has to do with, you know, travel and entertainment, and use of professional services.

And so, you know, those are things that are easier for us to slow down. Since they tend to be, you know, not as business-critical as some of the other things around marketing, for example. So we would hope to see a continued success in terms of, you know, managing that line item.

Although I would say, you know, there may be some things around some of the regulatory side that could drive certain needs. And that could drive some costs in the GNA around, sort of, risk management and other compliance efforts.

Martin Flanagan: Cyber, yes.

Loren Starr: Cyber is another, right. So, that - but I still think that is an area where we're going to - we're putting a lot of focus on to manage and maintain. Sort of, somewhere around our run-rate level (unintelligible).

In terms of the broad range of the 30 to 45, there's still several of these initiatives that are going through the finalization of their planning phases. And so, we don't have a clear line-of-sight of the ultimate impact. And so, you know, that's really what's driving that spread.

You know, again, I think we are hopeful we're going to get to the higher end of that range. But we want to be thoughtful and not, you know, sort of commit to it until we're more certain, which we'll begin to get more certain as we get through the course of this year. And we'll provide that feedback to you as soon as we know.

(Glen): Okay, all right, thanks very much.

Coordinator: Thank you, next is from (Michael) of Sandler O'Neil. Sir, your line is open.

(Michael): Yes, good morning. Just, first, Marty you mentioned I think you said solid flows in April. First, just want to be clear. Does that imply solid net inflows? And then, I'm also assuming that refers to, kind of, the firm-wide total. So any just color on maybe magnitude, or some of the underlying drivers behind that?

Martin Flanagan: Yes, so you're a good skeptic. So thank you for the question. So yes, I meant inflows. So, yes. So it's, you know, the total net inflows is about, you know, $3.7 billion right now, and, you know, 1.9 are long-term flows.

And the institutional pipeline, again, you're going to get tired of hearing it, but it's a good-news story. It is at an all-time high again, and so, you know, that's another area of ongoing strength for us. I will say, you know, we are in that season where that's today, what the flows are.

You know, this is a month where there's all that rebalancing throughout the industry. So, you know, we don't have line-of-sight. Who knows what happens between now and the rest of the week, right? So it could be a little noisy. But what I will tell you, you know, that the quarter, if it stays on this path will be a good quarter.

But it could look a little noisy month-to-month, just because of all the industry sort of rebalancing, which is pretty typical. And will not be unique to us. But, it's very different environment I'd say right now, than just where we were in January and February.

Loren Starr: And in terms of what's really being quite successful right now, (Michael), you know, we're seeing - so the continued themes around real estate, fixed-income alternatives, global asset allocation, multi-asset products, quant, are all highly featured in our institutional pipeline.

And then the other, I'd say regionally, we continue to see really strong flow-momentum, both on the retail and the institutional side in Asia, Asia Pac in particular. And then another note, just in terms of ETFs; ETFs are positive in every single region that we're operating in in terms of positive flows. And so we continue to see the interest in that capability being at a high level.

(Michael): Got it. That's helpful. And then maybe one for you Loren - sorry for kind of the narrowness of the questions here, but you called out some expenses that were sort of differed or postponed or maybe some nonessential costs that maybe fell by the wayside. Just so I'm clear, are those items part of the business optimization plan or are they incremental to sort of the 30-45 million in savings you've identified?

Loren Starr: Yes, that's incremental. So, the - what you're seeing in the 1st quarter, the expense reduction has - only 2 million of that has to do with business optimization as I mentioned. Everything else is related to us just managing expenses in a fairly disciplined way and trying to differ where we can differ.

We're going to continue to do that as I mentioned through the course of the year. The business optimization is going to continue to roll and help on top of that activity to improve our overall, you know, sort of expense management.

(Michael): Okay. Understood. Thanks for taking my questions.

Loren Starr: Sure.

Coordinator: Thank you. Next is from (Brennon), of (UBS). Sir, your line is now open.

(Brennon): Good morning. Thanks for taking the question. So, my first I guess would be on regulation; and Marty you referenced unintended consequences, which is certainly fair as a risk here.

But maybe, could you - do you have an estimate that you could size of how much of your AUM is in retirement accounts currently and therefore at least at this stage, given what we know the most clearly impacted by this DOL final rule?

And then, based on what you saw happen in the UK that just went through RDR, what lessons did you learn by going through that? And I'm guessing that had something to do with the unintended consequence comment.

Marty Flanagan: Right.

(Brennon): How does that put you in a position to be better prepared for this rule here in the U.S.?

