INVESCO INC

Moderator: Marty Flanagan
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You may obtain these reports from the SEC's website at www.sec.gov. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statements later turns out to be inaccurate.

Coordinator: Welcome to Invesco Second 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 please press star followed by Number 1 in your phone.

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 our speaker for today Marty Flanagan, President and CEO of Invesco; Loren Starr, Chief Financial Officer. Mr. Flanagan, you may begin.

Marty Flanagan: Thank you very much. And on behalf of Loren and myself thank you for spending time with us today. If you're so inclined you can follow the presentation which is on our website and I'll spend a few minutes reviewing the business results for the quarter. Loren will go to more depth into the financials.

And then today, we're going to talk about our competitive positioning in the context of industry transcend our key focus areas before we open up for questions.

So I'm on Slide 5, if you happen to be following and there's going to be the highlights of our discussion today. During the second quarter, gross sales were up 32% from the same quarter year ago. Redemptions were up as well, however which led to the outflows during the quarter. And I'll get into details about the outflows in just a few minutes here.

We completed two acquisitions during the quarter Guggenheim Investments' ETF business and Intelliflo, the number one technology platform for financial advisors in UK, which further strengthens our digital advice capability. We also continue to invest in growth drivers, which are meaningfully strengthened in our business and contributing to growth now and in the future.

And Invesco is a highly differentiated investment management organization with numerous competitive advantages. And again at a few minutes I will speak to that.

On Slide 5, you'll find the summary results for the second quarter. We continue to demonstrate strong long-term investment performance for 70% and 71% of actively managed assets in the top half of peers over three and five years.

We achieved gross sales of $54 billion during the quarter up 32% versus the second quarter of ’17. And gross redemptions were $62 billion driven by market dynamics which led to total long-term outflows of $8 billion during the quarter.

Adjusted net operating income was $376 million for the quarter up from $357 million in the prior quarter. The operating margin improved during the quarter increasing to 38.7% up from 37.3%. We returned a $124 million to shareholders during the quarter through dividends.

Our overall performance for the latest three and five year periods remain strong with areas of exceptional strength. When we look at our investment teams and the investment processes, the approach is to focus on generating outperformers over full market cycle. Where we are in this market cycle is it is impacting a relative performance of value-based equity investment approaches which is to be expected.

As you can see on Slide 6, the outperformance of growth versus value stocks has expanded rapidly over the past 12 months, which is very typical at this stage of a market. This market dynamic places near-term pressure on fundamental active value based equities and in turn, client demand for these capabilities inflows, which we are seeing in our value-based equity capabilities.

Importantly, however, the current conditions have hampered the value-based equity strategies in the short-term. But long-term investment performance, measured across the full market cycle, remain solid. The depth, breadth and tenure of your investment teams combined with the consistency of their investment philosophy and approaches, give us a high degree of confidence that these capabilities will see significant and rapid improvements and performance when markets normalized.

As mentioned earlier, gross flows 32% versus the second quarter of ’17, this is a near record for the organization. We saw continued strength and gross flows across retail and institutional as well as active and passive. All of which were meaningfully higher than the same period a year ago.

During the quarter, demand for ETF capabilities was robust. More specifically, we saw a particular strength in our commodity ETFs with nearly $400 million as well as for the quarter and year-to-date flows of $1.5 billion.

We saw robust institutional activity with gross sales of 55% versus a year ago with broad-based demand across the range of equity alternative and fixed income capabilities.

The higher level of redemptions relative to the prior year were largely driven by the growth versus value market dynamic in our value equity products as well as a large sovereign wealth and sub-advisory redemption that we highlighted in the prior quarter.

We are highly confident the flow trend will improve assuming a more favorable market dynamics.

I'm going to hand the call over to Loren, so he'll highlight the financial performance and I'll come back to highlighting the key differentiators that are creating a competitive advantage for Invesco.

Loren Starr: Great. Thank you, Marty. Quarter-over-quarter our total AUM increased $29.1 billion or 3.1%, which is driven by the acquisition of the Guggenheim ETF business, which added $38.1 billion. We saw market gains of $10.3 billion, inflows from non-management fee earning AUM of $0.9 billion, inflows from institutional money market products of also $0.9 billion.

And then we also had reinvested distributions of $0.7 billion. These factors were somewhat offset by negative foreign exchange translation of $13.8 billion and then as Marty mentioned long-term net outflows of $8 billion. Our average AUM for the second quarter was $973.9 billion that was up 2.4% versus Q1.

Looking at the net revenue yields for the quarter that came in at 40 basis points and our net revenue yield excluding performance fees was at 39.5 basis points. That was a decrease of 0.4 basis points versus Q1. The acquisition of Guggenheim ETF business and the impact of foreign exchange on our AUM mix reduced the yield by 0.9 and 0.3 basis points respectively.

These factors were somewhat offset by one extra day in the quarter and a pickup in real estate transaction fees within other revenues and that increased the yield by 0.4 and 0.3 basis points respectively.

Going to Slide 12, you'll see our US GAAP operating results for the quarter and my comments today will focus exclusively on the variances related to our non-GAAP adjusted measures, which can be found on Slide 13.

You'll see that our net revenues increased by $16 million or 1.7% quarter-over-quarter to $974 million, which includes a negative FX rate impact of $11.2 million. Excluding this impact, our net revenues increased by $27.2 million. This increase primarily reflects our higher average AUM from the Guggenheim acquisition, one additional day during the second quarter and as mentioned higher real estate transaction fees.

Adjusted operating expenses at 509, I'm sorry, $597.4 million, decreased by $3.3 million or 0.5% relative to the first quarter. Foreign exchange decreased adjusted operating expenses by $5.4 million during the quarter and excluding this impact, our adjusted operating expenses increased by $2.1 million.

That increase was driven by seasonal growth in our marketing activities and higher G&A expenses largely from irrecoverable taxes. This increase was then partially offset by seasonal decline and comp expenses on lower payroll taxes and employee benefit costs those traditionally happens in the second quarter.

Our adjusted non-operating income decreased $20.3 million, compared to the first quarter reflecting the foreign exchange mark-to-market on our seed investments during the quarter and as well as higher interest expense associated with the credit facility borrowing to fund the Guggenheim transaction.

