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IVZ - Q1 2013 Invesco Ltd. Earnings Conference Call

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OVERVIEW:

IVZ reported 1Q13 net revenue growth of $40.6m or 5.2% QoverQ. 1Q13 operating income was $314m and adjusted EPS was $0.52.

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This presentation and comments made in the associated conference call today may include forward-looking statements. Forward-looking statements include information concerning future results of our operations, expenses, earnings, liquidity, cash flow, and capital expenditures, industry or market conditions, AUM, acquisition and divestitures, debt and our ability to obtain additional financing or make payments, regulatory developments, demand for and pricing of our products, and other aspects of our business or general economic conditions. In addition, words such as believes, expects, anticipates, intends, plans, estimates, projects, forecasts, and future or conditional verbs such as will, may, could, should, and would, as well as any other statement that necessarily depends on future events are intended to identify forward-looking statements. Forward-looking statements are not guarantees and they involve risks, uncertainties, and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our most recent Form 10-K and subsequent Forms 10-Q filed with the SEC. You may obtain these reports from the SEC website at www.sec.gov. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

Operator

Good morning and welcome to Invesco's first quarter conference call. All participants will be on a listen-only mode until the question-and-answer session.

(Operator Instructions)

Today's conference is being recorded. If you have any objections, you may disconnect at this time. I would now like to turn the call over to your speakers for today to Mr. Martin L. Flanagan, President and CEO of Invesco, and Mr. Loren Starr, Chief Financial Officer. Mr. Flanagan, you may begin.

Martin Flanagan - *Invesco Ltd - President and CEO*

Thank you very much, and thank you, everybody, for joining us today.

I'm going to review the business results for the first quarter, and then Loren will go into the financial results more specifically. And is our practice, Loren and I will open up for Q&A after that. But before I get into the results, I thought it would be helpful to provide a sense of the macro environment and how it impacted our business during the first quarter.

In the first quarter, we did see modest economic growth in the US. Washington did take initial steps to resolve the so-called fiscal cliff, and consumers seem more willing to spend. As a result, there was enhanced level of optimism with our US clients which was reflective in the US markets also. This contrasts with client sentiment in the UK and Europe which remains somewhat negative, given the prospects for a modest economic recovery in the UK and the likelihood of further economic contraction in the eurozone during 2013. Asia-Pacific, clients in Japan, were very upbeat given the government's commitment to the fiscal stimulus and the strength of Japanese markets. In China, clients are not as upbeat as they are in Japan, but certainly more so than a year ago. Growth in China has not been as strong as expected, but still very good as we all know compared to other regions of the world. Chinese investors are looking forward to good growth under the new leadership. In this environment, we continue to see early signs of the investor re-risking, but for various reasons given the different prospects and the different regions of the globe. Fixed income flows remained positive during the quarter, but at a smaller percentage than -- the year-to-date than the trailing 12 months. At the same time, equity flows were generally positive which is an improvement from the months passed. So with that as a backdrop, let me highlight the operating results for the quarter.

I'm on slide 3 now if you happen to be following on the deck. Long-term investment performance remains very strong across all time periods during the first quarter. Delivering strong investment performance to our clients contributed to the strong operating results. Optimism in the markets and our focus on delivering value to our clients helped drive net flows to a record $19.2 billion during the quarter. Adjusted operating income was up 13.4% quarter over quarter. And the continued focus on taking a disciplined approach to our business improved our operating margins 38.4% from 35.6% in the prior quarter. Reflecting confidence and continued strength of the business, we are announcing today that we are raising the dividend to $0.225 per share, a 30% increase over the prior level. Assets under management growth to $729 billion during the first quarter, up sequentially from $687 billion from the prior quarter. Operating income of $314 million versus $277 million in the prior quarter. And earnings per share were $0.52 versus $0.45 in the prior quarter. During the quarter, we also took the opportunity to repurchase $45 million of common stock.

Now, before Loren goes into the details of the financials, let me take a moment to review the investment performance during the quarter. I'm on slide 6 now. So investment during the quarter was among the strongest we've seen across the global enterprise. 82% of assets were ahead of peers on a five year basis, and 75% of assets were ahead of peers on a one year basis and a three year basis. And as you might expect with numbers like these, long-term performance for our investment teams across the enterprise is quite strong with a number of capabilities turning in [top] results. These numbers reflect our continued effort to build an enhanced investment culture that drives connectivity between our investment professionals and encourages intellectual exchange.

During the quarter, we saw strong active and passive flows across our global business. We saw uniformly positive long-term flows across equity fixed income balance and alternative capabilities. On slide 8, during the quarter, we also saw strong flows across all channels. Long-term flows into retail, we're at a record for the Firm, and long-term flows for our institutional channel were also at a record for the Firm with the exception of one single quarter in 2010.

Turning to slide 9, gross sales from our US retail business remained strong at $22.1 billion for the quarter, a 34% increase over the same quarter a year ago. The annualized redemption rate remained very favorable relative to the industry. Flows into the complex were led by continued strength in traditional ETFs, balanced risk strategies, UITs, diversified dividends, and international equity. Strong long-term performance of our multi-asset suite products continued to generate tremendous interest from our clients, who are attracted to a capability that aims to provide high level protection in a volatile market. We continue to see strong growth during the first quarter across the entire suite of products with net flows of more than $4 billion.

With a strong record of executing on our strategy, this enabled us to deliver a high level of value to our clients and consistent results for our shareholders over a long period of time. If you'll note, since 2006, our focus on building and maintaining a robust investment culture has yielded strong, long-term investment performance on a very consistent basis during that period of time. As an example, Invesco's US funds rated four and five star by Morningstar improved steadily, starting at 23% of assets under management in 2005 and climbing to 77% today. The material improvement in investment performance coupled with sharp focus on client engagement has enabled us to deliver improved and sustainable organic growth.

In addition, a core strength of the Firm's ability to manage the operating platform, we've been and remain sharply focused on driving greater efficiency and effectiveness across the platform, working to create better outcomes for clients and shareholders. The efforts importantly have enabled us to reinvest in the business at the same time. As you will see on slide 12, adjusted operating expenses per average asset under management have declined 33% since 2005. By delivering a high level of value to our clients and taking a disciplined approach to running the business, we've delivered consistent results for our shareholders. As you can see on slide 13, we've returned $3.5 billion of capital since 2006 and outpaced the return of the S&P consistently over time.