Marty Flanagan: Yes, so very good questions and you know really right on the mark. You know, so look we are all in the advice business and being good fiduciaries is a critical thing. And putting clients first is absolutely essential.

And, you know, being in an industry of trust matters a lot. And so, at that level, the notion of fiduciary rule, and having better outcomes for end clients, that's a great thing. I think we're all supportive of it. But it's really the magnitude of what has been included and we're way beyond that notion.

And you know what we learned with RDR, and it's just an absolute fact, you know that there are more unadvised individuals because of RDR right now. And they're probably the individuals that need advice the most.

And the totality of the costs have gone up and I think that’s a really bad outcome. And I think there's a lot of - you can see that happening here. That said, so what are the lessons learned that we had from that is you know, be aware of that.

We also see that's also why we went down the Jemstep route. It is something you know we know we can help our clients with tools like this. Make it advice more accessible for those that you know could be hurt, frankly, from this rule.

And again, that's not the intent of the rule, that's what we think is possible. And also, very importantly, how we've positioned the firm. And I think this is what's being missed in the conversation. You know, what money managers are going to do well and who might be challenged.

If you're and index hugger active management, I'd say you're in trouble. If you have, you know, I can picture fundamental and factor based capabilities, like we do, I think you're positioned very, very well.

And if again, if you look at, you know, the work that we've done, you know, when you look at high conviction active, you do get better returns through market cycles. But it's not just excess return. You have better down side capture.

You also have better risk adjusted returns and I think that's really the value proposition that electively we need to make clear. You know, it has been a beta run with - since '09.

Largely with lots of government intervention and you start to look at quarters like this, where all of a sudden you're seeing, you know active managers outperformed the SNP by 300-350 basis points. You know, that's pretty impressive.

And so again, I think you have to have a high conviction fundamental in the factor base meets very, very strongly in the accommodation thereof. We take positions of those very well and much of that would as you would say come out of lessons learned, that we learned out of the UK.

(Brennon): Terrific.

Marty Flanagan: I don't mean to be long winded, but...

(Brennon): No, appreciate the thorough response, Marty. Thank you. And then follow up. Just sort of a little bit more ticky-tacky. I think you'd said that the ETF woes were positive across regions. Were you talking about 1Q?

And it looked like, you know, passive redemptions had been accelerating here over the last several quarters. So, is that - do you get driven? And what's driving that? Can you help us unpack and square those two statements a bit?

Loren Starr: Yes, so - I'll answer that because it was my statement I think. So, I was referring - positive in every region and that's April. I was really referring to the April numbers.

However, I would say in the 1st quarter, you know, the first two months were not great months for, you know, our passive, sort of whatever, ETF offerings. But, I'd say March was a record, in terms of our sales.

So it really came back strongly. And as I, you know, was sort of indicating, continuing strong in to April. The passive category that we show, Marty mentioned it, I mean we've got very much affected by the deleveraging of IBR.

So, it really is not - it's all noise in our numbers. Because the deleveraging has no impact on revenues. And even though we count it as an outflow it's just really part of, you know how they're managing that (unintelligible).

So I wouldn't read too much in to the 1st quarter passive outflow story. Really just understanding that we do believe that our ETFs business is very well positioned and it is gaining momentum.

It is, you know, the most diversified set of smart beta offerings. And we are gaining share in smart data, you know, year to date. So we feel very confident about our ability to continue to grow that business.

(Brennon): Thanks very much.

Coordinator: Thank you. Next is from (Ken), of JPMorgan. Sir, your line is now open.

(Ken): Hi, good morning.

Man: Morning.

(Ken): Couple for Lauren. Maybe first, when we think about the management fee rate for active and passive funds, both were down a lot for the quarter. I think maybe largely expected, maybe the magnitude was off a bit.

Maybe can you first talk about how the fee rate should recover given the bounce back in equity market, foreign markets, fares, currencies? Have we ¬-should we recover a lot of the way, or part of the way, or all the way? Any color there would be great.

And then, if you could maybe flush out better for us, you know, places where the mix changed in 1Q, that maybe had the most pronounced impact on the fee rate decline this quarter. Thanks.

Loren Starr: Yes. So I think we will you know begin to see recovery of the net revenue yield. And particularly, as we get in to the last half of the year versus the first half, there's some date cap stuff that just happens normally.

And you always have that benefit of the last half having more days than the first half. So I just want to make people aware of that, it's no secret. In terms of the mix, obviously we're having some reduced performance fee expectations coming in to Q2 versus what we realized in Q1.

