Invesco

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Jordan Krugman: Good afternoon, and welcome to Invesco's 2016 Investor Day. My name is Jordan Krugman, and I serve as the firm's Treasurer and Head of IR. I want to thank you guys for taking the time to come down here and join us this afternoon. A few housekeeping items before we get started, please make sure your cellphones are in silent or vibrate mode to avoid disruption during the presentation. We will offer a short five-minute break, approximately halfway through, so you can catch up on emails and voicemail.

We have allocated roughly 30 to 40 minutes for Q&A at the end of the prepared remarks, so please hold your questions until then. We will be ending promptly at 4:30. Finally, the presentation today and the associated commentary may include forward-looking statements. These statements may include information concerning future results of business operations, and are not guarantees. They involve risks, uncertainties, and there can be no assurance that actual results will not differ materially.

We urge investors not to rely unduly on forward-looking statements, and to carefully consider the risks described in our most recent Form 10-K, and subsequent 10-Q's filed with the SEC. With that, it's my pleasure to introduce the President and CEO of Invesco, Marty Flanagan. Marty?

Marty Flanagan: Thank you, Jordan. And thank you, everybody, for joining us today. It's a pleasure to be here. It has been a while since we've gotten together, in fact, 2010. It seems to go quite fast.

Let me just introduce the team here. Loren Starr you know, the CFO. You know him quite well. I'm joined with a number of very senior colleagues from around the world. So let me start with Bernhard Langer, he runs the quantitative team, based out of Frankfurt, Germany. Dan Draper, ETFs, based out of Chicago. Greg McGreevey, Invesco Fixed Income, along with North American institutional business. Colin Meadows, today alternatives, but in addition responsible for the institutional activities globally, along with our services activities. Scott Dennis, from Dallas, Texas, responsible for real estate globally. David Millar, responsible global targeted returns capability, based in Henley. And again, Loren on the end, who you know.

I'd also like to introduce two directors that are here with us today, Phoebe Wood, who's been on the Board since 2010 now, a good period of time, long-time oil industry executive, and we thought that was interesting and decided Brown and Forman would be more fun as Vice Chairman and CFO. And she's Head of the Audit Committee. Phoebe, thank you.

And Rod Canion, very long-time director, so 1997, '93 at AIM before Invesco bought AIM. Co-founder and CEO of Compaq Computers. And he's about to go into the movie industry, so South by Southwest just picked up the Compaq story. And I think it's called Silicon Cowboys. So get ready. Here it comes. So thank you, Rod.

So with that, why don't we get started? And so what we'll do is share with you what we've identified as key industry success characteristics for us and also relevant, I think, to other money managers within the industry. We'll spend much of our time together highlighting how we built the firm to fully align what we believe are key client demand trends that are diving the industry today, and probably over the next four-five years, maybe longer.

We'll also discuss how the totality of these efforts differentiate Invesco, and further benefit not just our clients, but also our shareholders, and generate long-term returns to all of our shareholders. And as Jordan mentioned, at the end of the conversation today, we'll have time for questions. And those of you that are following on the webcast, the presentation is posted on the Invesco website.

So a key point we want to drive home today is our intense focus on helping clients achieve their investment objectives. The entire firm has been built over many years with this single focus in mind. And so this is a backdrop as something if you understand these concepts, you'll understand what we've been doing as an organization.

We believe that every client has a unique set of investment objectives that can be achieved in a variety of ways, not in a single way, but in a variety of ways. We're high-conviction investment managers with a full range of fundamental and factor-based methodologies, with a goal of delivering superior outcomes to clients. Our high-conviction approach to fundamental and factor-based tools that provides better tools to build portfolios in a more precise and an impactful way.

Our comprehensive range of investment capabilities has been constructed over many years for clients to achieve their investment objectives. And we believe this approach is an inherent strength of our firm, and differentiates us in the marketplace.

We believe there are four success factors that are critical to client success which in turn will enhance our market relevance, drive growth and strengthen shareholder value over the long term. For us, it all begins with a deep understanding of our client needs. Our focus on meeting clients' current needs but also understanding what are their needs in the future, has helped us create a range of investment capabilities that is among the most robust in the industry.

A key differentiator for our firm is our pure focus on investment management. We're not distracted by other activities. That means we can dedicate all of our resources, 100% of all of our time to investment management each and every day. This in turn makes the firm highly attractive to the many talented investment professionals that are here, and are responsible for managing our broad range of investment capabilities.

So we firmly believe delivering strong, long-term investment performance through a broad range of capabilities and for the benefit of our clients run a very good business, will further enhance and strengthen our organization and drive strong competitive returns for shareholders over the long term.

As we've mentioned often on our quarterly calls, we take a highly disciplined approach to managing our organization, which frees up capital for us to meet a key capital priority, which is reinvesting in our business. Our continued development of our investment platform is fully aligned with our current and future needs of our clients, which is consistent with generating strong returns for shareholders over time.

As an example, anticipating clients' search for yield in the low interest rate environment that we've been in over the last number of years, we significantly expanded our income-related capabilities, whether it be in fixed income, equity, and alternatives beginning in 2007. This included efforts to leverage our single-sector capabilities into multi-sector capabilities. We're also all very well aware of the barbelling that has occurred in the marketplace, driving demand to active strategies on the one hand, and passive strategies on the other.

We expanded our range of capabilities in 2006, introducing PowerShares ETFs to the marketplace, and have continued to expand that capability over time. This was a natural extension of our fundamental capability which began in 1983. So we've been at this for a very long time.

Also anticipating demand for alternatives, our real estate business started in the early '80s. We added the stress (ph) private equity in 2006, and began to further expand our line of alternatives in 2011. And a key competitive advantage is the fact that-- the experience that we have in managing alternatives for over 30 years.

We continue to grow our Invesco Solutions effort, which builds and manages goal-oriented, multi-asset strategies, aligned with client outcomes. And more recently we've added Jemstep, to stay ahead of the increasing demand for digital technologies and other solutions in the marketplace.

A key strength of the firm is the diversity of the firm by asset class, by channel, and by geography. We have a comprehensive range of capabilities that align with client needs and differentiated in the marketplace, a few of which we'll talk about today. As we've demonstrated over time, this diversification helps the firm grow steadily through various market cycles, often positioning us to take advantage of market opportunities during market disruptions.

Additionally, the broad range of diversification in our firm leads to more consistent flows, and has resulted in consistent positive organic growth during all market cycles. You'll hear more about this when you hear from Loren.

Obviously, a key area of focus for us is ensuring strong long-term investment performance across the broad range of capabilities that we do have. And you can see that 85% of assets are beating peers on a five-year basis. 79% of our assets are beating peers on a three-year basis.

And as I've mentioned, we've built the firm with a single focus in mind, to help clients achieve their investment objectives. A significant competitive differentiator for Invesco is our ability to develop capabilities that are well-aligned with client needs in one market, and then make them available to clients in different markets around the world.

Our comprehensive range of high-conviction fundamental and factor-based capabilities, supported by long-tenured stable investment teams that are on the ground in more than 20 countries, serving clients in over 150 around the globe. These fundamental and factor-based investment capabilities are delivered through a broad range of diverse investment vehicles to provide key outcomes to help clients around the world achieve their investment objectives.

Strong investment performance has driven inflows that has helped us build significant assets under management by channel, by geography, and by asset class. Our focus now is to meet current and future needs of clients, which is helping us build scale in a number of key capabilities.

The ability to leverage the capabilities managed by our investment teams to meet client demand across the globe is a significant differentiator for our firm. This also contributes to our efforts to build scale, which benefits our clients by enhancing the effectiveness and the efficiency of our global platform.

As many of you know, Invesco's had a strong presence in Asia Pacific for five decades. Our long history in China gives our investment teams their unique insight that is driving strong performance. The performance of our Chinese equities managed out of Hong Kong and Shenzhen, has been quite strong since we introduced them in 1992. And as you can imagine, given the attractive growth prospects of China, we've seen strong demand for Chinese equities capabilities. And over time, we've delivered Chinese equity capabilities in Japan, Europe, the UK, and the US retail market.

More recently, the Global Targeted Returns Fund is another example of a capability developed in one market, and expanded to multiple markets around the world. GTR, managed by David Millar and his team in Henley, was first offered in the UK marketplace in 2013. We expanded into the US and Continental Europe in 2014, and into Asia Pacific just in 2016. In just two years, assets under management have exceeded $11 billion. The demand and momentum continues to be very, very strong for this capability.

And finally, our highly regarded real estate team in Dallas has produced industry-leading results for over 20 years. And as a complement to the direct real estate capabilities, real estate securities were introduced to the US retail and institutional market in 1988. And after a few years, we saw demand for this capability in Japan and Australia, and made it available to investors there through mutual funds.

We introduced our REIT capability to the European cross-border market in 2005, the Canadian retail market in 2007, and leveraged this capability in an actively managed real estate ETF delivered here in the US. It was the first of its kind. And more recently we've expanded into listed infrastructure and MLPs, and launched products with these capabilities in 2014. And you'll hear more from Scott, again, in just a few minutes.

So probably most of us have heard the expression, if all you have a hammer, you treat everything as a nail. So firms with a narrow range of capability simply don't have what it takes to help clients achieve a broad set of investment objectives. And as I mentioned, our guiding principle is that every client has a unique set of investment objectives. And you can meet that in a variety of ways. Our ability to bring together capabilities across the firm to meet client needs is a significant competitive differentiator for our firm. More importantly, our broad range of capabilities allows us to be agnostic, bringing together capabilities that are fully aligned with a client's investment objectives.

Invesco is one of very few investment managers in the world that has a range of capabilities that enables us to do this in an effective manner. Today we want to highlight a few of those capabilities, including factor investing, fixed income, alternatives, multi-asset strategies, real estate, global targeted returns. We'll specifically highlight how they're meeting clients' needs, how they're differentiated in the marketplace, and also how they're positioned for growth in the years ahead.

So with that, I'm going to turn it over to Bernhard and Dan.

Bernhard Langer: Thank you, Marty. And also good afternoon from my side. Together with my friend and colleague Dan Draper, who represents the ETF business, I'd like to walk you a little bit through what we're doing in this field of factor investing, smart beta, quant investing, and what's this all about.

But before I start, almost on behalf of everybody, every investment person here on the stage, I want to set-- a level-setting statement in the sense, and it's also important when you're talking about factor investing. Invesco embraces the high-conviction framework. So it's important to highlight that we are all active investors. And we are not settling for average.

In the field of factor investing, it's occurring currently-- I would call it a massive shift. So I'm being now in the forecasting business since '89, so almost 30 years. But what we are seeing now, what I'd call if you're running against a cap-weighted benchmark, I would call it mass production. And what we're having now is that we are moving on in the retail field, but also institutional, to a mass customization.

And the motivation of people doing this is always different. So some people want to harvest a risk premium. Others want to de-risk. Others want to express different investment views. And again, what I've said, more and more, especially institutional investors, are walking away from the classic old cap-weighted benchmark.

But again, if you put these all together, what it's really all about is that with factor investing, you can really build better diversified portfolios, and you will have a better outcome as a client.

I'd like to pause here, and because there is no clear definition, bear with me if I do now a little bit educational part. Because I think it's very important to see at least what our definition of factor investing is, and how we see things evolving over time. So first, a factor has quantifiable characteristics. It really explains the risk and return in a portfolio. So again, the classic way would really-- you'd look into countries, sectors, industries. But again, you can always shift the portfolio and look how the return characteristics and risk characteristics look like using some factors. And people want to gain the risk premium, which is available. And it's a very nice, smart way to enhance your returns.

There you can play it in many, many ways. So there are things where people target exposure to a single sector, value growth size, or in a multi-framework combination of factors. But again, the outcome of this and this intriguing thing which makes it so interesting is really this diversification that you have a great diversification using factors. And again, this leads to good outcomes.

Deeply rooted is this and the foundations are really in the academia research starting in the '60s. And again, even when I was in the university, the academemians (ph) liked to embrace this efficient market theory. Because it's so clear that people are rational and all market information or all information are in the market. But there were so many anomalies. There were so many outliers. Then of course academians, and you see the leading papers from the '70s and '80s, French, Fama, and so on a so forth, tried to explain how can this happen. How can it be that value, small cap, and other things outperform-- and everybody knows this-- how can this happen?

And I think the explanation is very simple. Here on markets, the humans are acting. Humans, we have human behavior and human behavior is far, as we know, from perfect. And this is something you can use. And again, the evolution we have, factor investing is not new to us. As I said, we have an experience in Invesco since four decades on this matter.

Being now a little bit more precise and going from theory to practice, I plotted certain graphs here, these four graphs, which I just use simple factors everybody knows, the French Fama model, the three model, the four model, and on the lower scale of the page you see the usual Barra factors. Maybe you are very familiar.

I think if you look to this plot which strikes you that the upper blue line, this is momentum. And you see these things are very volatile. So these things are working differently in different market environments. This is also, I think for me, always important to state this. Because, let's say factor investing doesn't lead always to profit outcomes. You have to have the experience. And you have to use the things in the right way. So again, understanding your client, knowing what he wants; what is the outcome? Then you have to choose if you go single factor or momentum value, size; what you see here.

But one thing which is also in the academian literature now almost a fact, almost everything you use over time is better than a cap-weighted benchmark. And again, if you look to these charts and these graphs and these lines, we have many applications. And this makes this field so interesting, but also sometimes for investors, hard to grab. Because you can do factor timing, and as I said before, you can use also combination of these factors leading to a de-risking of a portfolio, and leading to good investment results.

For us in Invesco, a factor should have a certain ingredient. So we need to have a robust investment case. Again, when you're working in this field, sometimes people believe you are just crunching numbers. It's the opposite. You need a robust investment case. What you are using should have some evidence. It should be empirically supported. The outcome of this factor-- there must be certain statistical soundness. But there must be also a belief, the economic rationale of a factor must be clear. And there must be sustainability. This means we don't need things which are working maybe in one period. We need factors and use factors which drive good results in a multi-period timeframe.

Then of course the applications and the products you are using are well-designed. They are systematic there's a repeatable process to implement them. And you are moving away totally from any discretionary management. This is, if you will, called rule-based. It must be broad. We love broad samples, large opportunity sets to do implementation. And here, for people who are more on the academian field, the term is the law of active management is helping you a lot.

And it must be simple. This is also a development over the years that models where things you are using, factors you are using should be simple. So they should be transparent. And you should understand what you are doing. That may be as a side issue, neural networks and other things were not so successful.