Our key priorities for 2013 will continue to build on the momentum in progress we've made over the past several years in executing our strategy to help further strengthen our business for the long-term success. As always, we will continue to enhance the investment culture that's focused on delivering excellence to our clients. We will further expand the investment capabilities and vehicles, with particular focus on those that can be scaled globally to meet clients' needs. Going forward, we will continue to focus on better understanding, anticipating, and meeting the needs of our clients. We'll also build on our efforts to achieve greater efficiencies and effectiveness across the global platform. We believe that by achieving strong investment performance, meeting the needs of our clients, and effectively managing the business, we can deliver consistent results for our shareholders over the long-term.

We've also seen a tremendous amount of discussion in the media about the great rotation. We prefer to position our capabilities more broadly where success can be derived without regard to which asset class is favored by the markets. Throughout the financial crisis and during the time when investors moved away from equities in droves, we built the business steadily and consistently by delivering strong investment performance across a broad spectrum of asset classes. Although we would benefit greatly from a sustained movement to equities, we are seeing early signs that investors are re-risking. We've spent considerable effort building a comprehensive suite of capabilities to meet a broad range of client needs regardless of the markets that are in place.

Another key strength of the Firm is developing strong investment capabilities that can be effectively scaled to meet client needs across the globe, such as we've done with real estate, multi-asset, fixed income, including bank loans and ETS. We are uniquely positioned to deliver on this approach with a significant competitive advantage for our Firm. We feel good about the momentum in business. We feel good about our ability to deliver a high level of value to our clients. We feel good about our record of providing consistent returns to shareholders. We will continue to look for opportunities to further strengthen our competitive and financial advantage over the long-term.

With that, I am going to turn it over to Loren for more in-depth discussion of the financial results.

Loren Starr - *Invesco Ltd - CFO*

Great. Thank you, Marty.

Before I get started, I wanted to point out a minor, but I believe helpful change in our AUM roll-forward. We've taken use of the feedback from the investment community and we've isolated and removed the impact on long-term flows due to the Invesco PowerShares QQQ product. We hope you find this change useful in better understanding the long-term flow picture of the Firm.

Now getting to the results. You'll see that our AUM increased $41.6 billion quarter over quarter, or 6%. That was due to positive market returns which added $31.4 billion, total net inflows of $19.2 billion, of which $14.8 billion were long-term. These increases in AUM were offset by negative

FX of $9 billion. Our average AUM for Q1 was up as well, 4.8% to $712.7 billion. Clearly, the long-term flows were a very strong element in the quarter. This strength was fueled in part by Q1 seasonality and the timing of several institutional mandates. We're pleased with the volumes we've seen so far in April, but we expect overall flows for Q2 to decline from the Q1 levels. Q2 tends to be lighter in flow than Q1, and I should point out that we have been notified of a $2 billion path of redemption to take place this quarter. This $2 billion outflow, happily, is only a 2 basis points revenue yield. So the P&L impact will be modest.

Our net revenue yield in Q1 was 45.8 basis points, an increase of 0.2 basis points quarter over quarter. Stronger performance fees were partially offset by two less days in the quarter. However, if you normalize for day count, we continue to see our management fee yield increase quarter over quarter.

Next, let me turn to the operating results. Net revenues increased $40.6 million or 5.2% quarter over quarter, which includes the negative FX rate impact of $13.4 million. Looking at this a bit more closely, you'll see that investment management fees grew by $27.4 million, or 3.2% to $892.4 million. This increase was in line with our higher average AUM, but also the higher effective fee rate after allowing for two less days during the quarter. FX reduced investor management fees by $16.2 million. Service and distribution revenues were up by $6.9 million, or 3.5%, also roughly in line with the increase in average AUM. FX decreased service and distribution revenues by $1.3 million.

Performance fees came in a rather large this quarter at $38.6 million. That was an increase of $17.5 million from Q4. Performance fees in the first quarter were primarily driven by the UK, which contributed $29.5 million, and the Bank Loans team in the US, which contributed $6.5 million. FX reduced performance fees by $1.9 million.

Other revenues in the first quarter were $25.8 million. This was a decrease of $1.6 million versus the prior quarter. We saw a $4.9 million reduction in real estate transaction fees, but that was partially offset by $3.3 million pickup in UIT revenues and retained front-end loads. FX reduced other revenues by $0.1 million. Third-party distribution, service, and advisory expense, which we net against gross revenues, increased by $9.6 million, or 2.8%. FX decreased these expenses by $6.1 million. s

Continuing on down the slide, you'll see that adjusted operating expenses at $502.9 million, increased by $3.5 million, or 0.7%, relative to the fourth quarter. FX decreased operating expenses by $7.5 million. Employee compensation at $351.3 million, increased by $9.3 million, or 2.7%. The $9.3 million reflects seasonally higher payroll taxes and retirement costs. So these were partially offset by lower variable compensation in the quarter. FX reduced compensation by $4.7 million. Looking forward, giving you some guidance here, assuming no change in quarter and asset levels, we would expect compensation to decline approximately $15 million quarter over quarter and then remain roughly flat through the remainder of the year -- again, assuming flat AUM. The decline in compensation from the first quarter is due to the rolling off of the seasonally higher payroll taxes and bonuses linked to performance fees, which will be partially offset by a full quarter's worth of salary increases.

Moving on down, marketing expense decreased by $0.5 million, or 2.1%, to $23.2 million. FX decreased these expenses by $0.3 million. We would expect marketing to return back to the $27 million, $28 million per quarter run rate going forward. Property, office, and technology expense was $69.6 million in the first quarter, a decrease of $2.1 million. FX reduced these expenses by $1 million. In the quarter, we recognized $1.5 million of lease expense credit which generally don't recur. Further, we expect property, office, and technology expense to increase as the European TA outsourcing project finishes up in the later part of second quarter, leveling off -- so this line item will level off around $75 million per quarter in the second half of the year. This increase will be offset, however, by decreases in compensation and G&A.

G&A expense came in at $58.7 million, that's down $3.2 million or 5.5%. The first quarter included at $2.5 million legal settlement credit. FX decreased G&A by $1.5 million. Taking into effect for this credit, we would expect G&A to return to the $62 million run rate level going forward. Again, coming down the page, you'll see that our nonoperating income increased $3.8 million compared to the fourth quarter, largely due to the decline in interest expense, as we had a full quarter's worth of savings from the refinancing transaction last quarter.

The Firm's tax rate on pre-tax adjusted net operating income -- or net income, excuse me, in Q1 was 26%. The increase in the tax rate was the result of changes in the mix of profits, reflecting a higher proportion in the US and continental Europe. Going forward, we'd expect the tax rate to continue to be around 2.5% to 26.5%. And that brings us to our adjusted EPS of $0.52 and our adjusted net operating margin of 38.4%. Assuming we can continue current quarter end asset levels, we would expect to see Invesco's operating margin continue to expand throughout the remainder of the year, and be in excess of 40% by year end.