Some of that's going to be offset, however, by higher - hopefully higher other revenues, you know, which will help move the fee rate up. And, you know, I think we also will see the success of our ETF business.

Success of our fixed income business a lot of that is in the pipeline. They tend to have lower fee rates so we - you know, there will probably be some degree of mix issue that's working a little bit against, you know, the higher fee.

The flows that are - that we, you know, have been getting into - AMIA and U.S. retail have been a bit more subdued and so that was - that can be a driver of fee rate mix.

And so that's going to be a little bit of a question mark, particularly as we get through, you know, the whole (unintelligible) thing and understanding what happened with the UK.

That may have some impact, we don't know. It hasn't had any impact on flows, per say that we can identify, yet. But it could have some impact on flows.

But, based on our modeling and our thinking, you know, we expect to see the fee rate, you know, drive up further each quarter as we move through the course of the year.

And so, again, I think the positive elements generally around mix, still exists. And I would say that on institutional pipeline, even despite what I said around fixed income coming in, this overall the fee rate on the products coming in, you know, far exceed the fee rate on the products that would be leading.

So, again, a positive element on the fee rate. FX will also has a big, big impact too and I think we saw a pretty big impact on FX in the quarter. You know, .7 basis points. And so that was with UK down 5% quarter over a quarter of a pound.

So, again just to understand that those dynamics are probably one of the big drivers of fee rate issues and hopefully that does recover when we get through (unintelligible). And we get stabilization of the pound.

(Ken): Great. And then on the other revenue, obviously down a bunch for the quarter, can you maybe help us on an outlook for this? So, there's a number of components, Real Estate and UITs are one, how should this line be growing over time?

And maybe how should it be growing compared to the management fee line? So, obviously both are going to move up and down depending on market conditions. But should the other revenue be growing faster or slower over time?

And then maybe more near term in terms of an outlook based on your guys' views on kind of Real Estate activity and maybe what you're seeing more idiosyncratically in the UIT market. How should we think about that line item maybe for the rest of the year?

Loren Starr: Yes. So I mean, I think it will grow. Certainly off of what we viewed as a primo low base in Q1 that, you know, as I mentioned, it should pick up. Generally, our Real Estate business has been, you know, growing well.

And so that will, as a fee, you know help allow that line item to grow. And I say particularly as we've seen success in Europe and Asia, that's where a lot of the funds actually do have transaction fees.

And you know that work in the U.S. some of the products that are managed by our Real Estate team don't actually, you know, aren't able to generate transaction fees. And so that is going to be a sort of a U.S., non U.S. mix.

But we think that outside the U.S. is a huge opportunity for the Real Estate business. And still has a lot of opportunity to grow at a faster rate even then the U.S. side.

The UIT business, we would hope to see that grow. It's been, you know, a very competitive market and particularly in - because it's somewhat transactional when people decide to roll their UITs.

If you do get volatility, they're just going to wait and see and so, we would want to see, you know, sort of a market stabilization, which would allow our ability to roll those things more rapidly and generate more of the revenues as well.

But I mean we think that the UIT business has a lot of opportunity to grow. and so we would expect to see between those two elements that other line item, you know, grow again - on an organic growth basis we should be able to grow in that 3 to 5%, you know, level that we talked about before.

(Ken): Okay. Okay, great. Thank you very much.

Coordinator: Thank you. Next is from (Chris), of (William Blair). Sir, your line is now open.

(Chris): Hey, it's good morning. I think early last year you - there was a really good story around cross border, some of the European products were flowing very well.

It seems like performance there has softened a little bit on a couple of products, others are still very good. The environment's clearly gotten tougher. So, maybe just talk about how you're feeling about cross border and that product range and the growth outlook for the remainder of the year.

Marty Flanagan: Yes, so we still feel a very important part of our business - we still look at it as a, you know, an engine of growth over the next few years. It has, you know - the magnitude of change and the impact of the company has been very positive over the last few years.

You know, clearly with the market uncertainty and then you do some of the, you know, some of the macro environment there, whatever it be, (unintelligible) of some of the concerns on the (unintelligible).

It definitely, you know, slowed down the quarter. That said, we just feel very well positioned. We look to continue to gain market share with regard of performance.

Somewhat of a similar story, some of the U.S. portfolios I mentioned, there's some of the exposure in some of the European portfolios were in, you know, financials. You know some energy.