And the last point is, I would say, cost efficient. These products are delivering really great alphas for a reasonable price.

In the field for, I would say more the institutional, we have a showcase which is Norwegian reserve fund, which is well known, one of the largest funds on the planet. And again, these guys, as many investors who are intrigued by extreme volatile market, record volatility and sharp drawdowns.

And they ask some academians to make an assessment. And again, what I said before, the target was very simple. It was just how can we build and de-risk our portfolio. How can we build a better and diversified portfolio? And the outcome was, and the recommendation of these academians was, go the factor-based investment way.

And this leads to a way that many sophisticated sovereign wealth funds and pension funds around the globe are following this example. And they're looking into this. And we are heavily engaged around the globe, doing analytic things, pitching on this field, and winning mandates.

And to confirm this trend, I plotted on the lower side of the page, this is from a study from Boston Consultancy, which was released in the summer, which really shows the shift to smart beta, factor-based solutions. And again, this is always the terminology that people go from what's smart beta, what's factor-based investing; there's a great overlap. It looks like that this category has great growth potential over time.

Now let me look quickly to the platform we have in Invesco these days on factor-based investment strategies, which we have three pillars. I think we have the knowhow. We have the critical mass, roughly $140 billion. And I think what the unique thing is, we can wrap it in every shape or form, ETF, segregated account, mutual fund, whatever the clients like. So we are very flexible, and can deliver what the clients ask us for.

Going now to IQF, the Invesco Quantitative Strategies, my team, and you saw these impressive people with one woman. Again, we are doing-- we are in this field since over 30 years. And what's driving us is this independent thinking. So this 40 investment people, more than half of them are in research.

So research, what we call purposeful evolution, is very important. It never stops. There's always incremental improvements you can do. And we invest a lot in research. And as I said before, which if you are German it's very easy to talk about engineered discipline, which you have a rule-based process which is repeatable, which is robust, which is transparent; where you build the portfolio.

And clearly our belief is with our systematic applications where we use fundamental data, but more and more behavioral insights we can add value. And as a link to these other investment centers in Invesco, you will hear and see our names on many other slides. So we are working together with our colleagues in fixed income on balance mandates. We are working with GTR where we're one component for European equities. We are working in the liquid alternatives, where we apply our model for long-short market neutral portfolios.

So again, we have one philosophy. We have one forecasting engine, based on a multi-factor model, which we can apply in many, many ways to the benefit of our clients.

I showed you before a timeline. You have here a timeline. And the development of my team starting in '83, really went hand in hand with the academian evolution and development. These 40 investment professional, they are all academians. But I think the key of our success was that we understand our clients' needs. And we have the ability to tailor, to be precise to the task and the objectives the clients have. And I think besides being academians, it's also very important that these people are very well-experienced partitioners. And they are based-- half of the team is based in the US, the other half is based in Frankfurt.

And as a proof statement, I've plotted here our added value over time. So this is from our fund since the '90s, how we add value over time. And you see this remarkable, I would call it consistency that there's a value-added-- and this is all based on our insights which we are capturing with factor-based investment.

With this, I'd like to hand over now to my colleague, Dan Draper, who will give you insight on what we are doing in the ETF world where we wrap the content of factor-based investment into an ETF.

Dan Draper: Thank you very much, Bernhard. As you just saw from Bernhard's very comprehensive overview of factor investing, Invesco's been at the forefront of many of these developments for over three decades. Similarly, when it comes to delivering these factor and smart beta solutions and effective, tax-efficient and transparent ETF solutions, Invesco has also been at the forefront in terms of ETF development along these areas, now being the fourth-largest ETF provider in the world, as well as bringing innovation and ways to really balance between the traditional passive world and the active world.

As Bernhard also alluded to, this world of black-and-white, if you will, when the first time that I meant Marty, the discussion really turned to finding well whether it's smart beta or strategic beta; Marty said, let's simply find better beta. Let's find better solutions. So I think that's really the philosophy that we have.

And when you think about the way that Invesco PowerShares is able to partner with research, also client support with Bernhard's IQS team, you think about the first senior bank loan that was launched in the industry with Greg's team in fixed income, working now with Jemstep and PowerShares with Colin's team; and you go down as well with Scott Dennis's team in real estate in launching the first active ETF in real estate, you can really see we're positioning this ETF delivery. And some people say digital mechanism, can really leverage throughout the entire Invesco organization, and go back to this vision that Marty had 10 years ago about better solutions, better capabilities that we have.

And if you really look at what's really happened, this area between traditional passive and active, it's a very, very rich area to go in where initially you had registered investment advisors, fee-based advisors, who were less bench-mark constrained, who were the first entrants into this area, and really started to use smart beta and factor investing. But what we're seeing today, as larger institutions-- pensions, other endowments-- move away from traditional market cap weighted benchmarks, the same way you see in alternatives and other assets classes. They're also looking at factor-based investing.

So you're starting to see client channel emerge. And that's obviously resulting in the growth rates that we see. Obviously ETFs as an industry have grown over 20%, compounded annual growth rate for over the past decade. That's slowing a little bit, because of the size of the industry. But within that, smart beta, factor ETFs are now growing over the last three years at 23%. But most industry experts and consultants expect that to be closer to 30% to 35%, again playing on much broader industry, multi-asset class and alternative type themes through there.

If I move ahead, and then actually look more specifically at the Invesco PowerShares business, what differentiates Invesco PowerShares from an ultra-competitive environment, many new entrants coming into this space over the last two years? Quite simply, Invesco was the pioneer in factor smart beta ETFs starting all the way back in 2003, staking that important ground in being a pioneer, and bringing many of these innovative strategies to the marketplace.

Well, why is that important? First-mover advantage and exchange-traded fund is crucial. If you look at aggregate global AuM and ETFs, 71% of that AuM is attributable to a first mover in that particular strategy. So this is where it plays to our strength.

If you look at smart beta factor ETFs as defined, we have the largest single offering, multi-asset class, equities, fixed income, alternatives. 92 smart beta ETFs, and very importantly, over that two thirds of those products have more than a five-year historical track record. And I emphasize that point.

With so many new entrants coming in within the last couple of years, most of the selling stories, these new nuance strategies sitting between traditional, active, and passive, a lot of the selling is predicated on back testing. We have a proven track record, through different types of investment cycles in being able to prove that we're adding hopefully value to many of those clients, and also to be able to give an indication of where that will in the future.

This is just a very quick list. I don't want to spend a lot of time. But it gives you a real flavor of this idea of innovation that Invesco has been a part of from the very beginning of this smart beta evolution in ETF since 2003, starting with our Intellidex range in 2003. This is a multi-factor product range that we've had since then. But look, dividend, the fundamental weighted; this was an innovative partnership with research affiliates back in 2005, just celebrating our 10-year anniversary there with that platform. Share buybacks, emerging market debt, and then you can really see ironically starting with multi-factor, the demand as more institutional clients became interested. They wanted to do it themselves. Please give me single factors. I'd like to be able to blend and put together low-volatility, momentum, high beta, dividends and strategies like that.

So this is where we were able to build in all-- we're the only provider who offer all of the S&P 500 single factors, for example. So you can really see this history of innovation, whether we're able to providing building-block solutions for institutional investors to do it themselves, or we can actually combine factors, a multi-factor solution, or even combining factors like dividends and low volatility that many financial advisors are favoring in today's market.

So just quickly looking at it, five of the main competitive advantages, as I mentioned, looking at Invesco PowerShares, the experience team. When you really look at how the young the ETF industry is, to have over half of our existing employees who've been there over eight years. They've seen the development. Really when smart beta factor investing was extremely niche, but learning the nuance, learning how to manage those funds, being able to scale, how to market, how to have specialty knowledge in placing those with clients and supporting them as they build portfolios; a major differentiator.

You think about the brand strength. Invesco PowerShares was consistently ranked among the top two or three recognized brands in the industry, as well as again having the scalable platform. And it's also worth a pause to think about what makes ETF very important. It's being able to replicate a given performance. But it's very important to think about the risk control. And again, I emphasize, in the smart beta factor investing world that we live in, with so many new entrants, many smaller players; they sub-advise out the investment management process. So in some degree, potentially giving up control.

We believe that looking, 5-10 years down the road that being able to leverage the Invesco platform that we have around risk management, around investment process that's going to actually result in basis points of improved performance for our clients over the long period of time. So that scalability is something that we invest in heavily.

Also looking at the specialization it takes, yes, the investment content is traditional assets management. But the delivery of that in the ETF vehicle, understanding the capital markets and being able to help clients execute; that takes a specialty knowledge that come again with our experience.

And as I mentioned earlier, innovation is the name of the game. When you're in that smart beta factor space, unlike the more commoditized traditional beta area, being first to market is crucial. It allows you to move to versions 2.0 and versions 3.0, rather than being bogged down into price wars in the more commoditized area. And as you can see, we've been very successful. We've raised the most assets under management from new products launches over the past five years in the industry.

And let me just close on behalf of Bernhard, some of the strong capabilities we've emphasized through factor investing, starting really with the research. And I think taking a lot of the best academic thought that Bernhard referenced, how can we actually start taking the best ideas, translating that into investable solutions for our clients to build better portfolio, and thinking about actually meeting those clients' needs.

But taking research, the investment approach capabilities, but then delivering it as Bernhard said. Whether it be in an ETF wrapper, separately managed account, mutual fund, unit investment trust; this is really where Invesco differentiates itself from most other competitors in the marketplace. Being able to not only have investment content, but deliver it in whichever form the clients demand.

Let me finish on that point, and I'll turn it over to Greg McGreevey, head of our fixed income.

Greg McGreevey: Good afternoon, everybody. I'm going to switch gears just for a minute, and talk about fixed income. I'm going to really do it in about 20-25 minutes, no longer. The one thing I wanted to do is first cover a little bit about our platform, just to give you a perspective. Then I want to talk a little bit about our capabilities, and putting it in the context of where we're really seeing the opportunity and the demand in terms of the overall marketplace, and then talk a little bit about how that translates into flows. So I really appreciate you kind of being with us today.

So when you talk about fixed income overall, I think the headline kind of says it all. I mean our goal at the end of the day is to deliver investment excellence to clients. And I think that's a pretty trite thing that a lot of people are going to say. There's really four differentiators that we think allow us to be able to achieve that proposition at the end of the day.

One, we have a very global platform. So we believe having that global platform with local presence allows us to be able to have a broad opportunity set with local market knowledge. We think that's key, especially in today's market. When you think about some of the markets that are out there in Japan and even in Europe that have negative yields, you need to be able to have other markets that can provide you with an opportunity set to give you returns.

We're kind of blue collar in terms of how we approach our investment thesis. So we're really research-based. We want to do a lot of analysis, whether that be macro analysis, or what we do at a company or a country level, and make sure through that analysis, and I'll talk a little bit about the investment that we've made in people to kind of support that. We think that gives us an edge at the end of the day of being able to drive value to our clients.

We very much believe in what you focus on you get ultimately. And so we spend an exorbitant amount of time in reviews going over our portfolio strategies, how well we're doing, how well we're driving performance at the end of the day. And then probably most importantly we believe in a concept called IQ compounding, where five minds are better than four. And if we can integrate that global team and make sure that we're having good debate and dialog on different ideas that translate across that global investment platform, we're going to be able to uncover ideas that go into portfolios that will produce value.

So global platform, if you simplified this, in a team environment that's collaborating, making sure that we're very detailed in terms of how we're looking at our research with a performance-driven culture we think will drive the performance that our clients want.

To put it in perspective on performance, there's not a slide in here in the last three and five years, over 90% of our strategies are in the top half of our peer group. So we're going to continue to make sure that we're kind of focused on those things to drive value.

From a global perspective, we're in 11 different markets. And those markets are chosen very selectively. Because they're the markets that we think provide a lot of opportunity for us to uncover opportunities for our clients. We've got roughly $225 billion of assets under management. I just wanted to drill on in the next slide, in terms of our overall staffing, and maybe make three points.

So what you'll see is we have 161 experienced investment professionals across the globe, with a lot of individuals in research. I talked about our research, kind of blue-collar nature before. And so we've made a significant investment of making sure that we have individuals across the globe to uncover those opportunities.

The second point is we have 62 business professionals that liaison between our distribution partners and our investment team. And why that's important is we want our investors to be singularly focused on uncovering value and driving alpha for our clients at the end of the day.

And then if you look at the right-hand side of the chart, and the numbers are really less important than the comments I'm about to make, which is really we have a very experienced team, almost 20 years of experience in the industry overall. As importantly, more than 50% of their work experience has been with Invesco. So we've had a team that has strong trust that allows us to have the collaboration and dialog to really uncover value opportunities across this global landscape.

I came in, as Marty indicated, in 2011. We had an incredibly solid foundation in fixed income in so many different areas. But like any new leader coming into the organization, we needed to make sure we looked at our strategic plan, and if there were some things that we needed to enhance, we went ahead and looked for that enhancement. So there are really four areas that we look to make that enhancement.

One on the people side, and if we simplify it, it was really connecting teams. We took separate locations and independent teams that were somewhat operating independently and made sure that they had a global presence and they were integrated together. We did that in some cases by bringing teams together in the US and in Asia, and in many cases by formalizing a process where individual teams would talk to one another.

Our process overall, because our teams were somewhat independent in the past, was quite independent in our processes. We made sure we had a consistent process for how we were looking at our macro views, how we think economic formation is going to be, but also how we looked at individual countries or companies. So how we look at a high yield company in the US is the same way and the same standards that we would look at a high yield company in Europe, for example.

From a platform standpoint, and many probably can relate to your own organizations. We had multiple systems. Oftentimes, we'd go out and do portfolio reviews. The systems weren't the same. The analysis that we looked at four years ago would be kind of giving different results, different risk factors. So we integrated our systems. We went with an Aladdin system that allowed straight-through processing across the globe.

We also went with a credit system to migrate all of our views very seamlessly across the platform. And I think the combination of those two things allows us to have an operating environment that is second to none, frankly, in the fixed income markets today.

And then because we're very client focused in trying to understand what client needs are, there were some product capability or gaps if you will, especially in the multi-sector area, where we filled those product gaps in several years ago, to make sure that we are hitting the needs and the demands of clients at the end of the day. So we went from more of a single-sector focus into a range of both single-sector and multi-sector products.