Now, before I turn things back to Marty, I just want to briefly comment on our accounting treatment for the sale of Atlantic Trust to CIBC, which is the transaction that is expected to close sometime before year end. Atlantic Trust will be classified as held-for-sale on Invesco's balance sheet and as discontinued operations when we release results in the second quarter. This treatment means that all of Atlantic Trust's revenues and expenses will be pulled out of our results, both for US GAAP and for non-GAAP presentations. And we've included a slide in the appendix of the presentation that provides additional detail on the revenues and expenses of the business that should help you with your modeling of our ongoing operations.

And with that, I will turn it back to Marty.

Martin Flanagan - *Invesco Ltd - President and CEO*

Thank you, Loren. Any questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Michael Carrier, Bank of America.

Michael Carrier - *BofA Merrill Lynch - Analyst*

Marty, maybe just on flows, it was a strong quarter. You guys mentioned some of the drivers in terms of some of the winds -- seasonality. Just trying to gauge, and we've seen this across the industry as the companies are reporting. When you look at the products that you feel like you have the sustainability in terms of flows given what you're seeing in the market right now versus some of the areas where you saw an institutional win or seasonality, can you gauge that in terms of where you see the outlook, where you see the growth opportunities versus where we'll ultimately see some pullback for the industry?

Martin Flanagan - *Invesco Ltd - President and CEO*

It's a fair question, and you're not the only one that's wondering. We all are. I could give you some sense. And I think you're probably seeing it, different magnitudes in different companies just because of the relative strengths in them. But it was quite robust. At a macro level, if you want to use that US retail investors, maybe some level of proxy, you did see -- I would classify it, early stages of the rotation into equities. And I would expect people to continue to be cautious throughout the summer. You've had three years in a row of right around this time the markets pullback quite strongly, and so for good reason, you would imagine retail investors would be cautious into the fall. I think if you have sort of sideways to up markets through the summer, in the fall you could have some level of confidence and you could probably see continuation of some movements into equities.

If again, if you just look at history, if you look at the different asset classes, it tends to be pretty stable in areas of asset allocation and the buckets of alternatives where you start to get -- the movements are between fixed income and equity. And you did see this quarter, obviously, movements into US equities in particular, which has been quite different than what we've seen over the last trailing 12 months at the expense of taxable fixed income in particular. I would imagine it would be more gradual than not. That said, I don't know if that's helpful. That's a perspective.

What we are seeing specifically is just a continuing broadening of the asset classes that are interesting to our client base. Balance risk continues to be quite strong. The equity income type products continue to be strengthening. International equities continue to be strengthening, and again, I think those are all signs of people -- real estate -- and also if you look at our traditional PowerShares, again, I think all very, very strong. Q1 is traditionally the strongest quarter of the year. We saw that, and I suspect others will have seen that too. But it does look like there could be some continued momentum throughout the summer and into the fall.

Michael Carrier - *BofA Merrill Lynch - Analyst*

Okay, thanks. That's helpful. And just as a follow-up, Loren, maybe on just some of the numbers, you mentioned trying to guide to that 40% margin by year end. I think you mentioned there was a few moving pieces. And I just want to understand, you said comp down, the $15 million sequentially. I think part of that is you mentioned on the European synergies coming through. If you can just go through the comp versus the office and tech and then the G&A, what the moving pieces are? And then I know it's impossible, but any type of outlook on the performance just given how strong they were this quarter?

Loren Starr - *Invesco Ltd - CFO*

So in terms of moving pieces, again, the biggest moving piece and the one that we highlighted just now has to do with favorable taxes. Obviously, it spikes up in the first quarter and then rolls off. So that's going to account for the biggest drop off. It is somewhat offset by having three months entirely of salary increases, which typically -- which happened this month -- or sorry, in February of last quarter. So you only had one month of the impact last quarter and you'll have three months of it this quarter. So that difference is really the net $15 million. There is going to be some benefit in comp in terms of ultimately the TA outsourcing which is going to bring comp down. Comp will obviously continue to expand as our operating income grows and as we grow organically. So some of that's going to get offset. That's why comp really looks rather flat in terms of the guidance through the rest of the year because those two things will be largely offsetting. So that's really all the moving pieces.

We have a very stable, predictable -- in terms of how we're accruing for bonus this year. So there's no back-end loading, no front-end loading. This is going to be very predictable for everyone. So again, that will help in terms of transparency.

In terms of the other line items, property, office, and tech, as I mentioned, is going up to about $75 million. That's because when we pay our third-party provider to do the work, it falls into that line item. And that's why it's going up. And G&A, again, even though it's up to -- from where it is right now at $62 million, it is going to be -- there's a net offset. Generally, G&A has been going up because the regulatory environment we're in. There's a lot of cost in terms of putting risk systems. But that will -- in terms of the impact of the TA outsourcing, it will help offset that. And that's why it'll be staying flat at $62 million. So hopefully, that's the level of detail you're looking for, Mike.

Michael Carrier - *BofA Merrill Lynch - Analyst*

Yes, that's helpful. Anything on the performance fees?

Loren Starr - *Invesco Ltd - CFO*

So performance fees, typically where we earn our performance fees, in the UK. This -- first quarter is the big quarter when we would see that. Again, looking a year later, I'm not smart enough to be able to tell you what it will look like other than performance is excellent in that team. And so if they can hold on to it, yes, there will be more performance fees. I can't exactly say at what magnitude.

The other place where we we're seeing performance fees and probably will continue to see performance fees is in the area Bank Loans. Our Bank Loan business has continued to grow very rapidly. A lot of those products do have performance fees associated with that, and they're doing very well. So again, how much may be in the range of $2 million to $5 million, could be that range. And it can hit at any quarter. It's not -- I wouldn't count on it every single quarter.

And then the only point I would mention, because of the discontinued operations that we're going to need to treat Atlantic Trust as -- although performance fees associated with Atlantic Trust which we've traditionally seen in the fourth quarter are going to fall onto this discontinued ops line and therefore won't be part of our operating results. So again, that's something that you'll just need to model through. But the other thing that is worth pointing out is when we do go to discontinued ops, which will happen in the second quarter, essentially margins will grow. I think we mentioned in the call before, it's about a 0.5 percentage point benefit on margin. That's not in any of the guidance. I was just going you -- in fact, all the numbers I've given you includes Atlantic Trust. So you'll have to sort of exclude those amounts in your models which you can do using the sheet in the back in the appendix.