So there was a little bit of that drag per period but again they're very, very good managers. Excellent and highly regarded. And I would classify it more as market uncertainty than lack of competence in the investment team. So as uncertainty dwindles some - it will never go away. You know, we'll - I think we'll be back on that growing path.

Loren Starr: Now just also adding on, our product range in Europe, you know, still more than half of the assets are in first quartile. So it's very strong. You know, and when you look at the second quartile on the five-year basis it's more than 90% of the assets are beating peers in a five-year basis.

So, you know, we think that there's plenty of opportunity for us to be able to satisfy our clients' needs with the products that we have. You're right, some have softened a little bit relative to end of the year, but it's still overall exceedingly strong.

(Chris): Okay. And that's...

Marty Flanagan: I also have one more thing.

(Chris): Yes, go-ahead, sorry.

Marty Flanagan: So not just retail but again, you know, AMIA in particular is another area where the growth prospects for the institutional business are very, very strong. Early days of success from, you know, what we're anticipating over the next couple of years.

(Chris): Okay, thanks. And then one other one on power shares. There was some talk last year I think of going through a bit of a, I don't know what to call it, repositioning or rebranding type of exercise and much of it around factors.

I know you've done some stuff there, rolled out some new product, but it's been I think fairly targeted to date. So I guess the question just do you feel like you need to be more aggressive there in making changes to that business?

It looks like if you exclude the cues over the last year through March, the flows have been fairly minimal relative to a pretty favorable backdrop for the industry as a whole.

Marty Flanagan: Good question. I'd answer two different ways. You know, it is one of the areas that we have invested in quite strongly over the last number of years because we anticipated, as Loren talked about, it is, you know, the factory base element of it as a growing part of the industry we are a leader there, you know, with a very broad long dated back record.

And so the investments have been meaningful. With regard to the flows I think what you have to look at is how narrow the flows were within, you know, the factor base ETFs.

And probably from September through the end of February is about as narrow as you've ever seen. And what we're now seeing, as Loren was talking about, why are the flows picking up the way that they are? We're seeing a broadening of interest in the range of capabilities that we have.

So we look at it as, you know, an important subset of that whole factor base that we have as an organization. And, you know, we feel we're absolutely on top of it. And I think you'll start to see it again in the flows here as we move through the year.

(Chris): Okay. Thanks, Marty.

Marty Flanagan: Yes. Thank you very much.

Coordinator: Thank you. Next question is from (Dan), of Jefferies. Sir, your line is now open.

(Dan): Thanks. I guess first on AMIA or Asia, you know, you continue to have great flows there, the 3.6 billion or so, the only region of influence. Can you talk about concentration I guess within those flows either through like the distribution areas or products or how - I guess or how diversified those flows are?

Loren Starr: So I think it's a good question. In AMIA, generally, we've seen huge success with our GTR product both institutionally and on the retail side. And that's been I'd say probably our primary, you know, driver of inflows in the region.

So it has been probably a little bit concentrated to your point in that capability. I mean we still think there's some very, very strong capabilities like our (quan) capability, for example, I think it's called structured equity, doing very well.

But, you know, this current environment in the 1st quarter, you know, was an anomaly for everyone in terms of what behavior you'd expect. And so I do think, you know, hopefully we'll begin to see more take on it in a broader sales picture than just GTR.

But GTR, by the way I just wanted not minimize that plan, is doing very, very well. It's outperforming some of its competitors. So it's really been a success for us.

And the other thing I would also say, I know your question just on AMIA, again, I can't say how happy we are that our Asia Pac business has been really, really strong.

So the outside U.S., which is both Asia Pac and AMIA, has been very diverse in Asia Pac in terms of what's being taken on through equities, alternatives, and fixed income.

Marty Flanagan: And I would just add that, you know, again we - it's not a concern about GTRs success. We think it's an absolute positive, and again Loren made the point before, if you look at the range of capabilities in AMIA and the very, very strong performance and reputation of, you know, the teams, it's not a concern as far as I'm concerned.

(Dan): Great. And then I guess just a follow-up on the optimization, I think you said 2 million was realized this quarter. Can you give us a, kind of, run-rate or path through the year to think about how the rest of that is going to flow through or the pace of that benefit?

Loren Starr: Yes. So it's going to step up each quarter and so the 2 would probably get to more like a 3-1/2 than 4-1/2, 5-1/2 as you work through the course of the year. Those are sort of rough numbers and some timing could be little bit off.

But that will get us ultimately as we get into 2017 that run-rate of 30 to 45, which we feel, you know, 30 we feel very confident. And whether we get to 45, you know, we'll let you know as I mentioned as we get through the course of the year.