The tax rate for the quarter held steady at 20.6%, which brings us to our adjusted EPS of $0.66 and our adjusted net operating margin of 38.7% for the quarter. I also just wanted to point out that our headcount increased by 181 employees to 7,315 employees, primarily reflecting the individual on-boarded resulting from the internal flow and the Guggenheim acquisition that closed during the quarter.

Before turning things back to Marty. I just wanted to quickly provide a couple of updates and the first is on current month flows. Overall, the July's flow picture remains rather choppy with strong sales and pipeline opportunities offset by elevated redemptions, many of which feel one-off in nature.

Through the month of July, we've experienced net outflows of approximately 3 billion. This result is largely explained by two separate account terminations and a sell-off in commodity ETFs in US and Europe.

On the somewhat longer term basis, we are confident that our flow picture will stabilize and turn positive, driven by many of the focus areas of growth for Invesco. Additionally, we continue to see a healthy institutional pipeline of one, but not funded business that will help accelerate our flows back to positive territory.

So, the next area of update I'd like to turn to is China, which is in fact a great example of a focus area of growth for Invesco. We're seeing strong demand for our Invesco Great Wall joint venture or IGW as we call it.

In June, IGW's Jingyi Money Market Fund was selected as one of seven money market funds to be included in Yu'e Bao, which is the money market program administered by Ant Financial, which is an affiliate of Alibaba.

The program, which serves as the money market platform connected to mobile payment services Alipay manages nearly $250 billion in AUM and represents a very exciting opportunity for IGW and Invesco. So since going live in June 14 of 2018, IGW has seen very strong flows and substantial growth in a number of client accounts on its platform.

From the end of the first quarter of 2018, the AUM of IGW's money market fund increased from about 80 million to almost 3.5 billion. We believe that IGW's new relationship with Ant Financial and its strong long-term investment performance across its many capabilities will provide Invesco with significant growth opportunities immediately and in the future. In fact, we expect that total flows including those into money market will be about 6 billion for IGW in Q3.

Final part of my China update addresses our current approach of consolidating only 49% of IGW in our AUM flows and non-GAAP P&L. Given the Invesco's leadership in the joint venture, the recent change in regulation allowing increased foreign ownership and our active dialogue with our JV partners around gaining an additional ownership interest will begin reporting 100% of IGW beginning in the third quarter.

And with that, I'd like to turn things back to Marty who will provide additional detail on some of these key differentiators that are creating competitive advantage for the firm.

Marty Flanagan: Great. Thank you, Loren. So I'm now on Slide 15. And as I said a few minutes ago, I want to highlight the macro trends that are transforming the industry, but in fact, these have been in place for some time and I think they're all quite well known throughout the industry. The point though that's important is that the pace of change or pace of the adoption of these macro trends is accelerating at a very rapid pace and it's literally creating winners and losers in the industry today.

And it's really important to understand these trends in the context of our strategic position and our future direction. We've been developing and expanding our capabilities ahead of these trends for more than a decade and we continue to aggressively develop them for the future. I'm highly confident in our strategy, our ability to execute and the results they will generate in the near-term and long-term.

And now let me just take a few minutes to put these into context of the macro strategy. Our key strengths and differentiators put us in a strong position to be a winner within the industry for many years to come. Our investment platform comprised of broad diversity of high quality, well tenured teams with high conviction in their philosophy and processes. We've a comprehensive range of investment capabilities in vehicles with market leading presence and the fastest growing segments including alternatives, multi-asset, ETFs and smart beta.

We've a long established global presence with deep client connectivity in key markets including fast growing markets for us such as China and EMEA. Our at-scale global platform drives efficiency and effectiveness while enabling us to commercialize key technologies for the benefit of our clients. And lastly, our market leading solutions capability draws on our comprehensive range of capabilities to deliver outcomes aligned with the needs of our retail and institutional clients around the world.

Our core business is very healthy and strong which provides a strong foundation for future growth. We're investing in growth drivers that complement our core business, a combination that sets us up for strong and diversified organic growth, running a disciplined business enables us to reallocate investment in the areas where we see tremendous opportunity which we'll find in Slide 17.

We began building ETF franchise in 2006 with the acquisition of PowerShares and more recently have expanded our ETF capabilities with Source and Guggenheim. We are now the fourth largest ETF provider globally and number two in smart beta globally. We have 40 years of experience and expertise in factor investing, well ahead of competitors in this space.

We currently manage more than $160 billion of factor strategies for range of clients around the world. We continue to leverage our factor expertise, most recently with the launch of eight fixed income factor ETFs this week. We've a market-leading solutions capability that works with our distribution and advice teams to create customized portfolios for clients, drawing on a comprehensive range of products.

Invesco was an early mover in digital advice market with our acquisition of Jemstep and we are aggressively expanding our capability with the addition of Intelliflo. As we mentioned in our first quarter call, Jemstep has gone live with a number of clients in the United States and in UK. Intelliflo is already the number one technology platform for financial advisers and we are seeing strong post-acquisition momentum.

We're working to expand our digital advice capability globally. We continue to build our institutional capability, investing in a talent and resourcing and strengthening our client experience. We're seeing continued momentum in the institutional area with gross flows up 55% year-over-year. Our early entry into China provides a strong foundation for growth and one of the world's fastest growing markets. China is projected to account for half of the global AUM growth over the next decade.

We're currently ranked four out of all foreign asset managers in China and we continue to build the business with the recent launch of the very popular Belt and Road Fund. And as Loren talked just mentioned, we are very excited about the relationship with Ant Financial and had very impressive platform.

We truly makes Invesco unique is not any one of these capabilities or growth driver, but our ability to bring these capabilities and growth drivers together to meet the needs of our clients. This unique combination is what defines our competitive differentiation.

We're proactively investing in the business, building on our first mover and competitive advantages that drive sustainable broad-based growth in line with our clients in the industry direction.

Our acquisition of PowerShares more than a decade ago, our decade long experience and factors, our first mover advantage in digital advice and our early entry into China demonstrate our experience, our commitment to clients and our focus on investing for growth.

We're confident of our organic growth prospects and remain focused on executing for clients, leveraging our competitive advantage and investing for growth which we believe ultimately drives shareholder value. So with that operator, if you'll open up the call for questions, Loren and I will be happy to answer all the questions.

Coordinator: Certainly speakers. At this time, if you would like to ask an audio question, please star followed by the Number 1 in your phone. It will be announced prior to asking your question, please pick up your handset when asking your questions. An, so with audio request please press star followed by the Number 2.