Operator

Bill Katz, Citi.

Bill Katz - *Citigroup - Analyst*

Just want to stay on the margins first. It sounds to me like your guidance for the end of the year is a tad more optimistic than maybe last time we chatted on this. And now you're sort of saying over 40%. Is there anything underneath the covers here in terms of the mix of the business or the core efficiencies on the expense side that's improved to the point where it feels like you have a bit more optimistic on profitability?

Loren Starr - *Invesco Ltd - CFO*

I think factually -- obviously, the markets have been still generally helpful for us. So that does give us a sense of confidence. Obviously, having the quarter completed and results and everything being executed as we had hoped, it's helpful. Our guidance that we gave you was sort of ex the Atlantic Trust transaction too, so we feel that, that will definitely provide more lift in margins even than I was talking about. So overall, we are focused on the top line growth. We think we're seeing flows continue in a very healthy way. We're focused on operating platform effectiveness, efficiencies as we always have been. And that work is going well too. So again, I think maybe that is generating a greater sense of confidence that we can get to that 40% margin.

Bill Katz - *Citigroup - Analyst*

Okay, that's helpful. And then, Marty, a big picture question for yourself. Look at the business, risk premium business is doing very well. Wondering, maybe you could talk about where you're seeing the incremental opportunity set for that? And then underneath that -- maybe part of that, in terms of Europe, that also seems to be increasingly contributing to the flow story now. Maybe where you might be in terms of an opportunity to fully leverage that footprint?

Martin Flanagan - *Invesco Ltd - President and CEO*

So again, I think the balance risk capability is consistent with I think we're seeing broadly across the industry is really a post-crisis phenomenon in some ways where people do want to have some low volatility and get capabilities in their portfolios. And we continue -- it's not unique to the United States, as you know, for us it continues to be built out. By the fall, we look to be introducing another capability with the team that's joined us in the United Kingdom. And we'll beat until the fall. So we're going to continue to expand that. And we think that's here to stay. I think it's going to be just part of the makeup of how people are building portfolios, multi-asset strategies, and the like.

With regard to Europe, again, it has been a focus of ours as an organization over the last number of years and continues to be. And it continues to get stronger and we anticipated that it will continue to get stronger as we continue to focus on the things that we have. So again, it should be net contributor also in time. It has been probably at one level with the macro environment there, it's contributed more broadly than one might anticipate considering that. But again, we still think we're early days of where we could end up on the continent.

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Operator

Ken Worthington, JPMC.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

Well done. First, on the institutional business, can you give us some additional flavor on three things? First, what products and regions are seeing the greatest success? Two, maybe as you look out over the next year, where are you most optimistic? And three, maybe excluding stable value, how big is the pipeline either on an absolute basis or maybe how big is it relative to where it was six months ago?

Martin Flanagan - *Invesco Ltd - President and CEO*

So let me hit a couple of those, and let Loren -- have Loren talk more specifically about the pipeline. But what we're sort of seeing, and I think this is important, as you point out, a number of years ago where it was pretty focused on stable value in particular in the United States, it's broadening quite a bit where alternatives, heavily real estate bank loans, are just under half of that. But it's also broadening through the balance portfolios, the fixed income, and also equities. And we would not have seen that breadth of asset classes be in the pipeline two, three years ago. And it continues to be really, pretty broad, not just the United States, but in continental Europe we've actually been getting some good traction. We continue to get traction out of the Middle East and also in parts of Asia. So again, it's as broad as we've seen in a number of years.

Loren Starr - *Invesco Ltd - CFO*

So Ken, in terms of -- you wanted to talk about the pipeline. The pipeline is actually 5% higher than it was over the last 12 month average, so it continues to be strong and healthy and stable, despite the fact that we have a lot of funding this quarter. So I think the institutional business is continuing to do quite well. I think, again, the product-centering has been very much on alternatives, equities, fixed income, balance. It's across the spectrum, so there's quite a bit of diversity within what is in demand there. And stable value is a small part of it actually. It's not enormous. I think it may be 10% of the pipeline in terms of what is being looked at. We do think stable value has the ability to grow going forward, but it's been a little bit constrained just due to rev capacity recently. And so we're looking to find ways to increase rev capacity. So overall, pretty good. And even more importantly, the fee characteristics of the pipeline continue to improve. So the net revenue yield on the pipeline is improving. So, all good.

Martin Flanagan - *Invesco Ltd - President and CEO*

What I might add to it is that -- and again, I think importantly we've talked about this over the course. We are not clear of the timing of it. We all have estimates, but again, it tends to be -- clients will react when they react. But if you look over the time period of a year, it looks really quite strong. The other thing that I think is still in the marketplace which is interesting for the money management industry in particular is that, yes, we are seeing more interest in equities in some ways, but you also have a number of plans that continue to derisk their equity exposure. I personally don't think that's the right answer when you're trying to close deficits, but maybe with more solid markets you'll continue to see some of that mind shift change. And I think that would be a real positive, not just for the plans, but also for the industry and for us in particular. But all in all, as Loren said --

Loren Starr - *Invesco Ltd - CFO*

Yes, and again, in terms of the actual dollar amounts, we've been hesitant to give out dollar amounts, we look at it in terms of what's won and not yet funded. We look at qualified opportunities. But we're talking about sizable numbers, billions and billions of dollars in terms of won, not funded. But as Marty said, it can be a little bit of illusion because it takes a while, a lot of it's real estate. It could take a year. It could take even longer than a year for some of that stuff to fund. So we don't want people to presume that it's all coming around next quarter.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

Great. And then in terms of Europe, UK performance is awesome here, yet the franchise is in modest redemption. Love your comments there. And then in continental Europe, it's experiencing extremely -- maybe even exceptionally strong sales relative to its size. Maybe what's -- can you walk through what's working there?

Martin Flanagan - *Invesco Ltd - President and CEO*

Let me start on the continent. We've obviously been there for years and years and years, and we weren't happy with the results that we were generating. And again, this is not sort of an overnight effort. It's been the past couple of years, really, where performance is strong. It's a strong as it's ever been in that lineup there. That's reflective of a number of our investment teams from around the world being represented there. So it's just common sense. Much better product management, the lineups much better, there's much greater focus on -- the sales leadership is very, very strong now. We're still, I'd say, early stages of where we want to be institutionally, although we've seen some very good success recently on the institutional business. So again, we've thought for some period we should be much more successful than we have been and you're starting to see that.