And so let's kind of take a look at that. On the left-hand side of this, (inaudible) sector capabilities. So these are things that many of you are familiar with. These would be areas that are focused in a given sector. So high yield bonds, for example, or bank loans. We really have had for many, many years, a very solid foundation in a lot of these areas. In some cases we have leadership positions in many of those single-sector disciplines.

We've also had multi-sector capabilities, and have really expanded our footprint in the multi-sector area. So what we want to do now is really have a capability on the left-hand side that allows us to be able to invest in a variety of different companies in terms of different risk factors, and then be able to put that together on the right-hand side, in multi-sector portfolios with rates, currencies and asset allocation. And a lot of those skills, I think we've done a very good job in.

So we can now cover low risk to high risk. We can cover portfolios that are more beta-related to the market, and those that are kind of agnostic to how the market is going to perform.

So that was just a little bit of a backdrop. Now, I think as we go out, and hopefully these ring true to you as you think about your own kind of demands or needs in the marketplace. But I think if we have traveled the globe and there's kind of four areas or themes, if you will that we constantly talk to investors or prospects about. And you can kind of see them up on the page.

One is the search for yield, not too surprising in a world of aging demographics and the need for individuals as they get close to retirement to have income, or corporations to meet certain liability obligations. I think that's one.

The shift to global and emerging markets, in part because there's a lot of our developed economies that really don't have much in the way of rates or yields right now. There's a growing demand for alternatives and kind of multi-asset products. We see that in a variety of different ways. We're going to talk about some of that in one of the later panels today.

And then this whole shift to kind of solutions, which is often a trite thing in the marketplace. But there's no doubt that people don't want to have, at least as we're interacting with them, just a product, if you will. They want to really make sure that somebody's understanding needs at the end of the day, and being able to deliver a solution that kind of meets those needs.

So what I wanted to do was just walk through, what are the capabilities that we have based on what I talked about before. And I'm not going to go through all the examples, but give a couple of examples of how we're building capabilities that apply to what those themes or market needs are.

So the first is this search for yield. And our capabilities, at the end of the day, are very deep in experience in income-oriented strategies. We have individuals who have extensive experience of managing those strategies. Our fundamental analysis is really built upon that deep dive, being able to select companies that are going to offer high yield or high return advantages, making sure that we're going to get paid back, which is obviously critical in the fixed income market.

And then we have a lot of tools that we've developed over the years to manage in a yield kind of oriented environment or strategies, if you will. A couple of examples are our strategic income product, which combines kind of a thematic best ideas across all the different credit segments. That would be on a global basis, providing some downside risk protection through some of our risk management tools, high-yield corporate bonds, which many of you are very familiar with. Our strategy within that is to be kind of a safe pair of hands. So you're never going to see us be one of the laggards in terms of performance because of our kind of yield-oriented approach to what we take within that strategy.

The shift to global and emerging markets, we talked about in a couple of different slides, the global footprint that we have overall. We've really, I think, done a good job of connecting that local market knowledge to be able to get the best of ideas that we can across those individuals who are serving those local markets, or those that are covering those particular economies from whatever geography they may be in. And we've combined that with a very experienced global macroeconomic team that the combination of that allows us to be able to create strategies that can be able to go out into those various markets.

A couple of examples are a global aggregate strategy that allows us to literally invest in any strategy in any market across the globe, both in credit rates and currencies. And then we have a number of Asian bond strategies because of the strong team that we have in the Asian market that can take those strategies and transport those into the European and the US markets overall.

The third on the list is this growing demand for alternatives and multi-asset products. That connected team, I can't stress enough. In order to have kind of alternative products, especially those that provide a broad opportunity set with some downside risk protection, you've got to be able to have an investment selection, or tools if you will, that are very broad in nature. And so having that comprehensive team is critically important.

Then we have a lot of portfolio management and then risk tools, if you will, that will allow us to provide downside risk protection, and especially the use of derivatives and capabilities that we have within that areas to kind of truncate risk.

So a couple of examples, we're one of the leaders-- as you probably know-- in the bank loan market, and the CLO market overall. We've got one of the largest platforms in the marketplace overall. We also have a variety of different absolute return or uncorrelated strategies, which is kind of one of the big things that I'll talk about in a minute that is generating a lot of interest in the marketplace overall.

And then this shift to solutions, and this is both within fixed income, when we go out and talk to individuals. But frankly, it really involves the teams that go outside of fixed income. And I think it's one of the true benefits that we see within our own fixed income asset class that we have a much broader team that we can leverage off of. For example with Scott Dennis's team on the real estate side, we talk to them at least on a daily basis about opportunities that they're seeing that have an impact on one of the REITs that we're running and things that we're doing within our overall mortgage arena.

We spend a lot of time with our Wilbur Ross colleagues to kind of see where across the capital structure there may be opportunities. And there's a couple of examples that kind of span that broad opportunity set beyond fixed income. We were one of the first firms, and I think one of the more successful firms to offer this public and private investment vehicle. We've offered-- and that is between our private equity group, our real estate group and fixed income overall. Our mortgage recovery fund was a combination of what we did in fixed income along with real estate.

And then the team that just went before me with IQS, there's a lot of things that we're doing with multi-asset solutions that combine quantitative equity strategies and what we're doing in fundamental fixed income that can provide equity-like return products with the volatility at or below bond strategy. So I think as we kind of look at the broad opportunity set with fixed income, and we expand that when it comes to what we're doing at Invesco, it really is I think, I key strength of the firm to be able to put these together for our clients at the end of the day.

So all that stuff sounds good. I mean sometimes when you say, well, how does that kind of translate into where you're seeing industry trends and where you're seeing flows in the marketplace. And so I wanted to first give you a perspective of these industry trends over the course of 2015. These really haven't changed that much, as you would expect, in the first couple of months this year. But what this is kind of laying out is where there has been pretty significant positive flows from an industry standpoint across the geographies of North America, Asia and EMEA. I'm not going to go through all of these. But you can kind of see there's a number of strategies, if you will, that kind of fall into each of those geographies. So even though those themes are the same, a lot of the geographies are going to focus a little bit more on one of themes or a couple of those themes, than other geographies. And that's going to translate into the type of product that they may want.

What is interesting then, if you take our recent flows and that product set that I went through and the capabilities, this is really where we've seen a pretty significant amount of flows relative to our competitors within the market overall. And that's obviously size-adjusted. So I'm not going to go through all these. But I am going to mention a couple.

In North America we've seen a lot of increase in the core plus area. That's a product for those that aren't familiar with it that combines rates and currency and credit. It's designed to give you a good return at the end of the day with hopefully not a ton of volatility. The muni market overall, which we're a very big player in, has certainly been an arena that has had increased interest, in part maybe the belief of who is maybe elected into the White House or Congress overall, and the prospect maybe for higher taxes down the road.

When it comes to the Asian marketplace, both EM debt and US investment grade have been huge areas of interest. We've made some pretty big inroads into those markets. The US investment grade especially with China, when they went through their whole pension reform, there's been an absolute huge amount of increase in US, and to a less extent, European credit. And then I think EM debt overall has been quite a strong interest in Asia, especially outside of the Japan market, as we get into kind of China and those areas.

And then the last thing I'd mention overall is just what we're seeing in global ag, and that is really coming from a very strong level of interest, and had some good inroads both in Asia overall, as well as within the EMEA region. So I think the takeaway as you kind of go through this, is what we tried to do is really be client-focused, understand the themes and the needs of the marketplace, and then develop a capability that allows us to capture those needs, assuming that we're producing the performance that I talked about before.

So I'm just going to summarize then on the thing that I talked about, maybe a couple of key takeaways that hopefully you'll remember. Our whole purpose here is to drive investment excellence. That's what we spend time on. That's what we're here to do. That's what we measure constantly, both within fixed income and through some of our colleagues within our risk team, in understanding client needs. And we really do that by making sure we have a global platform with local teams that are well connected at the end of the day. Very research-based and very research-focused, so we think we do as deep dive an analysis of what we do from a macro and a credit standpoint as anybody in the industry.

We think that translates into value for our customers at the end of the day. Being performance driven, focusing on that. I spend a lot of time personally on portfolio reviews, not necessarily to give our portfolio managers or investors a hard time, but I want to make sure that we're focused on the things that we need to achieve for our clients. And then making sure that we are really collaborating from a team standpoint to be able to drive the results at the end of the day that we want, and really get the most out of this intellectual capital business by having individuals talk with one another and collaborate.

So you can't have a fixed income presentation without ending with a break. Because it's just exhausting. It kind of wears people completely out. So according to this clock that is in front of me-- I'm going to add a minute to it. It's 1:55. If we could take a-- literally, a five-minute break-- do I have the right time? Because I don't carry a watch. So 1:55, if we could be back in your seats at 2:00 that would be greatly appreciated. And we'll move on to the alternatives. So thank you.

Colin Meadows: (Inaudible) started. Apparently five minutes really is five minutes here. So--I'm going to raise the mic a little bit. I'm tall. There we go. All right. Let's go ahead and get started. So break time is over.

In a few minutes I'm going to turn it over to Scott Dennis to talk a little bit about our real estate capabilities, and David Millar to talk about our global targeted return capabilities. These are two important components of our overall alternatives and multi-asset capabilities. What I thought I would do before that though is provide a bit of an overview of the overall platform and where we stand in that space.

Invesco has been active in the alternative and multi-asset space for almost three decades now. We have a diverse set of capabilities. There's eight investment teams managing just over $130 billion in client assets, with a presence on the ground in 25 cities around the globe. That's just over 350 investment professionals in that category.

We think that our alternatives and multi-asset capabilities provides a strong platform for clients to meet a variety of investment objectives.

The next slide provides a little bit of a deep dive on what those capabilities are. So in the liquid real asset space, we manage our capabilities (ph) in the real estate securities, commodities, infrastructure MLP areas. In private real estate we manage over $37 billion of client assets in direct real estate. And that business is headquartered in Dallas, but we have people on the ground in 21 offices globally, in North America, Europe and Asia.

In the alternative fixed income space, we manage a number of strategies, primarily in bank loans, but also more recently in unconstrained fixed income. And we also manage a number of strategies in alternative equity, including balanced risk, global macro, currency, and market neutral long-short and diversified alternatives.

And of course we have a very strong private equity capability in the direct space through WR Ross and Co., and our actually longest tenured investment center, which is Invesco Private Capital, which is our private equity fund-to-funds business.

As Marty mentioned, we've been serving clients for over 30 years in the alternative space. We think that's important for a number of reasons. One, we believe it delivers-- it allows us to deliver perspective across a number of market cycles. We have very deep client relationships. There's over 550 institutional clients that are invested in our alternatives or multi-asset strategies.

Certainly we think it provides-- certainly shows our deep commitment to the alternative sector. And we also think it helps us with clients to help them understand the role of alternative allocations in their portfolios, as well as our ability to deliver intellectual capital and proprietary research. And I'll talk about that a little bit as well.

As Greg mentioned, one of the advantages of our diverse platform is the opportunities for our investment centers to work together. There's been a number of instances where our teams have collaborated notably in what we call Invesco Mortgage Recovery, Funds 1 and 2. In the first instance, the fund that we managed on behalf of the US Treasury. We're one of nine firms that were selected to manage their PPIP Program. That delivered-- we raised over $1.5 billion in assets there, and have returned the capital with very attractive returns. That was essentially a collaboration between our private equity fixed income and real estate businesses.

We launched a second version of that product last year, IMRF II. Similarly, in the balanced solutions area, our fixed income and quantitative strategies teams have worked together to construct multi-asset solutions for institutional and retail clients globally. And we manage just over $2 billion in assets in that area.

One of the important features of being part of a global platform is our ability to deliver these investment capabilities to clients through a diversity of investment vehicles. So we can deliver many of our products through separately managed accounts, collective trusts, open and closed-end mutual funds, ETFs, unit trusts and more. This wide range of choices allows investors to create portfolios that are purpose built to fit their needs.

We developed a bit of a framework for investing in alternative strategies. Oftentimes we are much more focused on what the client outcomes are versus the individual products themselves. And so we certainly think this allows us to meet a diverse set of client objectives.

So whether clients are looking for an inflation hedge with our global infrastructure products, principle preservation with our market-neutral products, portfolio diversification with our targeted return products, equity diversification with private equity or equity long-short, or fixed income diversification with bank loans or unconstrained bonds, we think that the right combination of alternatives capabilities can help clients meet their specific needs.

In conclusion, our view is that our scale, experience and expertise across the alternatives platform allows us to uniquely deliver for clients. I mentioned our on-the-ground presence in major world markets. We certainly think our presence gives us enhanced access to deal flow and opportunities, given our scale and reputation. We have expertise with a broad range of securities and financial instruments.

As Greg mentioned, we have a fully global integrated trading platform with a dedicated alternatives desk. And then of course, Invesco's multi-layered enterprise risk governance framework that spans both operational and investment risk across the alternatives platform.

So with that, I will turn it over to Scott Dennis, to do a bit of a deep dive on real estate.

Scott Dennis: I'm curious. Just to show a level of sophistication in the audience, would you raise your hand if you live in an apartment or a house. Okay, so a very sophisticated audience. I'm glad to know that.

So I am going to talk a little bit about our real estate platform, and three components of my presentation. One is the case for real estate. Why are investors looking at real estate? The other is how then did we respond in establishing our real estate presence and platform. And then what kind of strategies, what kind of products do we have to serve the market?

So as far as real estate itself, why do people invest in real estate? Well, there's four basic reasons. And we'll get into each of these. Competitive total returns, very attractive; diversification, high income yield relative to other asset classes; and then global exposure, it is a global asset class.

So this is an interesting chart in it that shows the size of real estate. So it's a $25 trillion market. That's just investable real estate. That's not corporately-owned real estate. So this is relative to the global equity markets and the global bond markets. It's a viable asset class. And it is an asset class that can make a tremendous impact on a portfolio.

So these are some target allocations. These are institutional target allocations, largely globally and then just the non-US respondents below. Historically real estate allocations have been in the 8% range. What the trend has been more going forward, and where they're targeting is the 10% to 12% range. So what you've seen is more people are considering the asset class, and people that are invested in the asset class are increasing their allocation because of the factors that I stated before.

So from a-- I mentioned a diversifier. Direct real estate has a very low correlation to equity and fixed income. And that's one of the reasons it's a-- and obviously we didn't have that kind of diversification in '08. Everything was correlated. But in most markets, it is a good diversifier. So more and more people are realizing that they have certain exposure, certain risks to their portfolios without having this asset class as part of a multi-asset strategy.