One moment, please, for the first question. Our first question comes from Dan Fannon from Jefferies. Your line is now open.

Daniel Fannon: Hi, thanks. Good morning. I guess, first, I mean, Marty, you mentioned highly confident about flows improving and, you know, we look at kind of Slide 22 and some of the performance challenges and what you talked about with regards to where we are in the cycle.

I guess you know can you give us a little bit about whether it's product region in a way we heard what happen, what's going on in July. I guess what gives you the confidence around flows improving in this kind of more immediate time period.

Marty Flanagan: Yes. So, Dan it's a great question. And if you told me we would be in this, you know, this part of a cycle with such -- this concentration and having such a huge impact on the value versus growth in December. I wouldn't have imagined it quite frankly. The impact that you're seeing is because of the great success of these capabilities over the last number of years, we've, you know, clients have very high demand for these capabilities.

Now, the exact opposite happens when you get to the stretch periods and to the point that we're really trying to make is that high quality teams. There's not demand for the capability right now, that's driving the current, you know, flow -- you've large part of the current flows.

But I think our point is the depth and breadth of interest of capabilities around the world. And so many different channels and regions is very, very strong. And, you know, that tends to offset these things, but really what has changed, the magnitude of that change.

We've not seen in 10 years more than 10 years such a concentrated market impact. And again a good part of our equity capabilities have been in volume. So again it's the broadness of the organization I think that's really pointing out and that the narrowness of where these redemptions are largely coming from.

Daniel Fannon: Okay then I guess just to follow-up on that, you know, institutionally is you guys mentioned the backlog and we've heard this. Before, I guess, if we think about the products and where that demand is coming, is there any differentiation from, you know, previous periods or is there an acceleration in certain products or regions that you could highlight?

Marty Flanagan: Yes. Good point. So it's never been broader, right. So, you're seeing it in equity and what equities would you imagine that's largely factored capabilities institutionally outside of the United States.

Real estate continues to be, you know, a very high area, alternatives beyond that, you know, bank loans and things such as GTR continues to be an area of institutions are continuing to look at risk parity as an area. So again, it continues to be, you know, broader than it's ever been that we're seeing in.

The point to look at is the gross flows, what did happen in this quarter and frankly what we are seeing, the one large redemption in this quarter, it was really driven it was an equity capability with good performance.

But you’re seeing clients start to -- some of them are worried, but some of the equity exposure with some of the topics of trade around the world and the like - we're not seeing a ton of it, but that's an example of one or two of those and they can make a big difference in the quarter.

And I think that's really the point. Looking from quarter-to-quarter is very difficult always has Dan, but if you look at the history of growth for us institutionally over the last couple of years, it continues to just improve.

Loren Starr: Yes the other thing Dan, I would just mention is the pipeline of opportunities is at an all-time high in terms of fee rate. It's about 65 basis points across the entire pipeline which is well in excess of our overall fee rate. And the terminating pipeline, so to speak is at 24 basis points.

So again when you look at it on a revenue-adjusted basis even though the headlines are kind of, you know, large, really from a revenue perspective, we should feel and we do feel very optimistic about what the pipeline is bringing to us.

And again the predominance that you said is broad based which it is, but there's a significant growth and growth in alternatives which tend to be have a higher fee rate as well.

Daniel Fannon: Great. Thank you.

Marty Flanagan: Thanks, Dan.

Coordinator: Thank you. Our next question comes from Craig Siegenthaler from Credit Suisse. Your line is now open.

Craig Siegenthaler: Thanks, good morning. Just given the detail around Jemstep on the last call with six financial institutions going live this year and I think it was five banks and one insurer. When should we expect Jemstep to start contributing to net flows and how large is the underlying advisory AUA in the platforms that will go live this year or have already gone live?

Marty Flanagan: So, again we continue to look at 2019, you know, for the beginning of a level of contribution that would start to be interesting. So, we've not moved off that our confidence, it just continues to strengthen along that.

Quite frankly, I don't have the number of AUA of the institutions, but it would be - frankly, I just don't have it right now. So but it's a large number and an impressive number and that's what gives us confidence that you will see the success in 2019, right?

Craig Siegenthaler: And just as a follow-up, did any financial institution sign up since the April call?

Marty Flanagan: We are in process of adding some financial institutions. And again we're in that contracting period, so there's nothing we can say, but when we're through it, you'll hear about it.

Craig Siegenthaler: Thank you for taking my questions.

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

Patrick Davitt: Hi, thank you. Good morning. The IGW consolidation, is that 6 billion you mentioned the total AUM that's been consolidated or new flow? And how should we think about the fee rate impact from consolidating that AUM?

Loren Starr: So the $6 billion is -- think of it as a new flow at 100%. We would be consolidating 100% of the AUM inflows going forward, which is, right now, the joint venture is about $22 billion in size. So there'd be another $11 billion showing up in our assets under management. Obviously, the money market is more at the institutional rate, but there is opportunity to do more than just money market on the Ant Financial platform which is at significantly higher rates obviously for active products, you're sort of closer to 75 to 100 basis points in that range.

So, it is something that it's a little hard to model right now because it's very much in flux. The immediate kind of opportunity is probably at the lower money market fee.

Patrick Davitt: So it's fair to say the vast majority of its money funds right now?

Loren Starr: At this point, yes.

Patrick Davitt: Okay. Thank you.

Coordinator: Our next question comes from Ken Worthington from JPMorgan. Your line is now open.

Kenneth Worthington: Hi. Good morning, and thanks for taking my question. First on outflows, obviously, elevated this quarter and you mentioned market conditions is a factor. The way I see it is, I see more of a boom and bust cycle for Invesco occurring, as you promote and rapidly grow certain products, owing to see performance falter at some point and sort of driving the bust part of the cycle.

So we saw this with IBRA this maybe playing out in GTR diversified dividend. Do you see it the same way and are you structuring growth that might be more consistent and repeatable and ultimately have less risk of this sort of boom-and-bust cycle?

Marty Flanagan: It's a fascinating point of view. So I put in the context if we've had net inflows for nine years. And I'd say very few firms have done that and I think what it does show is that the fact is clients do have different demands during different parts of the cycle. And as they see risk-on, risk-off, you know, they build their portfolios accordingly and it is no different now.

And what you're seeing with this value versus growth, you see where all the flows are going throughout the industry at a retail level because you can get, you know, clear line of sight. It is a dominant flow picture there, in particular within ETFs. And, you know, so I wouldn't call it a boom-and-bust cycle I think it's driven by client demands.