In the United Kingdom, we just have a very large presence. And I think with a good performance, you're seeing, it's a combination of people's sentiments in the marketplace about exposure to equity market, but we also think there's an opportunity for us, again, with the multi-asset capabilities, we think that's not unique to the United States, but also something very, very important in the United Kingdom. And we think that is a future area for growth for us in a very strategic and important way. And again, that's -- it's not going to come on until the fall, just because it takes that long to get it up and running. But again, we think that is going to be another very, very important element of success and growth opportunity.

Loren Starr - *Invesco Ltd - CFO*

Maybe just a little more color. One of the things, as you mentioned, the allocation capabilities have been strong in Europe, but they've grown sequentially quite dramatically actually. So it's been sort of 50% growth levels quarter over quarter. So it's definitely accelerating. Again, whether that stays, it's hard to say, but it's been very, very encouraging. We both had very strong European corporate bond flows, so that product has done very, very well and is in great demand. And I think we mentioned we had a $1 billion win with our Quant Group in Europe, which again is really -- has the potential to draw even more flows going forward. So, it's just been multi-faceted in terms of what's going on in continental Europe.

Operator

Jeff Hopson, Stifel.

Jeff Hopson - *Stifel Nicolaus - Analyst*

So question's on margin. I'm assuming that the ETF growth over the past 12 months as well as IBRA, both given that those are contained, to some extent, businesses, how much are each of those contributing to the margin? And then, Marty, on ETFs, clearly, you've seen the next level of success. The good news is the flows are consistent and strong. Now they're lumpy, as are the industry flows to some extent. But it seems like that business has turned a corner, but it's only as good as ongoing product introductions, et cetera. Can you give us your sense of where you think that business is? And then going forward, whether you have, in fact, turned the corner of presence and product, et cetera?

Martin Flanagan - *Invesco Ltd - President and CEO*

Let me maybe -- why don't I start with that, and then Loren can address the margin topic. So we think the PowerShares franchises is a superb one. We know where we're competing, and we've been very focused on that. If you look at the recognition, the advisor channel, it's the second most recognized brand in the advisor channel. We think that's very, very important. The focus, again, on product development introductions over the last three years in particular I think has been very sharp, very focused, and something that has put us in the position for the success that you're seeing right now. We believe that's sustainable and we'll continue to do more of that. We also think, again, the ETF market is, again, it's investment outcomes that matter, not the vehicle per se. But what you are seeing is again, with good product capabilities within the -- or investment capabilities within ETFs as the education level goes up, in the advice channel, you're just going to see greater use of them. That has been our whole theory since the beginning of getting into PowerShares. So we are just expecting continued very good things out of the Invesco PowerShares business, and we think it's sustainable.

Loren Starr - *Invesco Ltd - CFO*

I'd say in terms of what's driving the margin growth when I look at it, you can't just say it's ETFs. It has a lot to do with the very important theme of products that are beginning to go global. And that is true around some of the asset allocation products and the fact that you get that operating leverage as these products can go into different markets. But also Bank Loans, which has been the big driver of growth within the ETF space and outside of the US and has been a big driver too. So I'd say that is probably more the way I would think about the margin expansion as opposed to a particular product line or particular region. And again, we're very hopeful that we're going to see more of those types of products take off through 2013 and 2014.

Jeff Hopson - *Stifel Nicolaus - Analyst*

If I could just follow up, for Marty, I believe that when you guys go to market to financial advisors, you are using both Invesco and PowerShares when you meet with them. I assume that helps you with overall leverage. And then secondarily, to what extent has IBRA, has PowerShares helped you with the halo effect? And should we expect -- for example, in equities while the environment is still so-so, you have excellent performance there. To what extent do you think you're getting some momentum finally for the overall brand? And to what extent is that being helped by against a halo effect from IBRA and other products?

Martin Flanagan - *Invesco Ltd - President and CEO*

So let me answer that this way, you're on an important topic. I think success through investment capabilities generally creates success across the organization. And we've said over the years, the Invesco brand was not known a number of years ago in the advice channel. It was a standing start into the advice channel. And so the effort to get it recognized in the advice channel has been very important. And it largely comes by creating strong performing capabilities that help advisors do what they need to do for their clients. Invesco PowerShares has been a very important part of that.

Again, this is multi-year conversation. It has been reinforcing to the retail channel, not cannibalization. And it's how we present all of the capabilities to the channel. It's a combination of general wholesalers with specialists. We've had that model for years. We think that's what matters. It's focused on outcomes for the advisor. And again, you do some -- on top of that, the capability of a IBRA-type capability, again, is reinforcing to the franchise. It was something that is needed for clients. And again, when wholesalers are talking to their clients, they talk about a suite. They listen to them very much to understand what their needs are, and the present the breadth of them.

For a number of years now, we have been very focused on the equity capabilities for the advice channel. We think it has been the right thing to do to have people forward-looking as they look into markets. And again, you've not seen the great rotation into US equities. You've seen some into international and emerging markets, but we're still early days. So again, it all becomes self-reinforcing. And I think you're right on the -- you're on the right topic. And we think we have made great progress in that area as compared to just three years ago.

Operator

Daniel Fannon, Jefferies.

Daniel Fannon - *Jefferies & Company - Analyst*

I guess just talking about the IBRA product, how many variations of it do you have now, and is there any that are coming up that are coming on significant milestones like a three year track record which might lead to an acceleration in some of these newer products or new regions?

Loren Starr - *Invesco Ltd - CFO*

So Dan, we have a few different configurations within the US and then other configurations outside of the US. So again, I haven't counted them all up, but we probably have close to 10, 12 different flavors of what we have. And ultimately, we'll even have more. I think in terms of ones that we're excited about but not yet onto any sort of landmark timing, is the Premium Income fund, which does asset allocation across a variety of high yielding asset classes. It has a very, very strong performance record for one year, and when you look at the flows, they are definitely getting stronger quarter by quarter by quarter. So again, early days to declare this is going to be the next big thing, but it is certainly a product that has a lot of appeal within the US, and is actually now being looked at very seriously outside of the US So we may be able to actually move this forward without the traditional three year track record in certain regions more quickly. So that one is exciting.

There's another product, which is global strategies product which was more of an alternative capability that is being targeted for high net worth individuals in the US. That has sort of generated some good interest. Again, early days, but it's one where it's certainly been growing more rapidly more recently. So that one has a lot of promise. But again, no three year track records yet that I can call out and say, this thing's going to suddenly take off at this point.

Daniel Fannon - *Jefferies & Company - Analyst*

Great, that's helpful. On the revenue side, the other revenues, you flagged a few things this quarter. Is this a decent run rate to think about this year? I know there's transaction things that are happening, but any help there from an outlook perspective?