From a return perspective, this is a busy chart. But what I want to focus on is just we've broken out private real estate and public real estate. Obviously again, back to the point, and we invest in both. They are both very different investments. Obviously public real estate is more like a small cap stock, much more highly correlated in that regard. Private real estate has those factors, again from a diversification standpoint, low correlation to bonds and stocks, but again, very, very attractive returns. And this is what the market is seeing, both from an institutional or a private or an individual investment strategy.

As far as return expectations, so this is not what it's done. This is just what investors are expecting. And roughly, just under a 9% total return for real estate. Again, attractive relative to the other asset classes. The nice thing about real estate is typically you end up with about 50% to 60% of this total return in current yield.

So I mentioned about the $25 trillion investable universe. This is a breakdown basically by region. So again, a global business, a global sector, and most clients are now evaluating that. Not just Chicago versus New York, it's Chicago versus New York, versus Tokyo, versus Hong Kong, versus London; a very global perspective.

So when we talk about real estate, there is not just one way to invest in real estate, which is great. Because that's what keeps me employed. It is multiple aspects, lots of risk return. So first of all, an investor has to know what they want out of real estate. Is it really from a diversification perspective? Is it income? Is it a low beta approach? Is it just an absolute return expectation? Insurance companies look at it-- or pension funds look at it differently than a university endowment, as an example. They have different metrics they're trying to meet. And so real estate plays different roles.

So as a global real estate investor, we have to develop the expertise up and down the risk return spectrum. All real estate is not created equal. You have to have expertise in these sectors. The thing we find is that from investing in the sector, these are all synergistic. You may buy a core real estate asset. That's a fully leased stabilized building. Someday you're going to lose your tenancy. It becomes a value-added or opportunistic investment. So it's a very highly integrated spectrum of investing. And we invest all along this spectrum.

So strategies, so what are clients looking for? Today, this is a search, fund searches out there. So that you can see that in the core space, those that were surveyed, 60% of them are looking at core, 56% value-added. So they recognize the different roles that real estate-- and the different investment strategies within real estate are playing within that 10% to 12% allocation they have. But right now what it's doing is the asset class, the need to increase from 10% to 12%, tremendous capital flows into the asset class overall.

So this is a very busy chart. The dots are the property sectors. And then we have the cities listed below. So really the point that I'm trying to make here is markets do not move in unison. They have different fundamental factors that drive them, and so do property sectors. So you do have to have a top-down belief. You do have to understand what the macro economic factors are. But you also have to understand from a bottom-up perspective, why real estate behaves the way it does.

So how do we respond to the investment universe of real estate? What have we said at Invesco real estate? So we're part of obviously Invesco. So we are a global real estate investment manager. We've been investing since 1983. We've seen multiple cycles. And we invest in both the public and private side of real estate.

So when we set out to build this business and we constantly revisit this, these are our goals. Be a global real estate investment manager. Well, you probably think well, you're part of a global investment manager. That makes sense. Well, many of our competitors may have offices all around the country or the world, but they are really very, very regional investors. And their investors have different experiences, depending on who the investment teams are around the globe.

We want to be truly one global firm. And that's the goal. We have synergies with the broader IVC platform. It's obviously distribution. But Greg had mentioned fixed income as an example, both on the fixed income and equity side. When we are evaluating buildings, the buildings are populated by corporate America. We want to understand the quality of the income stream we're getting to acquire.

We have teams all around the globe that understand these companies. They've forgotten more about these companies than we may know. It's incredibly synergistic. When we're financing assets, are we going to go long? Are we going to go short in duration? Are we going fixed? Are we going to go floating rate? Again, very, very good information internally.

One corporate culture, team-based; I think Greg mentioned IQ compounding. We want the best ideas to come forward. And the other thing that's great about a team is then you have a succession plan built in. You can test those coming up.

You've got to be a fiduciary. Marty mentioned this before. We do one thing. We wake up every day and we invest money for our clients. We are in no other businesses. We have no conflicts. From a real estate perspective, we're not in the property management or development business. We derive our income from managing our clients' capital. And so that's a very good alignment of interests.

We want to be the employer of choice. If someone wants to get into the real estate business, investment business, we want to be the first call. We want to attract the best talent and retain the best talent there is around the globe.

Global perspective, we have to understand the top-down. We have to have tremendous thought leadership. Where are markets headed? What are the trends? And we spend a lot of money on research. It's applied research. It's not just marketing. It's embedded in our investment process.

But then real estate is a local business. We hire locals. So when we're investing in China, we hire Chinese people who speak the language, understand the idiosyncrasies of the market. In New York, we hire people that grew up on the island. I mean it is a very local business. So we believe we have to have those very local boots on the ground in order to take advantage of the market opportunities. Boots on the ground is just really, really important for that local expertise.

Best practices, through the investment process reporting, lessons learned, we want every region to benefit. We want every investor to benefit. But when an investor invests with Invesco, irrespective of the strategy up and down that spectrum or the geography, they have an identical experience. And that allows us to take that same investor and grow the relationship organically through different products. And we've done that quite a bit with our current client base.

At the end of the day, we've got to produce the numbers on the board. It's all about performance. We've got to meet or exceed those expectations that are laid out before us. And we're committed to that. We think about performance all the time, and we constantly reevaluate that.

Just to give you an idea of kind where we rank or are we relevant, and we talked about employer of choice and AuM. So we are eighth, from a private perspective. We're eighth from an AuM. So we are significant. We are a player. And that's important as far as, especially accessing opportunities in the private markets.

From a real estate securities, we're third. And again, a growing aspect of that is not only just investing in real estate through securities, but the broader real asset category, which includes publicly-trade infrastructure, MLPs and the like.

So why real estate? Why we set up our platform the way we did to respond to that, so here's the products now that we offer our clients. And they're obviously focused on not only opportunities in the markets, but what we're good at and what we can do. So the check marks are those things that we do currently. And these are broken down by region and by strategy, separate accounts, co-mingled funds. I want you though to focus on the section that's not checked.

The next wave in real estate is retail channels accessing private real estate in a cost-effective manner. There's been some very inefficient fee-onerous structures that are out there. We are part of a company that has a tremendous amount of retail distribution. We believe this is significant organic growth for our real estate efforts, accessing those retail channels.

And I'll just wrap up here. So the things that we believe differentiate us is again, stability of the people. We've been able to keep a team together for a long time. We do that because we have to pay them well. But we give them growth opportunities. It's team-based environment. It makes it exciting to come to work. It gives them a real growth path or career path.

Stability of the firm, Marty started out with the same thing. It is investment manage only. When you can tell somebody what you do in 20 seconds, you know their focus. And we one thing.

And then stability, the investment process, again, investing since '83. This gray hair comes well earned. We have a lot of people with gray hair. We've made the mistakes. We've learned from the mistakes. We've refined the process. And we believe it makes us with that same team, a high probability that we can replicate good, strong performance for our clients.

Thank you. I'll turn it over to David Millar now.

David Millar: It's getting increasingly treacherous walking along the stage. So good luck, Loren, when it's your turn at the end. Thank you, everyone.

What is it about following the real estate guys and they always end with a pretty picture of all their buildings? And you think, I've got no pictures in my presentation. What am I going to do now?

But I'm going to tell you about what I'm going to do. I'm going to tell you about our global targeted returns strategy. And I think looking along here, I'm still the new kid on the block, although it's three years now since some of us joined Invesco. But I still think it's important to understand firstly, who we are, why we're here. Why did we come to join Invesco to bring this capability into this firm?

And have a look at what we do and how we do it, it's not a sales pitch. But at the end of the day, you're all investors. So I think you need to know what it is about our strategy that makes it work. But it's a bit of a different of investing. So I think that concept of what it is that we do and why it works and why it's become an attractive proposition for a lot of people is important to get that across.

And then finally, why it matters, the opportunity that's out there. We have had-- starting to get traction globally, as Marty showed in one of the early slides. But the opportunity set for this style of investing is still so big.

So let's start with that, as in who we are and why we are here. I form part of one of the investment teams. And it's called Invesco Perpetual. We're based in a place called Henley-on-Thames. It doesn't matter. I didn't know where it was before I moved there either. But it's a very nice town, 40 miles outside London, up the river. And it's far more famous for its annual rowing regatta than it is for the global targeted return strategy. But we're trying our best to change that.

But what it is and what we joined there, Invesco Perpetual, is a fascinating investment culture of long-term high-conviction fundamental-driven investment teams. Before we got there, very much across the traditional asset classes. But with every equity franchise represented that you would expect in a globally-minded team. We create a very strong

UK active franchise, a very strong fixed income franchise. And there we are at the end, so the ninth franchise there.

But you can see sort of the tenure and the experience that we wanted that we were going there to join. But it really felt like we're talking to those other investors, just the long-term nature of what they do, the focus that they all have on the macro environment, just felt like a really natural home for a multi-asset investment team to get involved in and to have those debates and discussions with our colleagues there.

So we joined at the beginning of 2013. We got our first strategy out there in September of that year. And I think it's important that it has done, the performance that we expected from it, both in terms of the returns, but this is also about delivering a smoother and better experience. So the volatility is important as well. And it has had success in terms of acquiring assets in that short period as well.

Just in terms of that capability around us there in Invesco Perpetual in Henley, 67% of the assets in the top half over three years, 86% in the top half over five years. This is a very successful investment team. It's the strongest retail brand in the UK market. But it has had very good success in translating that into other parts of the market as well.

Closer to home, the core of the team, two joint fund managers, Dave Jubb and Richard Batty; and our risk manager, Gwilym Satchell. This is something that we've been doing together for-- coming up for eight years. And I sometimes think that debates and discussions that we've had about is it fixed or is it still broken, have been going on for much of the last eight years. And if anybody knows the answer to that, perhaps you could let me know. Because I'm not sure we're any clearer now than we are when we set out all that time ago.

I think it's incredibly important if you're going to do this kind of strategy and try and bring it into the marketplace that you have people on the ground in the different regions that you're operating in who understand and can communicate what you do. So my colleague, Danielle Singer is at the back here. And she's the representative of the team here, covering the whole of the Americas, I suppose, but based out of New York. But she's part of the investment team.

So while she is out there promoting and explaining what we do, she also-- the other half of her job is to be contributing to the research process, speaking to our colleagues around in the US market to help feed the idea generation into the team. It's not just about what's on the left-hand side. And I think this was the appeal for us coming over to Invesco. It's also about what's there on the right-hand side.

The 66 investment professional around us in Henley-on-Thames, those discussions are big (ph). And then we got into Invesco Perpetual, and realized we were another-- I can't do the math there-- but 684 are elsewhere, making up that 750 overall. And I'm not sure I've met all of them yet. But I've done a pretty good job getting out there and seeing what other expertise there are, and what other contributions that those teams can help us with in bringing sort of themes into our own portfolio.

So it really is a focused team sitting there in Invesco Perpetual in Henley-on-Thames. But leveraging off everything else that Invesco has to offer around us in terms of the expertise that these other teams can bring to us.

I think it's illustrated in this chart here. And we'll see variations of it. There's 13 investment centers, four of the leaders of those investment centers are here on the stage with us today. But the communication and the conversation amongst these investment teams is key for what we do.

And the beauty of this multi-investment team approach is that there is no house view. There's no global view that is permeating throughout the whole organization. You can have conversations with US equity colleagues in Henley, US equity investors in Austin, US equity investors in Houston; and you can get different opinions on the same subject matter.

Ultimately we're all judged on our results that we produce for our clients. But this sort of whole diversity of thought, diversity of opinion, is for me, sitting in this multi-asset environment, is a huge benefit to what we do.

There's also something called the global investor forum where when there's thing to talk about, they organize a call. They bring the different investment teams together on the phone. And I think the fascinating one there is someone like WL Ross, which is sort of the private equity side of the business, if you're talking about the oil industry and we had some conversation with Greg about the energy sector within high yield portfolios or the US equity investors in terms of their own stocks; but to actually have the private equity side as well, who are looking for the distress in the market, I'm a top-down macro guy. I look at the sort of economics and the politics. But to get that input from the bottom-up as far down as that distressed equity piece is an incredible to thing to have included in the process.

So that's really why we're here. And we've been here three years now, is that sort of breadth and that diversity of thought and opinion that we can tap in to do the job that we do.

And so what is it that we do? And here is the philosophy and process. There's only three words that you have to remember. It's investing in ideas. What we do is we look for 20 to 30 good, long-term investment ideas. You'll notice there's not been any mention of asset allocation. This is all about doing away with restrictions that asset allocation put on a process. And looking across the asset classes, across geographies, across sectors, across currency to find good ideas, each of which you expect to deliver positive return on a two to three-year view. But also it's about how you combine those ideas together in the portfolio. And that's what is showing on the left-hand side.

It's about taking enough risk to get the returns. But it's about blending the ideas in such a way that you get a lower volatility experience overall. So it's trying to replicate or keep people involved in markets in those long-term returns, but doing it with less volatility than they may have experienced in the more traditional-- more forms of investing.

My job is to make that gray arrow of diversification as big as possible. We stupidly called our fund the Global Targeted Returns Fund. And I remember the compliance lady at the time saying, okay, if you're calling it that-- oh, no it wasn't. It was the regulator in the UK who said, if you're calling it Global Targeted Returns Fund, you better be pretty specific about what the targets are.

And I said, well that's fine. We've got that covered. We've got two of them. It's about delivering those targeted performance returns, at cash plus 5% gross return over a rolling three-year period. We have what people want to get from their risk assets. But the other part of it is to deliver those returns with less than half of global equity volatility over those same rolling three-year periods.

We will live and die by those two targets. There is no way to hide. I can't blame the markets. Because we have to deliver against those two stated objectives.

Everybody has a process. I'm glad Bernhard talked about investment process in his one. Ours is as simple as one, two, three. It's about doing the research and getting those ideas to the table, approving those investment ideas. And an important bit in there in that four-letter acronym is the M in TEAM. Every idea that we bring into our portfolio, we will have had a discussion with our asset specialist colleagues somewhere in the organization, to get their view on what they think about what we do.

We're multi-asset. We're covering a whole lot of bases. We're not pretending that we can do that on our own. We are leveraging off the capabilities around us, and bringing those views into our decision-making. We don't have to always agree with them. Ultimately we own our performance in the same way as each of these gentlemen own theirs. But we are always going to listen to them.