(Dan): Great. Thank you.

Coordinator: Thank you. Next question is from (Eric) of (Royal Mangus Canada). Sir, your line is open.

(Kenneth Theon): Hi, this is (Kenneth Theon) for (Eric). Just had a question, there was previously mentioned that tend to do (unintelligible) perhaps elevated rates this year.

Just want to get a better handle on, you know, potential amount that you guys could think about whether there's any kind of restrictions in terms of the cash balance that you guys have on hand in terms of the onshore or offshore. Just, you know, want to get a better handle on how to think about that. Thanks.

Loren Starr: So, you know, good, great question. So in terms of where we are at the end of the quarter, we had total cash 1.455 million. What is tied up - I'm sorry, billion, so 1.455 billion was tied up in the UK subgroup as we talked about from a regulatory perspective is 651 million.

And so, you know, sort of the free and clear is that 804. Q1 is always a very heavy cash need quarter because of taxes and bonus payments. So we fell below sort of our self-imposed, you know, sort of target of 1 billion.

But we're not concerned about that. We're still going to continue to the targeting, you know, very healthy capital return in terms of dividends and buybacks at the percentage of our operating cash flow to shareholders.

So, you know, in terms of our Q1 buyback, which we talked - I mean that was up 63% versus what we did Q1 in 2015. So quite a bit of a step up, 125 million.

But down a little bit versus the 4th quarter due to just generally the lower operating cash that we are generating now because our asset levels are heavily affected by what happened to the market.

But in terms of the percentage payout, you know, we're sort of in line with what we were thinking about in terms of last year percentage of cash flow. But because our overall operating levels have been impacted by markets, you know, the total levels may be somewhat smaller.

So, again, I think you can, you know, if you look at what we paid out we're probably more in line with a, you know, an $80 million quarter run-rate which gets us at that same payout rate that you've seen in the past.

So with that said, we're going to continue to be very opportunistic if we see, you know, further impact on stock price which we think is unwarranted. If we get through some of the (unintelligible) and understand the dynamics there, we may feel more able to commit more capital.

So, again, it's one of these things that we feel very well-positioned to return capital. But we are being a little bit cautious just given the volatility in the market right now.

(Kenneth Theon): Great. Thank you very much, that's very helpful.

Loren Starr: Yes.

Coordinator: Thank you. Next question is from (Robert) of KBW. Sir, your line is now open.

(Robert): Thank you. Good morning everyone.

Loren Starr: Hey.

Marty Flanagan: Morning.

(Robert): You didn't think you were going to get through a call without a (unintelligible) question, right?

Loren Starr: No. What's that? Yes.

(Robert): Okay. So I guess I'll ask one. So, you know, aside from the currency hedge and whatnot, just kind of maybe update us on how you think about contingency planning for it.

I mean how do you decide because obviously huge unknowns if it happens or what happens after it happens? So how do you and what can you prepare for that? I know it's not - so maybe less about where products are registered but, you know, operationally what are some of the things you try to put in place?

Marty Flanagan: Yes. So that's a good question and, you know, needless to say, you know, there's a team of people that have been working on it just in case that happens. The good news just as you pointed to, the way we have our product ranges set up right now we're in a very, very fine shape.

And also the way that we have our operations is also set up in a way that we will not be impacted negatively. There's a small exposure if we sort of extrapolate, I think it's a couple billion dollars of some assets that we think could sort of get caught up in the crosshairs.

But, again, your (unintelligible) scenario planning so the exposure isn't high. So from that point of view we're very well-placed. You know, the issue is if it is an out vote, it is going to be, you know, the stated time as, you know, so mid-18 (unintelligible).

I'd say most people that are very involved in this would tell you the likelihood of trade agreement and (unintelligible) takes longer than that. It's just hard to assess what the psychological impact on investors would be.

You know, that said we just think relatively we are very well-placed to deal with it, you know, as it goes through. And I think really just getting past the referendum is going to be that positive regardless of what the outcome is.

Loren Starr: (Unintelligible).

Marty Flanagan: Yes.

(Robert): Okay. You know, maybe just kind of - I guess maybe this is a presentation question or what not. But can you maybe give us a sense in the passive AUM, what proportion of that is not fee generating or manager fee generating?

I mean clearly last quarter there was noise and flows around the deleveraging of basically none fee assets. And clearly you breakout the triple Q flows, which don't generate managing fees, but neither do UITs and other things.