Loren Starr - *Invesco Ltd - CFO*

I would use this as the best run rate forecast at this point. It's consistent, the way that we're looking at it internally. It has proven to be a very hard line item to forecast because there are some things that run through it. The actual transaction fees are very much a function of which funds may be doing the transaction as opposed to just the level of transactions in aggregate. But I would guide you to use current quarter.

Operator

Chris Harris, Wells Fargo.

Chris Harris - *Wells Fargo Securities - Analyst*

I want to come back to the ETF business for a second. Just wondering if you think that investors increasing their risk tolerance could potentially lead to a rotation out of beta neutral ETFs and more momentum into the active ETF product, which you guys have a great suite of products there? Is there any validity to that, something like that occurring? Are you seeing anything in the marketplace right now that suggests that could happen?

Martin Flanagan - *Invesco Ltd - President and CEO*

It's a hard question to answer, but again, if you take the product conversations that we've had, we have thought a natural progression from a conservative position of investors was from fixed income type into passive equities. And we saw that movement very, very strongly. If you look at our core ETFs, they have continued to get stronger and stronger. So with this idea of investor confidence increasing, I think that's is a realistic thought. And you could see that continue in time. And again, it would be consistent with the idea that it's not the vehicle that matters, it's the investment outcomes that matter and what investment philosophy that you're trying to meet. And again, it's consistent with we think the very strong equity capabilities that we have. They are going to do fine as people to get more confident coming into the market. And we expect that the ETF capabilities that will generate greater returns will also benefit. And so we would agree with the fundamental underlying point of your question.

Loren Starr - *Invesco Ltd - CFO*

The one thing I would say, just as some background context, our active equity sales are up 26% quarter over quarter, so we are seeing increased interest in active equities. With that said, our ETF -- traditional ETF business is doing very well too. So we're not seeing any sort of cannibalization. I think people are just generally taking on more risk, and they're doing it in a couple different ways in different portions. Ultimately, if we get into a full on great rotation type of scenario, you could certainly probably paint a picture where people will be gravitating less to index type oriented passive funds and more into active funds. And that would be great. I think we welcome that. The good news about our ETF line, obviously it's somewhere afoot in active and somewhat afoot in passive. So it's actually probably going to benefit under all scenarios.

Operator

Michael Kim, Sandler O'Neill.

Michael Kim - *Sandler O'Neill & Partners - Analyst*

Just a couple of questions. First, maybe to come at the flows from a bit of a different angle, can you just give us any color on how the flows trended through the first quarter as it relates to the underlying mix? So active versus passive as well as looking across the different asset classes or strategies. Just trying to get a sense of how the demand trends played out -- have played out thus far this year and any implications going forward?

Martin Flanagan - *Invesco Ltd - President and CEO*

Maybe I'll make a couple comments and Loren can too. I don't have all the details to answer that question, but I think what you saw here and consistent with much of the industry, January was uniquely strong. And we can debate the whys, but it was. It did continue for us, vis-a-vis prior months and quarters, at a very strong level. Again, I'm repeating myself, but it is a reflection of greater investor confidence and the performance that's being generated by the investment management teams. And I don't know that I can give any more specific to that --

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Loren Starr - *Invesco Ltd - CFO*

Yes, I think there is sort of a distinct trend where suddenly we're active and then we went passive or vice versa. I do think, as we enter in the second quarter, we'll continue to see the trends we saw in the first quarter. There probably is a little bit more of an orientation toward passive product right now than there has been in the first quarter, but it's just one month. So it's hard to sort of say that we're in any sort of permanent -- move away from active product at all. So early days into 2Q.

Michael Kim - *Sandler O'Neill & Partners - Analyst*

Okay, that's helpful. And then just second, if I'm doing the math right, it looks like less than half of your money market AUM is in prime money market funds here in the US. So just be curious to get your take on how you see regulatory reform playing out? And then, more specifically, if the FSOC or the SEC were to go down sort of that floating NAV route, does that change your thinking in terms of the value of that business to the overall franchise?

Martin Flanagan - *Invesco Ltd - President and CEO*

Just on the broad question, you're all seeing the commentary, so everybody is expecting some guidance here in the not-too-distant future from the SEC. With our involvement, what we understand is that the range of proposals we think it is a manageable outcome for the industry, and frankly, for us. We would not change our stance on where we are. We think it is a very valuable thing for investors, the money funds. And we can see a path forward coming out of the proposed forms, that will stay intact. And we do believe that the general goal is not to negatively impact the money fund market at the same time. So we're cautiously optimistic I would say.

Operator

Luke Montgomery, Sanford Bernstein.

Luke Montgomery - *Sanford C. Bernstein & Company, Inc. - Analyst*

Just on the margin expansion you showed in the quarter, clearly stronger revenues helped. And obviously, the progress is encouraging. You've given a lot of detail already. But I was hoping you would give us a sense of how much of the margin expansion could be attributed to deferred compensation or other cash flow timing differences that smooth expenses and might be expected or reversed in later periods? Was that a modest impact or something more?

Loren Starr - *Invesco Ltd - CFO*

No, I think it's steady as she goes. As we mentioned, we're accruing at a constant rate, so there isn't any sort of deferral and then suddenly catch up happening later. So that is going to help I think everyone in terms of their modeling. So going forward, as we talked about, the only real big moving piece is going to be payroll taxes. Now from fourth quarter to first quarter if you're looking at that change. Obviously, we talked about having a heavier back-end accrual in the last half of 2012. And so that has fallen to a lower rate quarter versus quarter. So that's certainly why variable compensation was able to come down. We also saw performance fees -- a different composition of performance fees in Q4 versus Q1. In Q4 it was trust Atlantic Trust largely, and that's at a higher compensation rate than the rate that we saw for Q1. So all of those elements allowed comp to come in where it did.

Luke Montgomery - *Sanford C. Bernstein & Company, Inc. - Analyst*

Okay, thanks. And then, I think it's broadly understood at this point that one the reasons for your relatively lower margin is smaller product sizes. And I think, specifically, the lack of a product or two that has scale globally. And if I think about the firms that have done that well, typically they have very strong distribution, especially on the retail side. So I'm wondering if you're satisfied with global distribution networks? Do you think it might be one of the things that's kept your products from scaling globally? And what types of investments in distribution are you implementing or planning at this point?