It's all about risk. This is-- we have this volatility target. So it's all about how you combine the ideas in the portfolio and manage the risk overall. At the end of the day, you have to take risk to get return. And you can't do it without taking risk. But it's then how you blend these ideas together in the portfolio to manage the overall volatility.

And then finally implementing those ideas into the marketplace, and this is where we have the benefit of leveraging of the global platform that is Invesco. You just need to think about the global dealing capability, the global distribution capability that's allowed us to get into so many different markets so quickly, and the global governance and compliance capabilities as well that makes sure that we don't make any mistakes and trip ourselves up along the way. But it really is that combination of the research leveraging off the people around us, allowing us to focus on the middle step in terms of the risk-based management, and then the global platform from which we can get those ideas implemented.

Conscious of time, but just a quick run around, what is an investment idea and where do they come from? I always say ideas can come from anywhere. That's true. We are macro specialists. We speak to our colleagues. We speak to the Street. We pay for independent research. There's a number of ideas, your sources of idea generation. But what's important is that you have the idea comes first, the choice of implantation comes second.

So if you believe that there is some strength in the corporate sector, you then have a choice. Do you use corporate bonds, or do you use equities? If you use European equities, do you buy the stock market future? Or in our case, do you have the ability to invest in some of the underlying capabilities? So in our European equity idea, we have some representation from our Henley European equity team, but also from Bernhard's team out of Frankfurt, his low volatility structured equity product. So allowing us to supplement our top-down macro decisions with the bottom-up alpha generation of some of our colleagues.

Greg is not going to like this one. So you can close your ears. Because the second one is called interest rates being lower for longer. But if you look in the blue box, it says equities, not bonds. Now equities have a place in all sort of portfolios for all sorts of reasons. But with yields as low as they are, can we rely on bonds to give us a diversification benefit we need if or when equities take a tumble?

For years now we have relied on bonds kicking in to help us. But with yields so low already, and on our side of the pond, negative and loads of it as well. Can we really rely on bond yields falling forever to give us a diversification?

So what have we done? We look for other defensive ideas. If you pair off US consumer staples versus US discretionary stocks, you get a bond-like benefit in the portfolio. In January and February this year, when markets were selling off, ideas like that were the one that kicked in to allow us to deliver positive returns in both of the big, negative drawdown months.

Economic divergence, EM versus DM, that's the big debate, when to get back involved in emerging markets. But then non-traditional sources of return as well, especially an environment where we're sometimes concerned of how well the traditional asset types are going to deliver for us. Looking at market liquidity, looking at how stretched the swap yields have become versus the government bond yields, we've had negative swaps spreads in the UK for years now. It's a pretty new phenomenon here. But on a long-- on a two to three year view, is that really credible that we can stay in that environment forever?

So you see in terms of the asset classes, the ability to yes, use the traditional asset classes, but to get involved in things like volatility, like inflation, to use those alpha strategies from our colleagues in order to supplement those overall returns.

I'll just flick over to this. Because this is-- at the end of the day, each of our ideas has to deliver a positive return in our central view of the world. So we have to have one. If you read that, I'll summarize it for you. It says, cautious optimism. That actually hasn't changed. Two and a half years ago when we set up our fund, we were cautiously optimistic then. People suggested we were too cautious. We're still cautiously optimistic. People are suggesting we're being a bit too optimistic now. But having that sort of long-term view, that long-term guiding light two to three year view, means that every idea we have will perform in that environment.

We're not saying that's definitely going to happen, and so we have to do a lot of risk management around it to check what else could happen. But if the world turns out that way, we should ultimately be okay.

Just looking at the risk management piece, because that implementation is so important, there's 27 investment ideas. You can agree with them or disagree with them whether you believe they will deliver that positive return. But that diagram on the left-hand side just to illustrate again, taking enough risk to get the returns, but blending those ideas together in such a way that you can maximize the diversification and to give people that lower volatility outturn than they may have experienced in the past.

I can guarantee that the risk model might be wrong one day. I can guarantee that our central view of the world may be wrong as well. The what-if's-- what if we're wrong? We're trying to deliver these low-volatility positive returns. This is not just about getting it right. This is about not getting it wrong. And so we need to risk test different scenarios, stress test the portfolio over what's gone before so that if these bad things happen, because most of them are pretty bad things-- cash is king. What if the S&P fell to 1,000, and US Treasury yields doubled? It's not going to look pretty for a lot of us.

But at least we know what the risk model suggests would happen, and potentially we can find a different way of implementing ideas in that environment.

Finally the implementation, this is a global manager. This has a global dealing capability. The global derivatives and foreign exchange dealing desk is people in London and Atlanta and somebody in Henley as well. It does $1 trillion of turnover a year, of which we are still a small part. But we have access to liquidity to get the things done in markets that we need to get done. And so we've talked about the global performance measurements and compliance capability that's wrapped around us, but also the integrated operating platform.

This sort of takes everything that we don't need to get involved in. So as investors, we can focus on what matters, and what matters is delivering those consistent low-volatility returns over time.

So I'm kind of saying what matters already. And so why does this matter? If we're going to be successful at this, then we're going to have to deliver the returns and so far so good. And there's two blue lines on that chart. Because there's two targets. So since inception, above that 5% over cash target, but also delivering those returns, actually just less than a third of equity volatility. So giving people a smoother experience to those good long-term returns. And there's times when that can seem like it's not working.

I mean look at through the middle of 2015, where we were going a bit too sideways for my liking, and equity markets were still so strong. Well, you know what, they came back to meet us again. And you can just see from that chart, we may end up at exactly the same place over time. Everybody likes that sort of cash-plus-5 per annum over the long term, kind of experience. But the whole point of this type of product is to give it with a smoother ride along the way. And that's now out of date. Because here we are at the end of March.

Apparently nothing has happened. Markets are exactly back to where they were at the beginning of the year. I feel like I've gone to hell and back, but nothing has happened. So-- just wrapping up.

We put up the flows into this. Because it is a new capability. But I think what's interesting about this is that this is not about cannibalization of competitors. This is about new money for the space, both in the institutional market and the retail market. This multi-asset style of investing, targeted absolute return, liquid, or whatever label you want to give it, it has got traction both in pensions market and in the retail markets as well.

The opportunity is clear. I operate in the UK, which is just over $3 and a bit trillion of pension assets. I was on a conference call with Canadian institutional this morning, $1.5 trillion there. That's worth going after. Danielle is about to go down to Australia, where we've had some decent traction. There's another $1.5 trillion of pension fund assets there.

Look at the Boston one. There's the prize. If the US marketplaces and the pension fund marketplaces starts embracing, this alternative approach to investing those nearly $22 trillion of assets. I don't want it all. I just want people to start thinking about you're supplementing what they get from their traditional stocks and bonds portfolios.

Diversified growth funds is what we're referred as in the UK. So we're a bit of a maybe leader over there, in diversifying out of the traditional stocks and bonds portfolio. And that comes because of disappointment. Equity markets disappointed there for a long time. Pension funds had to go into the balance sheet of the sponsoring company. The finance directors didn't like the volatility in the earnings. So that search for low volatility but still returns seeking assets was incredibly important. So it's huge and growing, and traction is still there. But I'm really pleased that it has spread into Continental Europe and down in Australia. And as said, the opportunity is still so great here in the US.

So in summary, the why we're here, this cross fertilization, the openness with which all of these other investors share their thoughts with us so that we can find these good long-term ideas to bring together in our portfolio. Our ability to-- the experience that we have in running this diversified portfolio and putting the risk management around it to test the different outcomes and how that may affect us.

And then the platform that Marty provides for us in terms of giving us a dealing capability, the distribution and the governance around it that makes it work overall. It's a market with significant growth opportunity. I gave you three words at the beginning. I won't repeat them, but I've left them up there in case you missed them. And I'll pass over to Loren at the end.

Loren Starr: Thanks very much. Thanks very much, David. It's the home stretch here. So I'm hoping to spend about 10 minutes covering two topics today. So the first is the benefits of diversification. We've spent about an hour and 45 minutes deep diving in some of our fastest-growing and most differentiated investment capabilities. And these capabilities have significantly helped us improve our diversification. And that has actually provided a significant benefit to the firm, and I'll talk about that in a bit.

The other thing I'm going to talk about today is our capital management policy. Update some of our status on that policy, and also try to highlight a differentiated element in terms of the flexibility with which we have in terms of bringing capital back, and using it to the benefit of our shareholders.

So this next slide that I'm showing here, actually Marty used before. And really it's-- I'll call it the hammer looking for the nail slide. But we're not a hammer. We're not looking for a nail to hammer. We have a very diversified set of investment capabilities. And that allows us to not be overly reliant on any one capability to serve our clients. We can basically address their needs with any number of solutions.

You can see in this chart that we're diversified across geography, distribution channel and asset class. And what we believe is that this diversification actually leads to more consistent and sustainable flows, which then also should translate to more consistent and sustainable growth and profitability.

So having this very strong set of diversified capabilities, as I mentioned, allows Invesco to respond to our clients' existing and evolving needs over time throughout the world. And obviously taking care of our clients in this way, coupled with running a smart and tight business, leads to good outcomes for Invesco shareholders as well.

Over the last 10 years, we've seen significant gains in all our key financial metrics. Our operating income, margin, AuM, and earnings per share. In fact since 2005, we've seen a nearly 300% growth in our operating income, a 17 percentage point increase in our operating margin, as well as AuM doubling to nearly $776 billion.

This translates to EPS growth of about 230%, our stock price nearly three times what it was in mid-2005. Importantly, and certainly what you're probably most interested in, we believe there's ample opportunity for us to be able to continue to grow and scale our existing products. And as we do that and bring in new revenues, we should be able to bring these revenues in at incremental margin of 50% to 65%, which should help us continue to grow our overall margin levels.

This next slide is something that clearly shows the impact of diversification. And in fact, as we've posted positive long-term net flows over the last four years, so you can see that here. But you'll see the diversification working both on the geography, asset class, and channel basis.

So in the Americas, where we've seen recent outflows, these have been offset by inflows in EMEA and Asia Pacific. Similarly, equity outflows have been offset by fixed income inflows as well inflows with alternative. And then finally retail outflows have been more than neutralized by institutional inflows. Again, creating a much more stable pattern.

This next chart, let me spend a little time just explaining what this is. It shows the relationship between organic growth rate, which we're defining as our long-term-- or just long-term net flows divided by the beginning of the period assets under management. And we're plotting that against the variability of that organic growth. And what you can see on the vertical axis, this the average annual organic growth rate for a five-year period starting in 2011 through 2015. And that's for Invesco as well as its public asset management peers.

And then on the horizontal axis is the standard deviations of these flows. And that reflects, again, the level of sustainability or variability of flows over time, organic growth. So when you view Invesco against our peers, I think you can see here that it's evident that diversification is actually helping us. Invesco is near the top decile for consistency of flows and near the top third for average annual organic growth rates. So as we've discussed today, because we have significant strength in our investment capabilities, and our investment offerings are very much aligned with both the existing and the evolving needs of our clients, there's a lot of opportunity for us to be able to gain scale in many of these capabilities and products going forward.

And so for that reason we believe, and you'll see that in the shaded area, that the target of a 3% to 5% organic growth rate is quite appropriate for Invesco on a sustainable basis.

This next slide depicts the relationship between our recent organic growth rate for 2015 and the earnings multiple on the 2016 earnings. And so the horizontal axis here the 2015 organic growth rate for Invesco, and for the same peer group that we used in the last chart on the vertical axis is the forward PE as of the end of the year of 2015.

What you'll see here is that despite Invesco's positive flows and also despite lower flow volatility, we are trading at a real significant discount versus our peers. And we do not believe straight out that our current valuation fairly depicts or reflects our ability to grow organically, either based on our historical track record, or based on our future potential.

And that segues nicely into our capital management philosophy discussion. So this page shows our capital priorities. I think you may have seen these before. They haven't changed. But just to remind people, our first use of capital is to reinvest in the business, which primarily takes the form of deploying seed capital as needed to launch new products. Our second priority is to be able to consistently grow our dividend across all market cycles.

And you maybe have noted that over the last several years we've increased our dividend significantly. That really was in order to bring our dividend payout rate more in line with our peers. We've done that. And so going forward, we would now expect our dividend to grow at a more moderate rate.

Our third priority is returning capital to our shareholders in the form of stock buybacks. And as you've seen us do in the past, we will escalate our buybacks when we see large, unwarranted valuation discounts in our stock.

And the last priority on the page is maintaining the strength of our balance sheet, and also keeping a liquidity buffer in excess of what is required from the European regulatory perspective. But with the additional capital that we raised in the fourth quarter of 2015, we've now satisfied that priority.

The other thing I'd say is we are often asked about our position on M&A and our interest in doing M&A. And it's not in our capital priorities. And there's a reason for that. We don't view it as being a strategic imperative for us to do acquisitions in order for us to be successful. Nor do we see there being any large gaps in our investment capabilities that would necessitate us thinking about doing an acquisition.

However with that said, we do look at opportunities as they're surfaced, and it is something that we always learn from this process. In general, we do set a pretty high bar in order for us to do an acquisition. There has to be a strong cultural fit. And they would have to be both financially strategically accretive to the firm. And you can see some of the financial criteria that we've always used at the bottom of this page.

But a good example of that would be what happened in 2010 with the Morgan Stanley Van Kampen acquisition. That was quite a successful transaction for us. It ticked all the boxes that you see there. And in fact, if we were able to find something similar to that, we would certainly consider doing something like that again.

The next chart here talks a little bit about our organic growth needs. And this is really in terms of seed capital and co-investment. And so that's really driving that need. The chart on the left here shows how the mix of our seed capital and our co-investment has moved in line with the existing and evolving client demand. You'll notice that fixed income and our alternative offerings have been driving the majority of our seed and co-investment over the last five years.

On the chart on the right, however, is showing is that the peak of the seed and co-investment growth was in 2013. And the need has now slowed quite materially, and in fact has actually decreased year over year, this most recent year. And the other good news, element in this chart, is that the products that were seeded in 2013 are now aging into their three-year track record, which means that the firm should now be in a position, or soon to be in a position that we'll be able to begin to redeem some of that tied-up capital, and begin to redeploy it for those other capital priorities that I just covered.

Here is kind of an estimate, or more of a proof of how capital priorities have been consistently executed and been able to deliver returns for shareholders. In 2005, as you all know, I would call the new management team, a lot of them are seated here, came in place and put in the new strategy for the firm. And since that point in time, we've actually returned more than the 2005 market capitalization of the Company. In fact, more than $6 billion has been returned to shareholders through the combination of dividends and buybacks.