So if we're really trying to look at the pure asset base there that's generating, you know, the managing fee revenues, what with that be today? And maybe the one request that may be helpful, metric to think about providing going forward?

Loren Starr: Okay so I think when you look at it, the cues that's about 38 billion. The IBR leverage is somewhere around 20 billion and then the UIT business which does generate revenues when they get rolled, but once they've been sort of put in place they don't. That's about 18 billion. So those are the big chunks that you'd have to add up to figure out what is non-revenue-generating.

(Robert): Okay. Great, that's helpful. And then maybe just one last modeling question. I mean understanding there's a lot of moving pieces in (comp) and whatnot. If we think of the 1st quarter here, is there anything in there, I mean obviously there's always some seasonality in the U.S.

But beyond maybe some modesty's (unintelligible) there, is there anything in there that we should think of maybe falls away, next quote outside of the expense initiatives that are in place? Or should we be thinking that all else equals is kind of reasonable run-rate?

Loren Starr: Yes. So I mean in terms of the sort of Q2 to Q1 impact you got obviously payroll taxes, sort of, falling way so that's at the benefit of some 15-20 million. But then you got some offset as I mentioned in terms of salary increases and (unintelligible) compensation and sort of plus six.

We obviously are beginning to work through some of those optimization things and so you'll get some continued run-rate benefit going, you know, probably a benefit of that 3-1/2 to 2, if that does translate to another 1-1/2 million benefit.

Now some of that might get offset if we're actually, had a higher level of assets and revenues, you know, and some of our (unintelligible) compensation we'll scale up with our operating income as it always does.

So, again, all those things together, you know, again I'm not going to give you too much. You know, you're probably, hopefully, (comp) will actually be (unintelligible) with the benefit of, you know, higher asset levels and market driving (unintelligible) compensation ahead.

(Robert): Okay great. That was all I had, thanks for taking my questions.

Marty Flanagan: Thanks very much, yes.

Coordinator: Thank you. Next question is from (Michael), of Morgan Stanley. Sir, your line is now open.

(Michael): Hi, good morning. Thanks for taking the question. Just curious under what conditions you think Invesco can grow organically? Your business closely resembles another in the industry, yet they grow consistently off our higher base.

And I know you're targeting 3 to 5% organically to grow and flows sound like they're pretty strong in April. But I'm just curious under what conditions can we see Invesco grow consistently from here?

Marty Flanagan: Yes. I mean look I think if you look, historically, we've been one of the most absolute consistent growers throughout all the different markets scenarios. You know, I think what we've learned if you look at the last year quarter, again, when you're in a January/February environment it is just very difficult.

You get more to an environment, you know, that we're now, where yes there's still plenty of world uncertainties, you know, a firm like us, you'll grow. And you'll see it both institutionally and retail.

And again as both Loren and I brought out, you can see looking at different parts of the world right now again each region is actually growing. So you don't need a lot, it's just when you have that massive uncertainty that it is very difficult.

Loren Starr: Yes. I mean I think you've said in the past, Marty, too. But when you get an equity led market which I don't know if we're going to see that anytime soon, but if we do get an equity led market, you know, we will probably be able to grow much more quickly than you've seen us do in the past. Because a large percentage of our AUM is equity and so, you know, again that would be converse of what we've been in, right?

Marty Flanagan: Yes.

Loren Starr: I mean (unintelligible) which is just volatility.

(Michael): Got it, okay. Thanks that's helpful. And then just a follow-up on operating leverage. You cut expenses nicely about 9% or so year on year on the quarter. But revenues fell about 11-1/2% or so.

So just curious how your thinking about operating leverage here and what level of market return, say AUM growth, do we need to see in order to see positive operating leverage? And can you improve margins at flat AUM levels?

Loren Starr: So, you know, again we've said that when you get no market benefit, so if we just stayed flat to where we are on an average asset basis, you know, the 2nd quarter to 1st quarter that inorganic growth would allow us to see revenues improve.

And so we would be able to get incremental margins at sort of 50 percent. And if we have market that's helping us grow and FX I would say as well, incremental margins can be much higher to 65%.

So, you know, we would hope to see as, you know, Marty had talked about, our operating leverage begin to work in our favor as opposed to work against us as assets are recovering.

And we absolutely will see that happening particularly as we've managed to maintain a fairly tight control on the expense side. So, you know, that would be our hope is to get ourselves back to that 40% and hopefully this year just through organic growth and expense management.

If we have market on top of that we should be able to do better than that. So there's nothing that stopped us from generating very strong operating leverage on the plus side if we have positive markets at plus FX, plus organic growth working in our favor.