This current period might be, you know, most extreme because of where the market is though. I mean last time you saw something like this not at the exact level but it would be the 1999/2000 period.

Kenneth Worthington: Okay, thank you. And then Invesco I think recently lowered fees in Canada. Can you describe kind of the actions you took and why and given Canada and Europe both are sort of higher fee regions, how should we think about the fee outlook for the Continental European market?

Loren Starr: So Ken that was a fairly small asset base that got adjusted. So it was not material to any, you know, real revenue impact. The reason that was done is because there was a discrepancy between similar products in the US and Canada and so they needed to bring that more in alignment because there was -- we're creating sort of an unhealthy arbitrage opportunity that just need to be closed. So that was all it was, pure and simple.

Kenneth Worthington: Okay, great. Thanks.

Loren Starr: Because there is no sort of plan other than kind of just making sure our product line up make sense.

Kenneth Worthington: Okay, great. Thank you very much.

Marty Flanagan: Thanks, Ken.

Coordinator: Thank you. Our next question comes from Jeremy Campbell from Barclays. Your line is now open.

Jeremy Campbell: Hey, thanks guys. Just wondered if you could dig in a little bit more on the retail side of flows. It looks like that was a big driver here in the quarter. It looks more U.S. and UK dominated.

You know, I know you highlighted the growth value dynamic. But maybe just additional color on where it's coming from, is it model portfolio, is it broker sold, you know, what's kind of a view from the ground there?

Marty Flanagan: Yes. No, you just, you hit it right, I mean it's we are in the advice channel. So it's literally driven by investor, the large, you know, where it starts really is fall offs in demand and that's what, you know, in terms as to drive up the net outflows because of that. And so there's, it's really a demand topic right now.

Loren Starr: And so just that I mean I think in terms of overall magnitude, I mean again I think it all needs to put -- be put in context. You know, the biggest outflow in the quarter was the sovereign wealth outflow that we preannounced by far and away, you know, US value we've talked about it as a category within the industry in outflow.

It's fairly, you know, been a very difficult challenging market for that category. And so we're seeing, you know, about $2 billion just generally of outflow across value which is again is somewhat consistent with overall industry trend.

Our UK equities which is again sort of a value-oriented category is about $1.3 billion related to that category. International growth is about a billion and then there is an element which we've talked about in the past related to our REIT product in Japan which is a retail product Shinko REIT and that was about a billion. So when you put that all together, I mean you really explain largely what is going on on the outflow in the quarter.

Jeremy Campbell: Got it. Right. And then on the capital side, you know, I know you guys are focused on de-levering after the Guggenheim deal here. But I guess with just the weakness in most stock in the sector at large. I mean, does that all maybe change your thinking a little bit to do maybe a moderated pace of de-levering combined with a little bit of a buyback given here the valuation at the current levels?

Loren Starr: I think we see the stock has been extremely attractive. We are, you know, clearly focused on reinstating our buyback program, which I think we've discussed would be in the fourth quarter.

You know, we are also trying to preserve our current credit rating. And it is something where we have, you know, we will do that if we were to sort of accelerate the buyback sooner than, you know, before we get the leverage back in line that we would be attempting, you know, a downgrade which takes a long time to actually come back from.

So we do understand the topic, but the time value here we're talking about, you know, a couple of quarters at most before we can sort of crank up the buyback machine again.

Jeremy Campbell: Got it. I'm sorry if I missed this, but did you guys say which strategies the two July terminations came in, where the active equity or…?

Loren Starr: The two, one was direct real estates and the other was similar sovereign wealth outflow that we've talked about before, so similar topic.

Marty Flanagan: Yes. The Asian equity.

Loren Starr: Asian equity?

Marty Flanagan: Yes.

Jeremy Campbell: Got it. Thank you.

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

Brennan Hawken: Good morning, guys. Thanks for taking the question. Loren, I don't think you touched on this, but at the last quarter, you had updated an outlook for revenue yield before performance fees of being 40 basis points for the rest of the year. This quarter came in a bit below that. Is the 40 basis point outlook still something that we should use or should we revise that?

Loren Starr: Yes. So revenues there day count noise within that, and so it kind of goes up and it goes down depending on day count. I think the probably somewhere between 40 and 39.5 very safe in that range over the last half of the year. I do think as we get into 2019 where we continue to see some of the lower price product and our success in our ETF business expands. You're probably looking at sort of down to 39 basis points.

Again, but importantly, and again it's an easy point to overlook, this is not because of fee cuts. This is because of the mix of our products and as we gain scale in these lower fee products. We're actually seeing incredibly attractive incremental margins. And so, we don't see anything wrong with the fee rates dropping as long as we're building scale in these products. And our margin on those products are at a higher rate than the firms overall, which is the case.

So anyway, that would be our sort of updated guidance around fee rate, net revenue yield, excluding performance.

Brennan Hawken: Got it. Thank you, Loren. And just following up and I know there have been a couple of questions on it, so I’m sorry about coming back to it, it's just a little confusing. The growth versus value performance gap you-all highlighted, it's not really all that new. I think that's part of the reason why there's some confusion.

Also you guys Invesco really has a quite a diversified offering, so it's not like we think about you-all as really levered to one style versus the other. Is the idea here that and Marty I think you spoke to it earlier, is the idea here that just the remixing away from value right now within Invesco products is what's so overwhelming? And therefore that's why it's noteworthy. If you could just flesh that out a bit, that'd be great.

Marty Flanagan: Yes. Glad you're asking if it's not understood. So I'll try again. So, it's really the magnitude of the change in the concentration, right. So if you look year-to-date, the amount of money going into momentum based growth products is enormous. If you want to use ETF as a proxy, whether it'd be cap weighted or even in smart beta, the vast majority of the money is going into a very few number of funds that are momentum based.

So this extreme period from that perspective, I'm not making any judgments about the merits of it, but that's what you're seeing and what we've had over the last number of years is great success on the value-based capabilities. That's been the driver of flows for us in the US retail channel, in particular when the demand for those comes off and you see such a magnitude change of relative performance.

That's when - and so literally it happened this year. I mean that's when you saw the change in flows, that's how quickly the sentiment changed from an investor point of view. And I think that's really the point that I'm trying to highlight, not that in fact we saw this. We all have been in the industry a long time, this is a natural thing that happens, but it's actually the magnitude of it right now in particular this year and how changed investor -- retail investor sentiment in particular.