And as you know, Invesco's parent company is a Bermuda-domiciled company, which allows us to freely dividend earnings from our foreign subsidiaries without incurring any significant additional taxes on our repatriated cash. And so we are subject to a territorial tax regime as opposed to a worldwide tax regime. And this means that we pay taxes in the jurisdictions in which we operate with minimal tax incremental taxation.

The reason I'm bringing this up is that's actually-- this is a fairly significant point of differentiation versus a lot of our US-domiciled global peers. We believe this provides Invesco with actually the greatest amount of capital flexibility to be opportunistic with our capital deployment.

So one of the things we did talk about was acquisitions. We did one, as I mentioned, in 2010. And since that point in time, we issued roughly $30 million to help fund that acquisition. We've been committed to reducing our share count back to the pre-acquisition level. And as you can see by this chart, if you assume that the $30 million is taken off at the beginning point, we certainly have achieved that goal.

Our share buybacks, as part of our capital priorities, have driven the share count down pretty much every year by about 1 or 2 percentage points on an annual basis. And given our commitment to continuing on with our capital priorities, we would expect to see this declining trend continue.

This chart here gives you a view of our annual return of shareholder capital and the split between dividends and buybacks. And you'll notice from this chart in terms of the line, which is our payout rate that we don't actually target a fixed payout rate. And the other thing you'll notice as that we are quite opportunistic in terms of our buybacks when we believe our stock is significantly undervalued.

In fact you saw in 2015, we returned a record amount of capital to shareholders, a billion. And given our current valuation to peers, which we would actually, as I mentioned, believe it's unwarranted. You should expect us to continue to be very opportunistic with our buybacks.

With all that said through, I will also say that we want to maintain the strength of our balance sheet and our financial flexibility. It's very important for us in terms of our clients and being able to protect the interest of our clients. We also are continuing to monitor what is going on from a regulatory perspective in terms of any emerging news as it relates to future potential capital requirements for asset managers. So that's certainly something that we continue hear noise on.

So that concludes my remarks. And I'm going to turn it over to Marty to finish up.

Marty Flanagan: Thank you, Loren, very much. And I want to thank Bernhard, Dan, Greg, Colin, Scott, and David for their comments.

So as you've seen today, our key investment capabilities are fully aligned with what we believe are the key client demand trends that are in place today, and what we anticipate for them to be in place for the next three to five years.

It's clear we offer a full range of investment capabilities that is among the industry's most comprehensive. And we focus all our efforts on leveraging these capabilities to help meet client needs and investment objectives anywhere in the world.

Today you also heard first hand from a number of the investment teams of how they collaborate to enhance the strength and the performance of their own capabilities, but how in fact, they help other teams around the world do that also. It's this collaborative nature and the framework that we've put in place within the organization of IQ compounding, as you've heard referenced a few times today that is really truly one of the great strengths of Invesco.

We believe our strong investment talent, our comprehensive range of investment capabilities in a culture that brings our global firm together don't just differentiate us in the marketplace, but in fact, put us in a very strong position to be even more relevant with clients. And this will turn into greater share of flows over the long term.

Bringing these capabilities together to meet clients' needs is in our view a significant competitive differentiator for us. And our comprehensive range of capabilities does separate us from the hammers in the marketplace that we've referred to, those firms that believe they can meet their client needs with a limited set of capabilities.

It's our ability to bring these capabilities together in meaningful ways for our clients and the expertise that comes for doing it for any number of years as we have that separates us in the marketplace. Invesco Solutions brings these capabilities together to construct portfolios designated to meet specific needs of clients.

We start with a deep understanding of what the client is trying achieve. We combine this with rigorous research, quantitative analysis and assessment of the market dynamics to determine the appropriate capabilities to meet the clients' needs.

The Invesco Solutions team has access to a comprehensive array of resources and capabilities around the world. And they also have substantial experience working across the globe with all our different investment teams. This has been successfully done any number of times, as you heard the reference to the PPIP effort, the efforts in quantitative teams, fixed income, and a number of the equity teams. It happens all the time within the organization.

Our ability to draw on our comprehensive range of fundamental and factor-based investing capabilities, again, we can be agnostic because we're not confined to just a handful of capabilities, is a significant differentiator in the marketplace.

Also a key source of strength for the firm is the on-the-ground presence that we have in key markets around the world. We're well-positioned across the Americas where both the retail and institutional brands are rated in the top 10, in Canada top-five retail brand, where we're the largest retail manager in the UK, a top-10 manager in the European cross-border market, and also emerging opportunities and strength in our EMEA institutional business.

And as I mentioned earlier, Invesco's been in Asia for five decades, beginning in Japan when the market first opened to investors. Invesco also has a long history of success in China, being the first (inaudible) American joint venture fund management company established in China. And today Invesco is one of the top three managers overall for Chinese equities amongst those joint venture firms.

Invesco is very well-positioned to deliver for clients and help them achieve their investment objectives. But this also a means for us to be successful and continue our growth over time. We have strong long-term investment performance, and a culture that keeps are highly-engaged professionals focused on delivering superior investment experience for all of our clients. We have a comprehensive set of distinct investment capabilities delivered through a very broad and diverse set of investment vehicles. We have deep, stable investment teams around the world on the ground with discrete investment perspective, and the experience across many diverse market cycles.

We are focused on running a very effective and efficient organization while constantly reinvesting for the benefit of our clients and ultimately our shareholders. And all of this, and the combined efforts of our highly collaborative organization, puts Invesco in a very strong position that will help us to continue to deliver strong returns to shareholders.

So a key point we want to leave everybody with today is our intense focus in helping clients meet their investments objectives. I think that came out through everybody's comments during today. This contributes to grow the business, to deliver value for shareholders, and it also allows us to continue to deliver the needs of the clients today, and also understand what clients are looking for in the future, and develop those capabilities to help them.

Another competitive differentiator for our firm is our independence and our pure focus on investing. We're not distracted by any other activities, which means we can dedicate all of our resources to investment management.

Most importantly, it is the totality of the organization, not the separate elements but the totality of what you heard today, and our ability to deliver solutions to clients that draws on this broad of capabilities that we have that makes Invesco highly differentiated in the marketplace, and positions us for growth and success over the long term.

And in closing, the key point I want to reiterate is that Invesco is strongly positioned for ongoing success. We have a demonstrated track record of delivering for shareholders since 2005, and specifically operating income has increased threefold. We've increased the operating margin by almost 20 percentage points during this period of time. We've cut the leverage ratio in half. We've returned $6 billion to shareholders in stock buybacks and dividends, which is more than the market cap of the Company when we started executing this plan.

And as always, we're going to remain laser-focused on meeting client needs and making sure that they are successful. But this enables us to continue the track record (ph) that we have developed of delivering strongly for shareholders. And I hope it is now absolutely abundantly clear that Invesco should be selling at a premium in the marketplace. And with that, I will stop, and I will open it open it up to questions for any one of us here.

And I think we're going to hand out mics. There you go.

Craig Siegenthaler: Thank you. Craig Siegenthaler, Credit Suisse. It looks like we're going to get the Department of Labor rule in the next couple of weeks here. So I'm wondering, just a preliminary look, any products you think could be impacted either negatively or positively, and any overall thoughts in terms of the impact to the industry?

Marty Flanagan: Yeah. Look, it's been the great question that everybody is studying. So as you know, there's no direct impact on money managers in particular. We'll have to see how the rule comes out. But what I would say, from our perspective, I do think it's those firms that have the broadest range of capabilities that are going to do well. And I really do think what you're going to see more and more of is those firms that have the capability, the fundamental capabilities in factor investing that you can put these models together within these portfolios. You're going to be much better placed.

Because not only are you going to get better outcomes, but you're also going to be able to have a weighted lower investment management fee within those combinations. So we'll just have to see. But it should be any week now.

Craig Siegenthaler: Thanks, Marty. I mean one question I had is really on the distribution. And as you've demonstrated up here, you have a lot of different strategies around the globe. It's expanded greatly in the last five years. So how have you-- what changes have you made actually in distribution, institutionally or retail, so you kind of don't miss opportunities, and you can kind of leverage this as effectively as you can?

Marty Flanagan: Yes. It's a good question. So let me try to hit some of the highlights and maybe I'll ask Greg and Colin to pitch in here too on the institutional side of the business. But so what you could probably take away is there's so much, and the world's so big, how do you decide what to do? And can you be focused?

So literally, by channel, by client, there are (inaudible) plans. And when we start with the first comment that understand what is your client trying to achieve, whether it be a wirehouse, an institution or foundation; we plan exactly against that. So it becomes a very, very focused, if you want to call it, offering back to the client. So it is not-- and I think back 20 years. It was basically see what you could sell. Those days are long gone.

If you can't understand what the client is trying to do and be there in a very thoughtful manner in meeting their needs, you're not going to make it today. But I don't know-- Greg or Colin, anything to add to that?

Colin Meadows: No. And I'd start and I'll also ask Greg to comment. So on the institutional side, we have obviously a set of beliefs that govern our strategy. One of those beliefs is that institutional markets are intensely local. And so we think it's very important that are institutional resources be on the ground, in the regions where our institutional clients frankly are. And so we're organized, frankly, that way.

We also think that there is value in coming together as a group to understand what client needs are in one region that we might want to import into another. And so what we've created is an institutional group. We call it the institutional leadership team that's made up of the leaders of each of our regional institutional regions, so Greg in North America. We have a person who leads our effort in Asia Pacific, similarly in EMEA as well, to both talk strategy, but also share best practices to ensure that we're actually serving client needs.

Layered on top of that to get specifically to your question, this is a fairly intensive annual planning process where we take a step back and try and get a sense of where kind of client demand and frankly needs are going. Marry that up against our investment capabilities, and then that then feed into, as you might imagine, with our-- at least our sales goals are for the coming year.

That iterative process seems to work fairly well, and certainly led, we think, to some of the success we've had certainly recently in the institutional space, which has been represented in some of the flow numbers that you saw. I don't know, Greg, if you--

Greg McGreevey: Yeah. The only thing I'd add to that is that we've certainly made point one on investment in the institutional business. So Colin kind of described at a senior level, some leadership that we've kind of brought in. But we've also added additional capabilities within the team. So we recognize, as we've kind of looked it, that there's just broader opportunities within the institutional space.

I think we also recognize that that market, so I guess point two would be that market is very different than the retail market, even though the retail market is becoming more institutionalized. And so making sure that our investment teams with this broad capability that we have are institutionally ready and market ready to go out in that channel is something that we've also spent organizational time and energy. And what that looks like is an independent team that would come in and work with our investors to make sure that the quality and the research and the go-to-market strategy is indeed consistent and allowing us to be able to compete.

And then on the consultant side, which is often a gating issues, this market certainly in the US and in Europe especially is very dis-intermediated. Consultants play a key role there. So we really engaged from a global standpoint our consultant teams. Even though they're going to hit at a regional level those regional consultants we really coordinated our global efforts tied to what kind of Colin said, to make sure that there's a very keen understanding of what their clients want at the end of the day. And then we're able to marry up the delivery of our capabilities to what they want at the end of the day.

So hopefully through the combination of those things, I think the takeaway would be we're spending organizational time, energy, leadership, and trying to put our money where our mouth is when it comes to what we're spending on the institutional side.

Unidentified Audience Member: Hi. So you spent a lot of time sort of highlighting areas where maybe you see the best growth opportunities going forward in the next few years. But sort of just setting that aside, can't help but notice that you didn't have a formal presentation on sort of the more traditional active equities businesses. So just wondering how you're thinking about that opportunity going forward, what it might take to get sort of more reengagement on that side, if you will.

Marty Flanagan: And I didn't give you that questions, did I? So thanks for (inaudible). So look, if you read the headlines right now, you would think that active management dead, and passive is taking over the world. I think anybody that ends that way in totality is making an incredible mistake. And in fact, if you see the research that we've done and others have done it now, through all market cycles, and it's a market cycle. I can say for Invesco, our active teams have outperformed during every single market cycle, and by quite important amounts.

It's getting lost in, I'd say the confusion of some of the public markets, where there are too many managers that are index huggers that are viewed as active managers, and is skewing the number. So that's the first point.

We're also in a period that since 2009, it's been the most extraordinary period for markets that probably any of us have lived in. It has been a-- it's been a beta rally driven by central bank intervention around the world. And so it really was-- sort of it has been a heyday set up for passive investors. And we all understand that.

I think to conclude that there's not an opportunity for active management is-- people would be making a very wrong mistake in doing that. Yes?

Unidentified Audience Member: Hi, Marty. You know, you haven't done a big acquisition since Van Kampen. And I think Loren also made a pretty strong point that you guys feels you have all the products that you need, a good lineup, and your primary objective is to return capital through dividend and buyback. That being said, we're probably going to enter a period here where there's a lot of large asset managers. I mean the market didn't go up last year. It's not up this year. The average S&P this is slipping like it's going to be-- the beta side is going to be a lot worse.

Flows have been pretty bad across the industry, except for a few, including yourselves. And I think-- I'm just wondering. Do you expect more consolidation to occur? And I mean are you comfortable not being a part of that?

Marty Flanagan: Good question. And I'm glad you're so optimistic. And so what I would say is we probably are-- and we talk about it as a management team and others, I think the competitive dynamics are changing for any number of reasons, some of which we talked about today. But it could be disproportionately driven by two things, the investment that firms have to do in things like cyber, it's endless. And the investment firms have to make in the regulatory world.

So in a market downturn, those are not optional. Those are not-- you don't turn those levers off. It's not possible. So that probably is forcing some version of a maturing of the industry. I think many people, and we would probably have thought, and we'll see what happens that there will probably be more activity this year in the industry than we've probably seen in a long time.

I'd say the snap back in the markets over the last few weeks has probably slowed that down. If it continued where it was, I think you probably would have seen, who knows? Something happening in the next few quarters. So that's the market, I would say.

From our point of view, and Loren was making the point that we believe we feel that we're strongly placed for all the reasons that we talked about globally. We think we're uniquely placed. Loren also made the point though, that if something interesting came along, we would pay attention to it. And we also think we've proven that we actually know how to do it.

And so I think, as you look at the competitors, I think you also have to ask, one, can they do it, yes or no, financially? Secondly, can they executive it? And I think it's that second part that is also something very, very important to pay attention to.