(Michael): Got it, thanks.

Loren Starr: Yes.

Coordinator: Thank you. Next question is from (Brian), of Deutsche Bank. Sir, your line is now open.

(Brian): Great. Good morning folks, thanks for taking my questions. Sorry if I missed this but the 1.9 billion in long-term flows in April, what areas are those in?

Loren Starr: So the 1.9 billion in long-term flows were across a variety of capabilities, investment grade fixed income, we had bank loans. We had some Asian equity. We had Real Estate. We also had power shares in each of the regions across a variety of capabilities. And probably a lot of it was low volatility offering.

And I think we did continue to see some positive flows in GTR as I mentioned, which is, you know, been a big driver. So pretty diverse capability maybe more heavily focused on alternatives than anything else.

(Brian): Okay that's great, that's helpful. And just, Marty, I guess just a little bigger picture on the Department of Labor. You've got a - it sounds like you've got a very good sort of offensive game plan with the (unintelligible) product and the open architecture model and being able to use your very wide product range including the factor based ETFs.

But if you think about sort of the defensive nature that a lot of the asset managers will be going through that have high concentrations of active product. Is there any type of plan to work with the advisors in terms of the pricing class structures of the shares that you have now?

And I guess if you can sort of comment on how you think advisor behavior will turnout post DOL rule. And then, sorry if I missed the assets in mutual funds and IRAs and 401(k)'s, I'm not sure if you disclosed that.

Marty Flanagan: Yes, so it's good question. And I think the reality is we've got to, you know, the lead is going to be taken by the distributors and how they're going to want to be addressing the rule.

And that said, you know, like we are and I'm sure everybody else is, you know, wanting to be incredibly helpful to distributors as they work through the issues. That said, what I believe strongly in is that there is a very, very important role for advisors.

We believe that's the best way to get outcomes for clients. And also believe strongly that, you know, high conviction fundamental capabilities and factor based capabilities are what advisors want to do because they know that's how they can get a better value propositions to their clients.

And just mechanically there's - the industry's pretty close already. So, you know, through the range of share classes that will be available if assets, the vast majority they're going to be in advisor-based plans.

And, you know, these are stripped-down share classes that are really what's going to be used. And so I'd say the money managers are - I'm sure most everybody's well-placed in that area.

But, again, it's a little bit - it's a (unintelligible) in time to wait to take the lead working with the distributors on it. And it is really complex actually, the rule, but the high-level assumptions that we've all made are probably still in place.

(Brian): And I'm sorry, the mutual, I don't know if you disclosed this, the mutual fund assets in U.S. IRAs and 401(k)?

Marty Flanagan: We didn't. I mean, again, we - so much of our assets are in omnibus and quite frankly we just made the determination by coming up with a number and it'd probably be more misleading than helpful. So we would probably have, you know, at industry levels or slightly less than some with regard to exposure. But, again, that's our estimate.

(Brian): And do you think advisors will factor in the help that you're giving them including with Jemstep in terms of thinking about you know the least conflicted and best product for their clients. You know, and using say Invesco products in conjunction with the Jemstep offering as sort of the best low-cost better pointing option?

Marty Flanagan: Yes. So let me answer this way. So we have - again, we've talk about the range of capabilities, we think that is very important. Jemstep is open architecture which is very important.

You know, that's the only way we can be credible in helping our distribution partners and if it's important to them it's important to us. That said, the other element is we have Invesco Consulting, which has been a really, really important part of the value proposition we provide to advisors to help them work through all these different topics.

And that and the thought leadership in combination are going to be, we think, very, very strong forces. And us being in the position to be strongly placed to help our distribution partners do what they need to do.

(Brian): Great. Thanks so much.

Marty Flanagan: Yes, good, thank you.

Coordinator: Thank you. And last question in queue is from (Chris), of Wells Fargo. Sir, your line is now open.

(Chris): Hey, thanks guys. The record institutional pipeline, wondering if you guys could speak to the size of that if possible. And then I know we've got the State of Rhode Island mandate in there, so maybe talk maybe qualitatively as to how it looks excluding that mandate?

Loren Starr: So good news is that the State of Rhode Island mandated not in this number. This is, does not include that and so the record number - I mean we're up 50% versus prior year. We're up about 5% versus prior quarter.

We traditionally -- I think we're probably going to continue the tradition of not giving explicit numbers because they can be misleading in terms of the ins and outs. And this is really what we have line of sight of in the terms of the in, but we don't have as much of a clear line of sight on the outs.