Brennan Hawken: Okay, okay. Thanks for that additional color, Marty. Last sort of clean up for me, through July outpost to-date I believe, Loren, you'd said there's a sovereign wealth in the direct real estate. As far as given that there's sovereign wealth, it's a big part of it, is that outflow a lower fee item or is that more in line with the firm average should we think about that when we start to model here the current quarter?

Loren Starr: Because it's active-equity and it's well-performing. I mean it's probably more in line with the firm's overall fee rate, which is unfortunate in terms of the impact. And the real estate -- direct real estate is probably on sort of small fee rate.

Brennan Hawken: Okay. Thanks for that.

Coordinator: Thank you. Our next question comes from Michael Carrier from Bank of America Merrill Lynch. Your line is now open.

Michael Carrier: Right. Thanks, guys. Loren, maybe first one just on expenses, it seems like, you know, comp and I think property office deck, you know, came in a bit better. I know some of that's probably, you know, FX impacted. But maybe just any update for the second half of the year you've given some of the guidance that you gave, you know, for the first half?

Loren Starr: Yes. So I think our guidance sort of largely stays intact. We've been maintaining, you know, good vigilance on our expenses and comp is part of that. Some of that is, you know, I think just flexing down, the normal flexing down of incentives, you know, sort of a set of as in relationships operating income, but we would say guidance that we gave earlier stays intact.

Michael Carrier: Okay. Got it. And then Marty, just one more on the, you know, the flow outlook. So the growth versus value, look I understand that when I think about some of the initiatives that you guys have been working on.

So whether it's the broader sort of ETF platform and then when you combine that with some of the digital investments you head into 2019. Because I'm just trying to understand how you guys think about maybe, the next 12, 24 months in an environment where some of those investments start to kind of contribute and produce more significantly.

But maybe we still have this growth versus value issue going on versus obviously if that starts to shift and that would be more of a tailwind. But I mean, like, can you see some, you know, maybe normalizing in these outflows just given some of those investments maybe scaling?

Marty Flanagan: That's the point I'm trying to make, so thank you all. I'll try to clarify, there is the high degree of confidence that the investments that we've been making and the strengthening of the business whether it'd be institutional and you can start to see the institutional capabilities that China is meaningful for us.

You know, the pace of change and our strengthening there is very, very strong. But then the same thing with these -- the ETF platforms, we are now just getting through building up the range of capabilities that we want. You know, post acquisitions always it takes time to get capabilities on platforms that's what we're going through with Guggenheim right now.

It takes months and quarters, not the day you've closed, doesn't mean you're on the platform. Those conversations are all going really very, very well. Literally in any range of model conversations with various platforms, so that's why our confidence is so high and you're going to start to see again whether it'd be Jemstep or Intelliflo start to have impact to the organization next year. So I think the question that you're asking, let's assume that the market stays -- the market dynamic stays where it is.

Do we anticipate, you know, the likelihood of us generating flows beyond these redemptions we do. It's more likely in 2019 than it is this year because hard to call the market and we're not going to call the market. So we're going to anticipate that it plays out for another two/three quarters before you get some change there.

Michael Carrier: Okay, thanks a lot.

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

William Katz: Okay. As you may recall sort of tax remodeling questions and I might miss this like going on this morning. Do you guys call out the strength in the other revenue line this quarter. I sort of felt like that was a much bigger variant than maybe what the prior guidance was but maybe misremembering that and I do have follow-up question.

Loren Starr: Yes. So that was related to our J-REIT launch in Asia, which had significant amount of transaction fees associated with it. So it was related to a fund launch.

William Katz: So, would you expect that to get back into the mid-teens type of level on a go forward basis?

Loren Starr: Yes, most likely. I think that was, you know, viewed as more of a one-off.

William Katz: Right. You know, where are you, you mentioned in the press release by near in the commentary this morning. In terms of the global efficiency initiative when you sort of get to that sort of run rate of annualized savings, is that still a year end ‘18 number at this point in time?

Loren Starr: Absolutely and we're making progress. So, we're in mid implementation on some of the outsourcing and we're getting some of the benefits which again is allowing us to maintain, you know, expenses and guidance sort of roughly where we had them even despite some of these acquisitions that we've done.

So we're feeling good about our optimization efforts and certainly would expect to see them continue on through into 2019.

William Katz: And just one last one and Marty, maybe if you just stepping back a lot of folks outflows of course and you've laid out previously, a long-term guidance of all of this aspiration goal 3% to 5%.

Can you help us with the building blocks and how you get from sort of what's a little bit of a choppy view right now, sort of putting the way the style box issue for a moment? How you get from where you are today, and really the industry at large to that sort of that mid-low to mid-single digit organic growth rate?

Marty Flanagan: Yes. So Bill, it's not going to be any one thing, but it's literally going to be a combination of areas that we've been talking about, right? So we're continuing to see growth in strength and alternatives.

We're continuing to see growth in factor capabilities and I put ETFs in that bucket, but it goes beyond that. You're seeing institutional clients outside of the United States look at that as growth area.

And then frankly when these digital platforms start to kick into, those are -- they're differentiated in the marketplace and it's really the breadth of those capabilities that will get there.

And again I think you would have - markets are what they are. And again as I said before, if you ask me in December, if you would have seen the magnitude of growth versus value trade going on, I would not have seen it. And if it hadn't - if it just stayed status quo our, we would be through that organic growth targets that we talked about.

Loren Starr: The other way to think about it, Bill, if you look at our current assets under management, I mean you could highlight that there's at least a third of our assets that are sort of growing at a high-single-digit, double-digit rate, you know, in terms of ETFs, factors solutions digital. We talked about which are yet to come.

If you really just do the math around taking that part relative to the rest of our core business which maybe growing at a more flattish, lower single-digit rate. You really get to that 3% to 5% quite quickly just in the handful of years. As long as you can sustain the build out and the growth on these high growth areas, which is clearly what we're talking about, what we're focused on.

William Katz: Okay. Thanks very much, guys.

Marty Flanagan: Thanks, Bill.

Coordinator: Thank you. Our next question comes from Glenn Schorr from Evercore. Your line is open.

Glenn Schorr: Hi, thanks. Just want to follow-up on the conversation around the pace of change speeding up and next-gen passes specifically. So I'm just curious what's going on, you've brought in the new platforms, you've built out products set, you've adjusted pricing where you need to.