Martin Flanagan - *Invesco Ltd - President and CEO*

So again, somewhat being add-on to the commentary I talked about earlier, here in the US in particular, we really had a lot of work to do to get recognized in the retail channel and to move it forward. And again, I think just from that you're seeing, continued progress and being impactful in that retail channel and that helps. There's no question about it. The commentary earlier about greater success on the continent, that is a very important thing and very helpful, and that continues to build on it. So again, it is just an absolute focus of the Firm. The capabilities are strong and the performance is strong. And just being very focused on ensuring that we get the opportunity to deliver those capabilities to clients is a very serious focus of the Firm and it has been for a number of years.

Operator

Matt Kelley, Morgan Stanley.

Matt Kelley - *Morgan Stanley - Analyst*

So just coming back real quickly to the comp numbers, just factoring in the FX impact in the fourth quarter to rolling forward to the first quarter, sounds like you have $20 million to $25 million lower core when you back that out and the variable nature -- sorry, the higher payroll tax? So when you look forward, that's the delta. So I'm just curious, how much performance fee related comp right now? And if you're AUM isn't flat based on the strong inflows that you have, what should we be expecting for the type of leverage as AUM grows if we are modeling that for your comp line?

Loren Starr - *Invesco Ltd - CFO*

So I think in the past we've talked about incremental margins, and that is sort of in the range of 55%, 60% incremental margins. Thinking about how much of revenue drops into operating income, and that's probably the -- generally the right range for you to be thinking about. And largely, that component is flexing into the variable compensation elements. So hopefully, that will allow you to model where comp would go if revenues and assets rise. The ratios on performance fees can be quite different depending on which area generates them. So that creates a little variability. Probably the biggest variation was with Atlantic Trust, and again, that's probably not going to be a topic that you're going to need to think about. So they tend to be more modest in other areas. But to the extent that we have a performance fee through any part or any quarter, that will drive up compensation, clearly, to some amount. But those levels are not as extreme as what we saw. Did that get your question, Matt? I'm not sure.

Matt Kelley - *Morgan Stanley - Analyst*

Yes, it did, Loren. Thank you. The other thing I wanted to ask, guys, when you think about retail distribution, it sounds like increasingly ETFs and alternative products are increasing their penetration levels. So I'm just curious, with where you stand right now, you have a pretty diversified but maybe subscale in a couple areas -- alternatives, platform, and the ETF franchise that is a top five player. I'm just wondering if you're happy with what you have or you think there are other products that you're not currently offering that you think could sell really well in retail and fit really well with your current products as well.

Martin Flanagan - *Invesco Ltd - President and CEO*

It's an ongoing effort at the Organization to understand our investment capabilities and what's needed by clients. And again, I think what I would point to is our success of identifying those trends and matching them, whether it be things like IBRA, the Premium Income product, or --

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Loren Starr - *Invesco Ltd - CFO*

Bank Loans.

Martin Flanagan - *Invesco Ltd - President and CEO*

Yes, the Bank Loans and the like. We don't see gaping holes in the Organization. It's very, very different. There's fewer holes than -- but again, it is a very constant focus of ours.

Loren Starr - *Invesco Ltd - CFO*

And the other thing I would add, and Martin you can correct me, but we have been spending a lot of time and effort and resources on thinking about fixed income generally and becoming a bigger -- potentially, a bigger player in that space. Bank Loans are great, great product. I think we're one of the top -- probably top three, top five in that space. But there's certainly other opportunities within fixed income broadly that we probably have not participated as well as we can. And we continue to add capabilities and resources and technology that will allow us to be more effective there. So I think that's got to be an area of focus.

Martin Flanagan - *Invesco Ltd - President and CEO*

Yes, that's a -- so if you look at the credit capabilities, I'd say the Organization's credit capabilities are about as strong you're going to find in the marketplace. That's a good thing for the environment that we are in, but what's coming off of that are sort of a multi-credit type capabilities are something that we think we should be much more successful in than we are. And I think you'll see those types of things create success over time. So that's a very good point.

Loren Starr - *Invesco Ltd - CFO*

But that is longer term though. It will take years.

Operator

Chris Schulter, William Blair.

Christopher Schulter - *William Blair & Company - Analyst*

As you speak with institutional investors in the US and abroad, are you guys seeing much difference right now in terms of product preferences or risk tolerances by region?

Martin Flanagan - *Invesco Ltd - President and CEO*

It is interesting. I think there is a constant theme of seeking income within institutional clients. And I'd probably put it more specifically of moving out of protective mode to how do we -- how can we generate the returns that close the deficit that we have or to meet our target of return with ideally not using equities. It's a real hard thing to solve. So that's why you see a lot of, again, things into real estate, things into Bank Loans, those types of capabilities, Premium Income. Again, that said, there are some very smart investors moving into equities, and we are seeing that. But the theme as people, and I think it's a good -- ultimately a good trend that people are realizing they're going to have to generate returns to close the gaps. So that would be a view in Asia broadly Greater China, Japan. That would be -- interesting, in Japan there's greater conversation in equities than you've seen in a very, very long period of time. How much that takes root, we'll have to see. And again, here in the states we've talked about that at some length. It is consistent with the conversations we've just had.

Loren Starr - *Invesco Ltd - CFO*

The other thing I'd say there, a couple interesting things, I think Quant is factoring much more strongly in Europe than it has in the US. And so, that's probably still work to be done at some point to see if that becomes more of a theme. And then things like private equity is probably more of a US focused product as opposed to necessarily having as much opportunity outside of the US in Europe -- in continental Europe. So they're different flavors that work in different locations. But generally, most of our products are across the globe being offered.

Christopher Schulter - *William Blair & Company - Analyst*

Okay. And then just one follow-up. So I saw that you put out a press release yesterday about income investing, and clearly, that's a trend you guys have been benefiting from for a while. So just curious what the takeaways from that press release should be for us, whether it's more just a formalizing something we already know or if you're going to be actually making any changes to distribution strategy, marketing, et cetera based on that?

Martin Flanagan - *Invesco Ltd - President and CEO*

No, I think it's reinforcing the focus and factors that we've been on for the last number of years.

Operator

Gregory Warren, Morningstar.

Gregory Warren - *Morningstar - Analyst*

I know we touched on the flows a bit so far during the call, but I'm looking at them on a month by month basis. And if you strip out January, really for the industry overall, flows are looking not much different in February, March, April than we've seen over the last four or five years where taxable bond funds are taking the bigger piece of the pie. There is some interest in equities, but it's mainly on the passive side. I'm just wondering if that's the same sort of thing your seeing within your portfolio? And then can I add a follow-on question about the Canadian markets?