And so, but in terms of indicative levels and the pipeline and the success you've seen on the institutional side, which has been -- I think you've seen it in every single quarter. You know, we feel very confident that we're going to continue to see growth in terms of the sales and our success in that channel.

(Chris): Yes. Okay that sounds very strong. I want to come back to one question that was asked earlier and that's regarding your long-term growth targets 3 to 5 percent.

I'm not sure if you guys had really thought about it this way but when you guys were thinking about that growth rate, what kind of level of growth were you thinking you would need an active equity in order to get there? In other words, can active equity sort of be flattish or negative, and Invesco could still potentially hit that 3 to 5% target?

Loren Starr: I think absolutely. You know, it's across every single market that we're looking at that and I think that's the point is that it's the consistency. We don't - we're not going to be the fastest grower in the industry because, you know, that's going to (unintelligible) you've got the one product that (unintelligible) wants in that one market.

And then because we have a very diversified set of offerings some are entirely active, others are on the more passive side. So depending on the market that we're in, you know, we should be able to grow at a more, I'd say a modest rate, but still very good rate of that 3 to 5%.

And it could be (unintelligible) market scenarios where active is, you know, an outflow and we're winning on the passive side. That's not going to be every market.

But it certainly has been, you know, in current market where we're seeing the interest in passive being at a higher level than some of the active offerings. But, again, you've seen our active and passive both, you know, actually succeeding in this environment.

Marty Flanagan: And I just want to reiterate a point that Loren made earlier too. I mean, you know, we feel strongly that that is the 3 to 5 is very, very achievable. And that's really - we have not been in for a good number of years a market that is kind to active equity investing.

And you know I do believe that that is going to change. I know there's a lot of doubters but it can persist this way. And when that happens, you know, I think you're going to be at the high end of the range.

(Chris): Great. Thank you, guys.

Coordinator: Thank you. Next question is from (Mike Carrier). Sir, your line is now open.

(Mike Carrier): All right, thanks guys. Hey, Marty, just a quick one. I guess two things just on the retail side of business. Just when you mention the improvement that you've seen, you know, March and April, just wanted to get a sense on the flows that you gave is that more weighted towards retail versus the strength that you've been seeing in institutional?

And then just kind of diving down into that, are you seeing improvement in sales or some of the redemptions starting to improve? And then longer-term, just any concern around some of the FCC proposals, you know, on liquidity and derivatives? Or, you know, just more manageable, but the industry's going to be going back and forth to try to figure out what's the right solution?

Marty Flanagan: Yes. Let's see let me try to take this one by one. So the flows pretty well-balanced retail/institutional. So that's...

Loren Starr: Yes. Although (unintelligible) retails a little more ETF flavored.

Marty Flanagan: Good point.

Loren Starr: Yes.

Marty Flanagan: And I'm sorry, what was the second part of the question? I got the third part, I can't remember the second, but...

(Mike Carrier): Yes. It was just whether the improvement that you were seeing in March and April...

Marty Flanagan: Got it.

(Mike Carrier): ...like sales versus, you know...

Marty Flanagan: Yes, its gross sales picking up, right? So typically what happens those downturns, the first thing that happens is people stop buying and that's where you get - and that's what generates the net so you're actually starting to see gross flows, gross sales pick up, which is a very important indicator I would say of sort of sentiment.

Then with regard to the various FCC proposals, you know, my view is, indications I would say, is that the FCC absolutely wants to get them done. They also absolutely want to get them right.

And they are much more willing and capable of working with the industry to get the right answers. And so, again, we'll have to see one by one and so that would say they're going to come.

But I'd say they'll ultimately get to places that are workable and, you know, will get to a relatively good spot. I will say, again, though back to some of the earlier conversations, this does continue to put pressure on - all it does is drive up, you know, compliance costs and in a difficult market it's just very difficult for institutions to - these are not optional expenses, right?

And so you do compliance costs and cyber and I think that's, you know, being a larger money manager you are much more - better place to be able to deal with those. So, again, that's going to be a continued dynamic I would say in the industry.

(Mike Carrier): Okay, thanks a lot.

Marty Flanagan: Good, thanks very much, yes.

Coordinator: And that's the last question in queue.

Marty Flanagan: Good. Well thank you very much and on behalf of Loren and myself, thank you for your time, your questions, and your interest, and we'll be in touch soon. Thank you.

Coordinator: And that concludes today's conference. Thank you for your participation. You may now disconnect.

END