Can you talk about the conversations with the distributors or are you seeing in sales already, what's going on behind the scenes to give you confidence that that's going to start contributing, because if it does it could make a big difference offsetting some of the style box stuff?

Marty Flanagan: Yes and so it's not limited to retail. With every conversation that I'm in or we've had with institutional clients around the world, they're doing the same thing, they're narrowing the relationships. They want more from their money managers and not just the range of capabilities which is, you know, I call it table stakes, a range of strong performing capabilities of our market cycles

But these elements have to be able to get into a solutions conversation with them, help them do analytical work, help them through any number of things, how do you think through factors, how to use factors, you know, thought leadership, ESG, you know, whatever it might be.

There aren't a lot of firms that have that depth and breadth of capability in a range to do that. When you go to the retail channel, it's clear that everybody here understands the US market very well.

You are seeing that narrowing of those platforms and again that same dynamic is happening and it's beyond thinking of just a single product on a platform. Yes that is the majority of what it is today, but more and more can you help more holistically with these platforms from a standpoint of helping build models, participate in building models, helping the successive factors in the retail channel is intellectually accepted, the magnitude of it is nowhere - where most of us think it's going to go.

So the demand has to be created, the demand is going to be created through education. So, do you have capabilities to help educate hand-in-hand with some of these platforms, again very few firms can do that. So those are the types of things that are creating real competitive advantages for the firms that have that, the breadth of those capabilities and the resources to compete in that way and that's very different than what it was five years ago.

Glenn Schorr: I think marketing spend was up a bunch year-on-year this quarter. Some of that is branding, some of that is selling what's working now. Is any of that targeted towards this, does it fall in under this education process --

Marty Flanagan: Yes, absolutely.

Glenn Schorr: And sales force and distribution arm and educators if you will, has that all been built out and your confidence is higher now because we're closer to the payoff?

Marty Flanagan: Okay. No question about it, right. And again what we are doing -- and again you'll hear other firms talk about it, but what we are doing with digital capability is around marketing and education at a level that we've never done before. And that is the future and is pivoting from surpassed practices and past capabilities to the future. And it is being accepted in a very strong manner.

Glenn Schorr: Okay. Thanks very much, Marty.

Marty Flanagan: Yes.

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

Kenneth Lee: Hi, thanks for taking my question. Looks like there was an increase in fund launch cost in the quarter, wonder if you could tell us what's in the pipeline in terms of new products and whether there's any opportunity for Invesco to participate in investor demand for private credit products?

Loren Starr: So, just on the fund launch products, you read the US GAAP release, good for you, that's related to the products that we consolidate. So that actually that comment is only relevant for US GAAP, it's a CLO related expense that gets consolidated out in our non-GAAP. So, but with that said, there are quite a bit of new products that are being looked at and probably the one that is most recent is we have eight new bullet share ETFs that were just launched around factor based or self-indexed and managed.

So I think that's the one that we feel is going to have some very strong demand and uptake with clients who really haven't had access to these types of products in a real way. And Marty, I don't know if you want to talk more broadly about new product introductions that we're looking at?

Marty Flanagan: Yes. It has again very, very focused on where we think in the retail institutional world.

It is literally, you know, completing the build out of what we think is meaningful and desired by end clients both retail and institutional with factors and that's what you saw with this factor launch, you'll see probably a couple more of them probably ending in the first quarter of next year. That would be the end of probably what we think is the aggressive build out, it is on the back of Guggenheim and source and we think having the totality is important.

And again, don't think if this just as ETFs by themselves, they are important part of our solutions capability and the models that we build for clients or, you know, helping institutions as they look to embed factors more broadly and some of those thinking in their portfolios.

Loren Starr: They need a question of private credit.

Marty Flanagan: Yes. So, you know, within our, you know, alternative business, you know, it is an area that we have some capability. It is not nearly as broad or deep as some of the, you know, the big, you know, PE type firms. But again I think the range of our alternative capabilities is strong and you've seen the success over the years.

Man 1: Got you, thanks. And just one more bit in terms of housekeeping, it looks like there's a bunch of factors that that drove the tax a little bit higher, wondering if there's a more updated guidance for the tax rate going forward. Thanks.

Loren Starr: Yes, so again we're speaking to the non-GAAP financials, which are probably more relevant, 20.6% was the effective tax rate which was steady to the first quarter and it's consistent with our guidance going forward.

So I'd use that as the non-GAAP tax rates in terms of the US-GAAP tax rate that can move around quite a bit depending on the different products and that we have to consolidate. So I find that number a little bit more difficult to provide guidance on.

Man 1: Got you. Thanks.

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

Alex Blostein: Hey, good morning guys. Question I guess, you know, around capital priorities from here, so you're responding to industry challenges clearly by, you know, making several acquisitions over the last couple of years. Do you feel that at this point, the build-out is generally done from an acquisition perspective and we should think about you guys returning to, you know, close to a 100% payout of net income starting 2019 or do you see opportunities for more deals?

Marty Flanagan: Yes, from my perspectives the acquisitions that we've made over the last couple of years are, you know, from our perspective meaningful important for, you know, the success of the organization going forward and meeting client demands.

It is hard to predict the, you know, the future. I don't see, you know, generally you don't see the opportunities until they present themselves, right? So there's nothing obvious at the moment but again we will continue to do, done in the past and stay to our, you know, capital priorities as we have said.

But if there's something that comes along that we think will materially, you know, improve the competitive position of the firm, we would clearly pay attention to it.

Alex Blostein: And that would be again in the areas of digital distribution and ETFs or something else?

Marty Flanagan: Hard to predict quite frankly, because if you looked at the breadth of the firm right now, you know, we think we have a very competitive set right now. You just don't know what the opportunities emerge. So I really wouldn't want to lock ourselves into, you know, a box that has been the priority over the last couple of years and we think it's been very helpful.

Loren Starr: I would say I was submitting probably our plan or guard. Our current thinking is yes, we'd be back into payout in terms of probably not a 100%. But, you know, typically we've been sort of in that 70% to 80% range because we do feed a fair amount of our new product launches.

And so there's continues to be a pipeline of, you know, sort of organic needs around some of that capital. But we’re, you know, certainly in terms of the thinking, we'd be back into buyback mode by the end of this quarter or end of fourth quarter.