Alex Blostein: Thanks. Alex Blostein, Goldman Sachs. Question for you guys here on regulation. I think a lot of the products that you've outlined today are-- could be the in crosshairs of some of the rules that are coming out of the SEC that they're kind of keen, I think, to finalize this year, or at least get a final proposal out this year, or even down the road. If the liquidity rule is the first step in more stress-testing of mutual funds in better understanding how they react in a different environment.

So I guess help us understand whether it's in fixed income or the alts, do any of these rules have to change how they're managed, which could in turn, augment the return profile of those products?

And then secondly, Loren there's (inaudible) for you on the cost front of things. How does that impact your view on how much more Invesco needs to spend on regulation risk management, and things like that? Thanks.

Marty Flanagan: It's a good question. I wish I had all the answers. The problem is some of these rules are in flux. So I'd say I think myself and others in the industry, and us as a management team that involve (ph) the liquidity rule, the rule came out lots of feedback going to the SEC. Our sense is that the SEC wants to get it right, and that there will be some the liquidity rule. But it will probably be a thoughtful rule at the end of the day.

So I don't know if that's going to happen. But if that is the case, I think that's just a fine thing. The question on the derivatives rule, it's just too early. And I think if it went through today, I do think that in its current form the impact to the industry would be much more robust than what the SEC thought. And so I don't think that's what they're trying to get as an outcome either. They do want to manage the risk of leverage in derivatives. So there is a learning process going on there right now.

That said, as we look at our own portfolios, a very, very small number of them would be hit even with the existing rule. But again, I really don't want to speculate. It's just too early in that process.

Loren Starr: Maybe just on the point of cost and regulatory-- and risk. And we've certainly seen over the last several years, a pretty big ramp up of needs around compliance and risk and those elements. One of the things that we are doing since we've really been sort of running hard to keep pace with the regulation is rationalizing kind of-- and getting efficiencies and effectiveness in the structure that we've got. And so some of the work around our optimization that we've talked about actually directly addresses that in trying to create more efficiencies and effectiveness as we do, and have to match kind of the needs of the regulation.

So I think we're going to be able to slow the pace of the cost increase. But I mean I'm not sure if could actually stop it. But certainly we'll be as most effective as we can to try to deal with these things.

Patrick Davitt: Hi. Patrick Davitt, Autonomous. You spoke last quarter about the 529 win from Rhode Island and seemed pretty excited about the opportunity to expand that. Could you update us on that process? And then more broadly we've seen a nice improvement in your mutual fund flows. Are you seeing a similar experience on the institutional side of things, either from pipeline build or even fundings?

Marty Flanagan: Yeah. So let me take the 529, and maybe Loren, you want to talk about the flows and others, if they want to chip in that would be great. So everything is on track with the 529 account. It won't fund until July. So no real news there. But what I would-- the point that I would make to those that have not followed it, this was an absolute prime example of our solutions group using any number of our investment teams to meet a client need. It turned into to be the largest transfer of a 529 plan in the industry. So I think that comes back to the point that we were talking about today.

Secondly, so we think the clients are going to doing very well from an investment point of view. But we think it's going to be a great alternative in the wirehouse retail channels, and so we would anticipate in time, it is really another channel for us within the retail channel for ongoing sales. So we think it's going to be quite successful in time.

But Loren, do you want to --

Loren Starr: Yes. So I mean I think in terms of the institutional pipeline, obviously the market volatility in January and February had some dampening effect in terms of some of the activity in the institutional business, particularly when it comes to funding activities, which could be around real estate or other institutional capabilities.

But overall our pipeline is strong, we still see some of the people seated right here are sort of generating huge interest in RFP activity. So I'd say the overall comment of the institutional business is continues to be a very strong driver of flow, future flow activity for us. There may be some timing things, just in terms of things maybe slowing in for the quarter.

Obviously March has been very different than January and February. So again, I think it's setting up for hopefully a better second quarter kind of event. And retail, which certainly was absent in the first part of the quarter, and you can see in the ETF flows as well. So those who-- because we just disclosed those. And they're definitely back in March in a significant way. So there seems to be some offset.

Brian Bedell: Hey. Brian Bedell, Deutsche Bank. Marty, can you talk a little bit more granularly about the goal to get to 3% to 5% organic growth rate on a more sustainable basis? And then really in the context of if active management continues to have a challenge versus passive in the context of your equities franchise, talk about the products that you are investing more heavily in, like GTR and the factor-based ETF. Do you think that if active continues to have a challenging time, do you think that will offset any potential outflows in that area so that you can get to the 3% to 5% organic growth in those areas?

Marty Flanagan: Let's see. So assume your case that no one's ever going back into active equities. I don't believe that. But that's okay. But the point is so what if that is the case? I'd say we're as well placed as anybody in the industry because of the factor-based capabilities that we have, not just in the ETFs but just what Bernhard was talking about this in the marketplace, and had been in the marketplace.

And really that was a key point that we were trying to get across today. There's one other firm that can do what we can do with fundamental and factor-based investing, and frankly at least in the United States, but probably in the world. But to Dan's point, our factor-based investing and I would say within ETFs we are the leader in smart beta. So we are uniquely placed there. So I think that's going to be the point.

And I would say we feel quite strongly that 3% to 5% organic growth over time is very achievable. And we have good reason to believe that. And that's what we were actually trying to bring out today that where we see trends moving in the world, these are the leaders that are driving a number of very important capabilities against those.

And I just want to come back to the point of the question and really back to Michael's. We didn't not talk about some of the more core equity capabilities because we don't think it's an opportunity. We know everybody knows our capabilities there and the talent of the team. What we wanted highlight was those things that we think people know less about the firm. So just a point of clarification.

Brian Bedell: So just a detailed follow up on the UKF FCA's (ph) study, the fee review in the UK. Where do we stand on that?

Marty Flanagan: The competitor review? Yeah. Everybody's filed. So we'll just have to see what it is. So let me-- so the background, so in the United Kingdom the FCA is doing a competition review. And so the industry-- a number of industry participants-- I think it was 20-- had to respond to any number of question about how competitive is the industry.

It's-- I think they want to get back to the industry later this year with some thoughts. But it's too early to understand where they're going to go. But let me not leave that hanging point. So the one question that I think is really, really important in there is do you add value for money, is a fundamental question within that.

And it gets back to the point that I was talking about and the analysis that we did in the United States, we did there. And David was really putting this out in his comments. The excess returns that we have generated for our clients in the United Kingdom is absolutely stunning. So if the simple question is value for money, there's no worry.

Brian Bedell: All right. Thank you.

Glenn Shore: Hi. Glenn Shore, Evercore ISI. Question on what-- I'm curious on what's going to drive the next level of growth in GTR. It feels like this is the right type of environment for the product to be more attractive to people. I understand there's sometimes a longer sales cycle. I was curious on some of the pension assets that you put up there, just noting the big opportunity.

But I guess the second question within it is if pensions required rates of return or expected rates of returns have 7 and 8 handles, the LIBOR plus 500 bps (ph) doesn't work. So is that is big impetus to see the next level of growth, even though we're in this choppy environment that you would think would drive more growth?

Marty Flanagan: Good questions. So David, do you want to take that?

David Millar: I'm going to comment on the 7 and 8 handles in the pension (inaudible).

Marty Flanagan: I knew he would.

David Millar: Because I think they assume cash rates higher than zero. Because if they're not assuming cash rates higher than zero at some point in the future, they're going to be worrying about that 7 and 8. So I mean at the end of the day, this is a cash-plus-5 proposition. So it's whatever the cash rate is, plus the 5. And that should allow it to keep with up with that. If we are in a low interest rate environment forever, then those 7 and 8 assumptions within pension funds are the things that we're going to have to start worrying about.

In terms of the opportunity here, I can see where you're sitting next to my colleague, Danielle, who is getting out there and spreading that diversified growth fund message around the US. We know it has had-- there are firms who are succeeding in getting that traction. And we definitely do expect and intend to be part of that as well. But there's definitely a growing a recognition that it's not just about stocks and bonds anymore. And so I think that opportunity is huge.

Marty Flanagan: Yeah. Again, more in the US, and Danielle and my people have answered this. But I think you're also seeing the trend now with a number of the public pension plans that there's less interest in hedge funds. And I think, why is that happening? I think it's the capacity elements that happen in a number of hedge funds. I think it's also the 150 and 20 fees is the other element.

And when you think, as David went through it, the relative fees are dramatically less, very, very liquid capability hedge fund type characteristics, if you want to call it that. So you're without limitation and size. So I think it's these types of strategies that are going to be replacing some of these hedge fund types of strategies that you're hearing that are under pressure in some of these public plans.

Eric Berg: Thank you. Eric Berg from RBC. Marty, would you say that as you think about some of the products that you have spent a lot of time on today, smart beta in general, factor-based ETF, GTR that it's probably not even appropriate to compare them to passive. Because-- is that right? Because they're kind of totally two different things, and have different objectives?

Marty Flanagan: Thank you very much. So, no. It really gets to what Bernhard was saying and Dan. So the research shows it, and we want better returns. So factor-based investing you can think of it as a better way to do passive. And the returns are there to prove that. The cap-weighted returns are you get what you pay for really. But I don't know. Bernhard, would you add to that more articulately?

Bernhard Langer: We see really two elements. One, there will be always people for certain reasons who believe deeply in passive. So it's almost they are strong believers on this. But what we're seeing in the institutional world, people are moving away. And the first thing is they're changing their benchmark. And they're changing, call it target. I'm not using the word benchmark anymore-- to something which is factor-based. So they're moving away from a cap-weighted target to something else.

And this is the first baby step into become active. And of course then you can replicate this, whatever it is, value benchmark, momentum benchmark or a multi-factor benchmark in a replicating way, though passive. But again, you do the first step.

And the next step is then that you try to add value over this specially designed benchmark. And this is how the assignments are fed in my little report, where we now have maybe 15 to 20 opportunities around the globe with pension funds and sovereign wealth funds who are exactly doing this. They're taking money away from their passive compartment, and moving into this, let's say, factor-based and call it smart beta world.

And you can do it through an ETF or you do a segregated account, and here we can offer whatever the client wants.

Dan Draper: If I can add just analogy. Think about micro-processing chips, Intel, that effectively when we're developing a new strategy, maybe work with Bernhard's team or work with an S&P what have you, it's an extremely active product development process. We're talking to active managers. We're talking to index providers, market makers, exchanges. Obviously once we set the rules and the index is set, then obviously our mandate is to then manage it to those guidelines. But the whole process leading up to that is very active. And I think that was behind a lot of the strategy. And when Marty and the Board bought the business 10 years ago, and increased from $5-6 billion to $100 billion now.

Eric Berg: So in other words, even though there might not be a benchmark per se, for each one of these emerging products, there still is definitely a way to keep score and to determine whether you're delivering a-- let's call it generically a good deal to the customer?

Marty Flanagan: Yeah. Absolutely. Yes. Thank you, Eric.

Unidentified Audience Member: Yeah. Hi. Thanks again, Marty. I'm just curious. You talked about it on the last earnings call, you did make the small acquisition in Jemstep and can you maybe, even though you talked about it on the call, maybe flesh that out a little bit more, and kind of the role you see that playing and how we should think about other things you are thinking about or may think about, kind of I'll call it in the fintech space, that (ph) way of putting it.

Marty Flanagan: Yeah. So it's early days. And we observe what everybody's been observing around the world. The development of technology, where is it going? Where is it happening within our space? And we saw it as an opportunity to enhance the toolset that we have to go to stay with our existing clients, not to go direct to consumer here in the United States, and broadening our relationship with them, help them solve problems. It will help with the fiduciary rule, wherever that comes. It can be very helpful with that. It can be helpful with small accounts.

But basically we were also marrying it up with things like Invesco Consulting. And we just become a much more important partner to our counterparts in the advice channel. And it's early days, and it's-- we'll know more in the next 6, 9, 12 months with it.

Unidentified Audience Member: And maybe a follow-up question for Loren. Just in thinking about seed capital, I got the impression that reaching the three-year window from that spike in deployment that you may be willing to consider drawing down some of that if the opportunity-- whether a share repurchase exists. Is there a kind of a core targeted level of seed capital you kind think you'd need to sustain over time, just given the investment in the business, or--?

Loren Starr: Yeah. We tried to run with as little seed or co-investment as needed. So there's no inherent desire for us to hold seed capital. So it's really in line with supporting the new product launches. So that balance, which I think is at an all-time high, is something that we think over time will begin to start just spinning off and repatriating cash back to satisfy our capital priorities. So no, there isn't any set number.

If it gets too high it becomes an issue. But we're not at that point at all.

Unidentified Audience Member: Thank you.

Mike Carrier: Thanks, guys. Mike Carrier, BofA, Merrill. Two questions, first just given the UK business and maybe even the broader European business, how well you guys have been doing, with some of the uncertainty around Brexit, I just wanted to understand how you guys look at your business, how you're positioned, whether it's in the UK, how you sell product, or with the SICAV SIP funds throughout Europe too. I guess are you better or worse positioned than maybe the rest of the industry? Or is it more of a just that the UK is under pressure, if it's more of an asset issue, so it's just assets come under pressure and fees come under pressures?

Marty Flanagan: So good question. So let me have it answered in a couple ways, maybe just get David Millar's perspective as a Brit, but he's actually a Scot. So I don't know if that really counts. But-- and then maybe Bernhard does European, and then Loren, if you don't mind following up so how are we positioned as a business.

David Millar: Yeah. I think in terms of the whole Brexit debate, look, we all have to deal with our politics plight in this country as much as it does in ours. And the interesting thing is that politics are pretty interesting right now. There are two sides of it. One's the investment case, and what do we do about that. But as macro investors, it's what we do. So look here, you're looking at markets and the economics and market direction are always going to be influenced by politics. And I think having you taking the view, I think, making sure you've got the governance around it so that you're not taking excessive risks in an area where it's quite uncertain, as the poll came out at 51-49. But I think there's still a whole raft of undecideds. And we know how wrong in the UK the pollsters got it for the Scottish referendum, and how wrong they got it again for the last general election, as well.

So it's in our DNA and what we do to make those judgments on politics is part of our macro investing. I think in terms of the business position and how we cope with that, we actually-- despite looking at--(inaudible) look at it as a mere white business. The reality is that there are two distinct product ranges, and there are the UK-based ICVCs and there are the Luxemburg-based SICAVs. And the Luxemburg SICAV is used predominantly for European and rest of the world distribution, whereas the UK ICVCs are really only about UK distribution.