Martin Flanagan - *Invesco Ltd - President and CEO*

So again, as I mentioned earlier, we are seeing it more broad. We are seeing people moving more broadly outside of taxable fixed income. For us, it would be alternatives -- asset allocation, international equities, equity income tax products. So again, I think it is broadening for us.

Loren Starr - *Invesco Ltd - CFO*

Yes, and I think, Gregory, you may be looking purely US in your view. And obviously we're taking the perspective of the broader global opportunity, which is quite different in some cases with what's going on. So a little bit hard for us to draw a conclusion and get our own specific point, which is exactly what Marty said, is we're seeing strong flows into the products that he just mentioned. Asset allocation continues to see growth and international equity and some other areas. But hard to comment on the trend for the whole industry.

Gregory Warren - *Morningstar - Analyst*

And I think you're right, Loren. I think that's part of the issue is we're tending to look a little bit more at the US-centric data, which skews it a little bit. But that was the other thing I didn't bring up too, the moderate allocation, as you look over the past four or five years, that's actually been one of the better growth ones besides taxable bond funds. So spot on with that area. Just think about Canada overall, with iShares picking up Claymore last year and kind of building out a bigger piece of that pie up there on the ETF side and Vanguard getting a little bit more aggressive, how do you guys feel your position there. And where do you see the growth in that market? Because it pales in comparison to what we have here domestically.

Martin Flanagan - *Invesco Ltd - President and CEO*

Again, we think it's an opportunity. It's a relative opportunity, as you point out, but again, the ETF introductions that we have done in Canada have been -- they really have been successful. Again, it's copying the playbook in the United States. It's been very complementary to the advice channel. It's worked very well with the advisors there. I think also importantly, what's hard to follow is that, what happens is, and this just not unique to Canada, but also -- investors start to come to the US exchanges to buy the Invesco PowerShares ETFs here in the United States. So again, the greater recognition of ETFs in a marketplace, it is beyond what you see locally. They tend to go to the home exchanges also. So for us, it's been a very nice contribution to the Invesco PowerShares franchise. But more importantly, broadening out our ability to meet investors' needs in Canada. It's been a very good development.

Loren Starr - *Invesco Ltd - CFO*

Yes, and again, probably just worth emphasizing one more time, our goal is not to own the ETF market in Canada or any location. We're focused on this type of ETF capability that's sort of this better beta enhanced access type of capability, and that's where we want to be well recognized and well-known. In terms of what BlackRock might be doing up there, that probably is not as relevant necessarily to our strategy.

Operator

Robert Lee, KBW.

Robert Lee - *Keefe, Bruyette & Woods - Analyst*

Just a quick question. I apologize if you had addressed this earlier, but I had got onto the call a bit late. On the balance sheet, I noticed that you had the sequential jump up in the outstanding on the credit facility. And I guess a couple questions related to that, understanding you have bonus payments and things like that in the first quarter. So should we really be thinking this is So how should we be thinking about capital management the next couple of quarters? Maybe pay that back down? Should we think share repurchase? And maybe this is a better run rate in terms of dollars spent, thinking about share repurchase over the next couple quarters?

Martin Flanagan - *Invesco Ltd - President and CEO*

Great, Rob. I think I'm going to offer you a job in my treasury because you know my cash as well as anybody. Yes, it's exactly what you said that our bonus -- we pay out bonuses. That was a big component. We also completed the acquisition of the 49% equity interest in Religare. So that was another part of it. And we did not get a dividend in this quarter, which in the past we have. That's going to happen in the second quarter. And so that will bring those balances down. And pretty much -- we're well on track in terms of our continued focus on over time deleveraging and bringing down the credit facility. We feel with one point -- more than $1 billion dollars of cash flow coming through in operating income this year, that we're going to be -- we'll be successful at attaining our goals of bringing down the credit facility over time.

Robert Lee - *Keefe, Bruyette & Woods - Analyst*

And I guess most of that $1 billion was for the -- being able to bring back the dividend that tends to occur the last three quarters of the year as opposed to an even spread so to speak?

Martin Flanagan - *Invesco Ltd - President and CEO*

Yes, that's right. It can be lumpy. It will happen twice a year typically, is the way that happens. So it probably second quarter and fourth quarter would be our expectations. And that will help us. Obviously, it supports our dividend that we announced externally in terms of the 30% increase and as well as buybacks.

Operator

Marc Irizarry, Goldman Sachs.

Marc Irizarry - *Goldman Sachs - Analyst*

Just on the path of redemption and the low fee redemption that you mentioned, is that kind of a one-off? Or if you look at what's going on in the passive business, is there sort of this movement -- some more movement going on there in terms of that business maybe getting a bit more competitive or the smart beta wave taking hold?

Loren Starr - *Invesco Ltd - CFO*

Yes, Mark, I'm happy to say that is absolutely a complete one-off. It has nothing to do with anything, and it is -- actually, we'd expected it to go, I don't how many years ago, it never left. But we've finally been notified about it. So it is one that has been around for a while. We don't have too many more like that.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay. And then Marty, can you talk a little bit about your alternative strategy? We've heard a lot about the lines kind of blurring between traditional and alternative strategies. Maybe how, if at all, acquisitions might play a role in how that business sort of shakes out in the future?

Martin Flanagan - *Invesco Ltd - President and CEO*

Yes, it's surely very topical. And again, I think our view has been very much focused on the areas where we think we can do a good job and meet investor needs. So if you look to the capabilities we have, whether -- and we all classify them differently, but we want to be real estate, Bank Loans, different type of credit, private equity, Private Equity funds, those things that we have. And then elements, frankly, with our Quant teams with long/short capabilities and some of those strategies. So we again, with the capabilities we have, just continuing to extend them as we think they make sense for our clients.

I think it would be a little too early to declare beyond those types of things that you're seeing already, largely -- and I think you're probably talking about in the retail market -- things like real estate, things like Bank Loans, things that are there that have done well, they'll continue to. I personally think some of the conversation is beyond -- sort of ahead of itself. Things like -- I don't know -- risk arbitrage, global macro, those types of things being available and fully understood and accepted in the retail channel, I think you're some good ways away from it and probably for good reason. So again, I think people are seeking different asset classes and also into commodities, those types of things. I think those are natural progressions. I think the full extent of some of the conversations are ahead of themselves if that is helpful, but that's our point of view.

Operator

At this time, I show no further questions.

Martin Flanagan - *Invesco Ltd - President and CEO*

Again, on behalf of Loren and myself, thank you very much for joining us. And have a good rest of the day.

Operator

Thank you. Today's conference has ended. All participants may disconnect at this time.