Alex Blostein: Yes, got it. And then my second question I guess is just surround the UK equity business, you know, performance obviously remains pretty challenged. Some of that at style driven, some of that at some specifics. I guess can you remind us what the AUM base there in UK equities and what the revenue pool on those asset is today.

And I guess is we get kind of closer to Brexit, again maybe just a reminder, what percentage of your UK-based product comes from the Eurozone customer base. And if there's any sort of risk to that as we get closer to the end of the year.

Marty Flanagan: Why don't I pick up on Brexit and then Loren can follow up on the other. So, look, you know, where we stands right now, the vast majority of the money managers are benefiting from sort of this delegation model that is the case for us. And it would not materially change, you know, our business model.

We'd end up with, you know, some more people on the continent but not to a dramatic amount. And, you know, that seems to be the state of play, you know, as we move forward. So it's not nearly as challenging as it is for some of the investment banks or the passport in topics.

Loren Starr: And Alex, out of a total Invesco UK has a base of a 136 billion, 27 billion as UK equities.

Alex Blostein: Got it. Thank you.

Coordinator: Thank you. Our next question comes from Chris Schuttler from William Blair. Your line is now open.

Chris Schuttler: Hey guys, can you talk about the Intelliflo acquisition and how you see it fitting into the digital strategy at, it looks to me like more of an end-to-end complete platform whereas Jemstep is, I think more of a front end. So is that fair and, you know, could you help us just distinguish between the two assets and how you intend to leverage them in the respective markets?

Marty Flanagan: Yes, a very good question. So, you know, the UK market has changed so dramatically, you know, post some of the regulations and what you saw happening was the IFAs were started to move to platforms to help with some of their investment decisions on. You know, the fund that we use and due diligence and like and so the center of gravity became these platforms.

Intelliflo became obviously very important one with 35% of the market share. It is an open platform that will remain an open platform that said it is an opportunity for us to work within Intelliflo and, you know, create models through solutions in the like that would benefit, you know, the existing IFAs, you know, on the market where we're working through a number of things right now.

Though it is very different but it's a different marketplace where we see the benefit coming together in time with Jemstep and Intelliflo is not just in some of the technologies but it'd be a combination of some of the platform benefits along with the front-end that we think will enhance our offerings in both our markets over time. And we will also look to some, you know, other markets around the world as we look forward here.

Chris Schuttler: Okay. Was there a purchase price for Intelliflo or at any financial details or how much revenue profit et cetera?

Loren Starr: Yes, so it wasn't a material acquisition relative to let's say Guggenheim. So we have not disclosed the nature of the magnitude of the transaction and already consistent with our past practices. It's not going to be a material to revenues and expenses P&L impact this year at least.

Chris Schuttler: Okay. Thank you.

Coordinator: Thank you. Our next question comes from Brian Bedell from Deutsche Bank. Your line is now open.

Brian Bedell: Great, thanks very much. Good morning folks. Maybe just coming back to the net revenue, your comment Loren on the sort of migration towards that more 39 basis point area next year in terms of your assumptions on that, you mentioned the pipeline of new potential winds more in the 65 basis point area.

So, I just wanted to see if your assumption of hitting that pipeline is within that 39 basis point. You know, I realized the ETF franchise and the money market business can do that. So if you actually do hit a lot of that pipeline, would there be upward, you know, upside to that 39 bits or is that already in your assumptions?

Loren Starr: Yes, great question. So, I mean the pipeline really goes out six months, nine months, this is not, it's not all the way into 2019. Typically they get funded, you know, and so the 2019 commentary is a little bit uninformed in terms of what the pipeline is going to look like at the end of the year.

So the guidance said I'm giving you take it with a grain of salt. It's not, you know, based on a ton of information other than sort of general trends of mix of, you know, where we see the growth and largely around ETFs in particular and then to some extent money market as well.

So I would say, you know, we could do better than that. It's quite possible but we kind of think that, you know, all absent any other information that's probably the right place to guide people.

Brian Bedell: Okay, okay that's helpful. And then maybe a big-picture question on the answer to the large chunky institutional outflows and, you know, this is obviously an industry issue that we're seeing across the asset manager space and it's, you know, a lot of it's not in your control because of the allocation decisions by sovereign wealth funds and pension plans.

But you guys do have a very good, you know, menu of products and solutions capabilities to potentially, you know, be on the winning side of some of those things. So maybe more of if you can talk about sort of how you see that outlook, you know, whether there's a you can, you'll get some more wins like the Rhode Island 529 plan and then maybe sort of how you see it sort of from a risk perspective of pension plans doing more allocations away from your core products.

Marty Flanagan: Yes, it's a really good question so what I can say generally is this should be around the world. Globally what we are seeing the finals that we are in and quite a broad range of capabilities. The size of the mandates are dramatically larger than what they would have been over the past number of years. That's a very good sign that's going to continue.

And we within the pipeline as Loren said and we continues to grow, continue to broaden and continues to strengthen. We also try our best to determine what the redemptions are by doing all the things that you would help, client engagements, you know, you have a feedback they would have, how the performance is all those things that you would think the normal factors and decision making.

We don't do a good job in forecasting redemptions. Institutionally, you know, more often than not or that's been first met, you know, you'll get an immediate termination. And that it can be a corporate event, it can be an asset allocation decisions but just had at a pension meeting. So it is really hard and to do it and we continue to try to get better at it.

But it makes it hard for these conversations from you can work from a credibility point of view when you look at, you know, the one offs that that happen. And clients aren't entitled to make those decisions and they do and they frankly should.

So again we try to do a better job. We'll continue to try to do a better job of it. It's very hard to get real insight into it but what we do have a much better senses, you know, the growing magnitude of the size of the institutional accounts and the, you know, the breadth of them.

Brian Bedell: Yes, I guess that would sort of say, you know, to the extent that you can, I guess I mean move the sales force towards maybe in more proactive solution sale, that would maybe get you into that conversation earlier. Is that or do you think that's on this point?

Marty Flanagan: Okay, it's actually two different things so yes, let me follow up. I see where you're going so look, the whole firm, the sales force is changing how we're facing off of clients. It is not a, you know, selling a product. It is a deep proper relationship with a client. Try to understand what they're trying to accomplish and meet their needs in a broad way.

That is really what's going on and compensation has changed to follow that approach as opposed to, you know, being the product specific to the total relationship of clients.