So the business already, because of the regulatory reasons, it already has that split in it. And so whatever the result, I think the impact would be more limited. Now whether other firms are structured that way or they use more SICAVs for UK distribution, I can't comment on. But certainly from our perspective, we tend to sell the UK-domiciled product to the UK and the Luxemburg-domiciled product into the European and other markets.

I mean that being said, there is really a project group looking at the product implications, the people implications and the sort of financial implications as well. I'll stop there without telling you which way I'm going to vote.

Bernhard Langer: Okay. Let me put on my European hat for a moment. And again, this integration in Europe would be bad. And there would be only losers. Well, the UK would lose and Europe would lose. And I hope that the British population is not voting for, let's say something which is uncertain. Because we would have, after this, they would move out for a vote with no-- have years of uncertainty until everything is renegotiated at some point in time.

Putting now my investment hat on, I would say it's pretty simple. Think about your own life. If you have an event, you have an event risk which is 50%, so a high probability things are happening, and the impact or the outcome is unknown. What do you do? You buy insurance. So it's pretty simple. So because you can't go over this day without being insured in some way.

And then the question is how you do this and how you implement it. So again, the odd-out (ph), you can look to bookkeepers and the guys and brokers in the UK. It's almost 50-50. So it's highly uncertain. And the impact on markets are not known. So this is something I think as an investor we would always recommend to be prepared.

And there are ways you can do it very easily and very cheaply.

Marty Flanagan: Let me just ask. Scott, what about your clients in the UK or Europe? And you getting any feedback? I mean the portfolios are a little less mobile than some of these others?

Scott Dennis: Well, you know one of the things is this Brexit, just with the uncertainty, it creates a buying opportunity. So, that's where it's been very expensive, very pricey, and so that uncertainty is translating with some price discomfort.

Marty Flanagan: Loren, anything you would add?

Loren Starr: I think the only I would just say is obviously we certainly saw this coming. The referendum vote is June 23rd, I believe. So we have put in place out-of-the-money puts, so basically hedged out sort of the worst case scenario. And we've got those hedges in place through Q1 of 2017. So we feel like we've certainly covered ourselves for the near term. Sort of the long-term implication of the UK exiting, it's hard to say what's really ultimately would happen to the pound. I guess the presumption is that it might not be a good thing, at least at the beginning.

David Millar: Definitely not at the beginning.

Mike Carrier: I just want to follow up. Just Marty, if I look at some of the products that you guys highlighted today, and just trying to add it up, but maybe the third, the assets that would be in categories where it feels like there is demand out there. And it's not mimic-able by passive. If you look at the other part of the business, you still have-- the industry still has some headwinds there.

When you look at the newer products, like if you think about like you have the consultants or the gatekeepers, how adaptable are they? Meaning is it fully penetrated or the institutions and the retail investors acceptable to these? Or are we still seeing a ramp-up phase that can kind of accelerate the organic growth around those product areas?

Marty Flanagan: So let me just recognize who we have here and who we don't have. So let me answer the retail side, and then maybe Colin and Scott and Greg on the institutional side, and David's actually--

Greg McGreevey: Marty, can you just repeat the question again?

Marty Flanagan: Yes. So the question is, Michael, if I'm wrong, correct me. So the punchline was, we've introduced a lot of new capabilities that are-- let's call them more on the alternative world, or a little more advanced. What is the take-up? How long does it take? Can you be successful? Does that sort of capture it, Michael?

Mike Carrier: Yeah. Just like, because some consultants, new products it takes a while for it to uptake into the channel, whether it's retail or on the institutional side. So just maybe where are you in that process? And are there some products out there that it's just taking longer, but you're starting to see some--?

Marty Flanagan: Right. So it's the skepticism of the quoting capability in the marketplace and how is it accepted. So I would say in the retail side, what you would probably be pointing to would be more the liquid alternatives that we went pretty heavy on in 2011 or '12. I'm forgetting exactly. But that has, at one level, gone slower. Because quite frankly, a lot of the distribution partners it was them getting organized.

So they would first say, we want 20% of our client portfolio in alternatives in time. They're at about 3% right now. So we have the capabilities to help them get there. It was really getting organized internally, like how do they get them on the platform. How do they get them approved? That's gone slow.

We have had exceptions. Whether it would be Scott Wolle's asset allocation capability has done very, very well. GTR is starting to get some traction right now. But that's been relatively slow. But let me-- on the institutional side, who wants to kick it off.

Colin Meadows: I might start. I think if you look at our alternatives portfolio, it's predominantly in the traditional alternatives element, so private equity, real estate, bank loans; right there you've taken up 75-80% of alternatives kind of perspective.

And institutional investors tend to be on the more leading edge, in terms of sophistication for those products, particularly those that are somewhat consultant led. I think the bigger opportunity, and in some cases the challenge, is translating what we think of as alternative capabilities into the retail sector. So as Marty mentioned, the notional demand is there. So if you were to talk to large brokers, they would say, our allocations today are 4% or 5%. They need to be 15%. How do we get from here to there?

The adoption, the learning curve has been a little slower there. But it's coming along. I think the next opportunity is one that Scott mentioned, which is how do you take some of the more illiquid alternative capabilities and provide them in what we think of as retail portfolios, whether that's in the DC space or otherwise. But I don't know, Scott, if you would add to that?

Scott Dennis: No. Absolutely. I mean the biggest issue, as an example, is taking an illiquid asset and putting it in that retail channel. And so it's the daily valuation will-- the technology is there. The firms are there-- the firms that are third-party firms are very effective at it. So it's not just our opinion.

And then the bigger issue is liquidity. And so are there gates? And what are the opportunities in there? But demand and the interest level is huge, and especially again as we talk about the-- Marty mentioned the institutional nature (ph) of retail. It's just-- it's coming because the same people have seen the effects of what it's done for their institutional clients. So the momentum is there.

It's just some tweaks either in regulation or structuring. And you just feel like we're in for a lot of capital. But then remember. We're talking about private markets. You know, those are lumpy. You just-- you don't press a button and invest it overnight. But it cuts both ways. Those are sticky assets as well. But it's a great opportunity. I'm certainly up for the challenge.

Greg McGreevey: Yeah. I mean the only thing I'd add to that is that I think first of all, it's a really good question. I think it really depends on the strategy is probably the answer. So in those markets that are heavy consultant base, we obviously have kind of matched up. Because the demands there for a lot of these new strategies. That's why we've done them as a firm, to make sure that we're very targeted in going out and having those be priorities. And those are in various stages. GTR is an example, I think is making some good inroads into the consultant community. And I think that's going to translate into real opportunities in the US.

And then there are some opportunities that we've been able to gain in those markets, like Asia, parts of Europe, if you will that the consultant community doesn't play as active a role in things like unconstrained, for example, some global ag and some other products we've been able to get some really good traction in.

So it does, for those markets where the consultants play that front and center role, hopefully we're going to do a good job. We're focused on it. We're going out and having those conversations to be able to get the buy ratings that we need. And then in those markets that aren't we're going to be spending the time, making sure that we're kind of matched up directly to clients to be able to offer that capability.

Unidentified Audience Member: Thanks, question for David, actually. Do you foresee any scale limitations for your strategy overall? Obviously it's very successful in gaining penetration across different channels. Can this become a $50 billion product at some point, or do you think that would, at some point, that would impede your capability to achieve the goals and returns?

David Millar: That's a great question. I mean those of you who know where some of the team came from that's a strategy that continued to grow. And it's in fact doubled since we came over to Invesco. And so it has demonstrated your size in terms of that scale.

I think we have to be-- we always have to careful. We are an illiquid end of macro investing. And so if liquidity dries up in what we do, then we're all in a bit of trouble. And we intend to keep that. It's one of the boxes on that process chart is always checking liquidity. Can we get in and out of these ideas today? And can we get in and out of them, the same idea, in two or three years' time if we're lucky enough to be double the size?

We did put out sort of a bit of holding comment, and said that if we're lucky enough or if we're able to get to GBP20 billion as a number, because that was the size of the capability when we left the previous one, then we will have a look and have a written branch review, and see what it is. But we know that others have gone on beyond that.

But you're entirely right. We wouldn't want to sacrifice the tools that we've got to deliver that long-term diversification purely for scale. But there is, from where we are today, we've got significant headroom before we'll even have that conversation.

Unidentified Audience Member: And then just a follow-up on the PowerShares and smart beta. In the context of the robo-advisory trend, what kind of market share do you have within, quote-unquote "robo-advisors" right now? And then obviously that's a good opportunity longer term. What is sort of the distribution strategy to try to get better penetration there, and if you can talk about your sense of how robo-advisory will build over time?

Marty Flanagan: Dan, do you want to make a couple of comments? And I'll follow up?

Dan Draper: Sure. It would be great. I think if you look to date, the robo space has really been dominated by traditional beta. Because it's a price game. I think in the early pioneering stage of the betterments, well-fronts, what have you; the business models are trying to be figured out. The client channelization, price, all of that is in early stages. And I think that where almost by default, going for the cheapest, traditional benchmarks is where the industry has gone.

But this is what's so interesting about Jemstep is being able to bring a new approach to advisors, digital format, but we really believe as an active house that we can actually provide better investment performance. So it's not just ultimately a cost game. What is the client trying to achieve, and what gives the highest probability, the best diversification to do that? And something like a Jemstep gives us the opportunity to yes, introduce smart beta factor investing, but also active management.

And it will be cost effective. But it's going to be much more than that. It's going to be able to focus on end outcomes and again, provide better diversification solutions. So it gives us a bit of a-- it's early stages, as Marty said-- but it gives us an interesting platform to introduce a wide variety of solution that some of you have seen today.

Marty Flanagan: So let me make a couple more comments, some more in-depth view of Jemstep. So what attracted us beyond the technology? The leaders are experienced people from financial services. So they understand how the mechanism works, the piping works. They've been building it for eight years. So it is a capability that works within the existing infrastructure within the mutual fund world, the ETF world, to execute trades, to settle trades. That's really important.

Secondly, it's not limited to ETFs. It can actually use mutual funds, ETFs. I don't know of another one that can go beyond ETFs. So you've limited something there. And they also pivoted from direct to consumer to direct to the advisor. So again, very unique in that perspective.

So what is the advisor trying to do? And it gets back to Dan's point. And the first thing that we talked about is we want to deliver the outcome for the client. And you can do it in a variety of ways. We think the best way to do it is a combination of fundamental and factor investing. And delivering that through that tool to the advisor community is a really unique set of capabilities. And again, it's early days. We've got to get to work. We're at early stages of it.

But we think we have something that's going to be a very important development for us.

Unidentified Audience Member: Do you think this is more like a 5 to 10 year trend? Or do you see more of an uptake in the next couple of years?

Marty Flanagan: Within the next couple of years, yeah. But remember, we're going to the advisor. I think the other thing if you read the newspapers, you think every single dollar is going into a robo-advisor. That's just not the case.

Unidentified Audience Member: Thank you.

Marty Flanagan: Any other questions? Please, yeah. Remember, softball, right?

Unidentified Audience Member: This is one for Scott, actually. You know you have a lot of the large alternative managers are going, I guess for them going from opportunistic then to what they call core plus. And I guess to some degree you're moving up market towards the same spot, or beyond. So can you maybe talk about how you're seeing-- are you seeing that impact the marketplace in terms of activity or demand for your products? And how do you position yourselves to compete with some of those firms as they kind of come towards you, and you move up towards up them?

Scott Dennis: That's a very good question. It's something we think a lot about. So we've been actually investing in the opportunistic and value-added space for 20 years. We're just-- we haven't been investing on the magnitude of some of the more highly publicized PE firms that are making huge sector bets, corporate bets and all that. But we've been very active. So we have a great track record.

But what we've been really doing is following the trends of the market. When you break it down, the biggest allocation within the real estate sector is to core. And the thing that clients are struggling with-- well, let me digress. When institutional investment in real estate really got active really in the S&L crisis, so call it the early '90s. It was a total return prospect. People were just saying, man, there's a huge dislocation in the market. We can generate 20% return. So you had the white halls, you had all that just proliferation of that business.

Then the industry grew, and a lot of people went into that, and they got into funds. And it all turned bad, and they swore off funds, and went to separate accounts.

Now though, what's happened, is especially with the advent of the public markets is people are saying, listen, real estate is really-- it's not an absolute. It could be an absolute at a point in time. It's a relative return prospect. So I've got to understand what role it plays in my portfolio.

And if I'm going to have a 10% to 12% allocation, if I go all opportunistic, and I'm churning portfolios, I could go to zero every seven years. That's incredibly difficult to get back up to your 10% to 12% and stay with that solid allocation in your portfolio.

So that's a long winded way of saying that core is the primary driver of interest in real estate. And that's what a lot of these firms are looking-- and that's where the capital really wants to go. They love these episodic opportunities to generate excess return. But core, I've got to have that exposure. I've got to have the consistency and the dynamics there.

So we have some great firms that have been tremendous PE-oriented firms coming into the core space. But it gets down to track record. We have a good track record. We've been growing our non-core capabilities around the globe. And we'll continue to do that.

Sometimes we're probably too under the radar screen for our own good on some of those things, because we're serving the clients. But so we think it's easier to go up the spectrum versus getting an opportunistic person to come back core, not because they don't have the mental wherewithal. But it's a different discipline. And you're buying assets that may be 20-year-olds versus 20-day-olds or 20-month-olds.

Unidentified Audience Member: Thank you.

Marty Flanagan: Anything else? I guess one more, here we go.

Unidentified Audience Member: Just one more, last one for Loren. Operating margins; incremental margins 55% to 60% you're saying. I guess in general, given the growth initiatives that you have in place, do you need fairly normal market returns to expand margins, do you think? Or if we have sort of a sideways market, is that more about protecting the margin around that 40% level that you think you can actually expand?

Loren Starr: Yeah. We don't feel like we need the market to help us generate that 50% to 65%. We've said that under sort of flat market scenario that you could see an incremental margin of 50%, kind of the low end of that. Obviously when the market is going against you, as it's sort of done 2015 versus 2016 that's a different story. But certainly I mean in terms of having markets, we certainly don't need markets to support growth from where we are to see margins expand.

Unidentified Audience Member: Thanks.

Marty Flanagan: Okay. On behalf of my colleagues, myself and Rod and Phoebe, thank you very much for you time. And hopefully it was useful. And hopefully we hit a number of areas that you found helpful and informative. So thank you very much.