So, that's probably not unique to us but, you know, anybody that has a broad range of capabilities of solutions capability is likely doing that. It still doesn't mean that you're going to get the insights into, you know, individual decisions that can happen.

Brian Bedell: Okay, fair enough. Thank you.

Marty Flanagan: Yes.

Coordinator: Thank you. Our next question comes from Chris Harris from Wells Fargo. Your line is now open.

Chris Harris: Thanks. I wanted to come back to investment performance because it is obviously so important. When I look at Invesco and you guys have clearly significant scale, significant financial resources. You think those would be really pretty material competitive advantages particularly relative to smaller asset managers.

But it just seems like that's not necessarily translating and disappear investment performance at least on the equity side of the firm. And just wondering if you guys can maybe talk a little bit about why you think that might be and if there's anything you can do to perhaps address that.

Marty Flanagan: Hard to address because I disagree with it. So, again it's back to the conversation that we've had been having. So we do have in our equity capabilities, you know, a large value bias and they've grown in size over the last number of years because of the very good performance.

It's relatively underperforming where we are in the marketplace. And that has a, you know, it when you look at the macro numbers, it paints the overall macro numbers. They're still very, very strong, strong performance throughout the organization. So that's the best that I can do with that if you want to play back the tape 12, 18 months ago, the numbers look very, very different and you wouldn't have been asked the question.

Chris Harris: Well, okay. Let me just get a clarifying question in here then it these performance numbers we're looking at the AUM and top half versus peer group, doesn't it control for that? So like the growth numbers are versus growth managers and the value numbers are versus value managers are, or is that not necessarily the case?

Marty Flanagan: It depends on the peer group too. So if you look at within our, if you look at our growth capabilities, international growth capabilities there's a value bias to it. So it will look like it's relatively underperforming those firms that are momentum growth investors.

So if you want to say that that's the same aisle. You can draw that conclusion. That's, you know, that is a shortfall of trying to simplify something by style boxes. There's an industry that's what we do but when you look at the individual mandates, that's not how clients are investing or individual investors are investing through IFAs or financial advisers.

That's really where the problem is. And if you compare our diversified dividend capability, which is the value capability against Comstock, which is a very deep value capability, people are making very different decisions about that. You know, those are in broad strokes value capabilities. That's where the flaws come in.

Loren Starr: And Chris, I would say the one thing that's probably self-evident, those we don't offer today currently as much growth, you know, pure growth and momentum-oriented products as others do. And I'd say that is right now showing up as a business challenge because that's what's selling as Marty said.

And so, you could certainly fault us if you wanted to that we, you know, don't have as much of a balance in our mix of product to cover the kind of extreme environment that we're in today because we do have a probably a higher concentration in value-oriented products, particularly in the US. Then maybe others do.

Chris Harris: Okay, thanks.

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

Michael Cyprys: Hi, good morning. Thanks for taking my question. Marty, just wanted to circle back on your commentary before about some of the industry challenges. Curious how you see the industry evolving and responds to those challenges that you outlined, what changes to firm structures and operations could we see, and do you think we could see more consolidation broadly and in what sense situation could it make sense for Invesco to partake in that?

Marty Flanagan: Yes, so you like, everybody, there's a lot of thinking about these things and the way that we've been building a firm and the way that we've built the firm and how we continue to evolve, we think is addressing that, you know, very, very directly

And, you know, we think, you know, broad breath of investment capabilities is this table stakes that you need to be able to perform over market cycles that's not enough. You literally have to have a solutions capability to interface with these clients as all whether it'd be a retail platform or institutional platform is narrowing.

What you would also need under those things in our view is and you can see by we believe technology is an enabler not just operationally but very much for, you know, meeting client needs. That's why we're building those platforms.

And we also believe that you do need scale to generate, you know, to be competitive in this marketplace if you ask me up the level of scale you needed five years ago, I would not have thought that that was such a hugely important factor for success going forward.

It is because of the demands on money managers going forward to do more than just manage money for clients. And not just investing investment capabilities but also in operational capabilities largely around technology.

So, scale becomes really an important, you know, factor as you look to successful forward so you can make these investments going, you know, that all being often talking about.

Michael Cyprys: And then just following up quickly on the solution side, I just want you to dig in there a little bit more. Just curious how much in assets would you say Invesco is managing today and solutions mandates and can you talk about how you're expanding your capabilities on the institutional side of solutions. It's a competitive marketplace, how are you approaching the solutions market on the institutional side and what's differentiated where the best was approached?

Marty Flanagan: Yes, so we probably. So it's been a build-up over the last two-plus years. We have Northrop like 45 professionals in the solutions group, differently than a number of our competitors what they use is our range of capabilities. All right, so it is using our capabilities to meet client needs.

Solutions probably gets overused because it's expressed in different ways. So we actually use it in the retail channel. It started in the US retail channel for us, working with if you want to call it corner offices and work with financial advisors, analyzing their portfolios and helping them determine how best to change their asset allocations to meet the needs that they want.

So, solutions by the name itself suggest that we take all the assets and manage them all. It's a misnomer but so that's what's happening at a retail level. Institutionally it's somewhat of the same engagement where very sophisticated clients are working with firms like us and our solutions team to do analytics and looking at their portfolios to see how they might make changes to meet different outcomes they want to.

These are sophisticated institutions. They have resources and capabilities. They're wanting to get different perspectives in making their decisions that's what's different. So many of these interactions are not leading to taking over the totality of the assets but broadening our relationship with them. And, you know, expanding the number of mandates we might have with them from a pure solutions assets under management.

Loren Starr: Yes, I mean if you aggregate kind of that multi-asset and all those things, I mean we're talking about 60 billion within that range. But again I think it's, you know, the biggest opportunity may be right now in terms of being enabler for retail and institutional business as opposed to. You know, if you're standalone business, that is creating solutions or doing LDI or something advantage.

Michael Cyprys: And is that 60 billion on the institutional side or is that both…

Loren Starr: That's both in retail and institutional.

Michael Cyprys: Okay. On the institutional side, is there a number that you're able to share with us?

Loren Starr: Probably half-and-half, somewhat maybe a little bit more retail than institutional.

Michael Cyprys: Great, thanks very much.

Marty Flanagan: Thanks Michael.

Coordinator: Speakers, we show no further questions in queue at this time.

Marty Flanagan: Great. Thank you very much for joining. Loren and I and we'll be in contact next quarter and before that conversations. Thank you.

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

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