Mike: It's my pleasure to introduce our next company, Invesco. With us today is Loren Starr, CFO and Greg McGreevy, Senior Managing Director of Investments.

So Loren is responsible for finance accounting, corporate strategy, and Investor Relations at Invesco, and Greg oversees the CIOs and Invesco and he's also the sponsor of three of Invesco's growth initiatives, including multi-sector factors and solutions.

Invesco is one of the largest US public asset managers that serves a global client base in a host of different ways. Invesco is one of the leaders in ETFs with its Powershares suite, in addition to the acquisitions of Source and Guggenheim. Invesco is also a leader in the active management space, and more recently with more scale post the Oppenheimer transaction.

So Loren and Greg, thanks for being here today. Maybe just to kick it off, and this is for Loren, for Oppenheimer, the synergy target, the timeline, achieved much faster than I think a lot of people expected. Maybe just relative to the original expectations, like what drove, not only the faster timeline, but even the higher level.

Loren: Thanks, Mike. So I think we always knew that coming into this transaction that there was opportunity beyond the 475, which is the number that we talked about publicly, but we weren't certain until we really got into it and actually had the opportunity to manage the business and understand what sort of resources were going to be required. So really it was just this last quarter where we were running the business in combination for a full three months that we realized that some of the investments that we thought we had to made were not going to be required. And so, we were able to provide release in terms of more synergies. Most of that was in the area of compensation so it was really people related. There's still opportunities for us to do more I think in certain other areas.

Mike: And maybe just on that, when I think about all the areas that you guys were originally expected and the timeframe, through 2021, any like other potential areas that maybe not this quarter or next quarter, but as you kind of go through that time horizon that there could be pockets of additional.

Loren: I mean definitely. We were successful I think on the people side. I think some of the other more complicated, longer term parts of the integration are still ongoing, in particular around some of the technology aspects, some of the property aspects. So those are areas that I think if you were to look at our number for the third quarter annualized, we're still behind what the number that we talked about when we first talked about the synergies in the first quarter is sort of tens of millions of dollars behind that. So I think there's still opportunity for us to see further savings, particularly in the tech, property, and office area.

I mean one of the things that I think we'll look at is whether some of that investment or some of that savings drops to the bottom line or whether we are going use it for future investments. So the 501, which is the number that we've talked about, is the number that we're now publicly committed to in terms of making sure that that shows up, but there is certainly opportunity for us to drop more.

Mike: And then when you guys announced the Oppenheimer transaction, it was more about, like not as much overlap with Invesco. So from a growth opportunity you had different capabilities, broader distribution, and that stuff takes longer than like the synergies. But when you think about some of those opportunities ahead with the obvious like challenges that the industry is facing, like what are some of the like more attractive areas that you see with Oppenheimer on the platform?

Loren: I mean we were very much sort of excited about the new investment capabilities coming over from Oppenheimer, particularly in the areas of global growth. We had emerging market equity, emerging market debt. Those are three of the top categories of capabilities that are in demand, particularly outside the US. So we think that those are going to be really marketable when we bring those to market outside the US and we're already seeing that opportunity in our C Caps(?)

We launched several products in the third quarter and we're already seeing a pipeline beginning to form in terms of people wanting to invest in those products. So we mentioned about the 100 million that we won just last quarter. That's just the beginning. We know that there's a lot of investment demand or a lot of demand for those products.

In addition, I think the ability to take some of those products to the institutional market is very real. We have billions of dollars of qualified opportunities that we're looking at already on the institutional side in terms of some of these capabilities. And so, that was another opportunity that I would say Oppenheimer(?) never really had the full opportunity to explore given that they were largely retail.

And just one last point. I think the other elements to the whole transaction that is not yet fully sort of shown itself, but we think is very real, is really the partnership with MassMutual, which is they're going to be a very important partner to Invesco going forward. And in particular, I'd say their distribution network is one where we're establishing a distribution relationship with them. They have more than 8,000 advisers that we can start looking at our product going through their platforms. And in addition, there is sort of limited but real opportunity around their general account in terms of what we might be able to do there, particularly around the _____ capabilities.

Greg: Maybe just to add onto a little bit because I think you talk about these opportunities which are real and so we're trying to get that intersection between where we have good investment capabilities and market demand. And so, some of that is a little bit obvious when you kind of look at the things that were mentioned, that Loren mentioned, on EM equity, EM debt being very big categories, global equities being the third.

What we've done to kind of speed up the ability for the intersection of investments, marketing, and distribution is spend a lot of time between those three groups really talking about what is the opportunity, where is the demand in that marketplace, doing a lot of training within our sales force to really understand the new capabilities from legacy Oppenheimer. And in some cases also promoting, Invesco, if you will.

So we put together, which may sound simple on one hand, but it really gets the focus of our distribution for some demand grids and retention grids across each region and channel. And that allows our marketing and distribution force to be super focused on the things that are going to be in demand in the marketplace and allows our investment teams and our CPMs to be able to interface with them on the things that really matter.

So we think we're at a really good spot. It does take time. I totally agree with the point in the question, but I think we've really tried to take a pragmatic approach to accelerate where we think there's some real opportunities from the legacy Oppenheimer active capabilities and where there's demand in the marketplace to really promote those.

Mike: No, that's helpful. So talent management's always a tricky thing in a people intensive business and when you do a transaction it tends to be even more of a challenge. So when you look at maybe talent retention, talent management with Oppenheimer, like how has that like progressed relative to expectations?

Greg: Well, I think the headline is we feel really good about talent retention. We really had few, if any, turnover within individuals that we want within the organization. I think if you step back, so that'd be point 1. I think point 2 is we really looked and we had the opportunity and a unique opportunity at that to take the best talent within each of our areas and kind of upgrade our talent in a number of different cases. So, for example, the product managers and CPMs that existed at legacy Oppenheimer had a number of capabilities that frankly were stronger than some of the CPMs that we have within Invesco. So we're able to take the best talent within that team and the best leadership and put that together we think in a much more meaningful way. So I think so far its early days, but we feel really good about not only where we're at within our teams; that was one example of what I gave.

What we're really trying to is integrate and surround a lot of our investment talent especially because that's where the rubber meets the road, is making sure we're retaining that talent and the business individuals along that to surround them with the best of the organization to be able to do some of the things we talked about before and commercializing a number of the investment capabilities across the firm and to make sure that they're getting the strong support that they need to feel good about the combined organization. At the end it's all about what does this really mean for me now that I've gone to a new organization? There has to be a number of benefits they see from that. And we think that there are and we're trying to show those benefits directly.

Mike: So if I shift to just like the organic growth, like the flow outlook. So I think if you take a longer term perspective, Invesco's generated inflows like pretty consistently over time. Obviously the last year or so has been more of a challenge. You guys have pointed at some things in terms of the industry headwinds, some pockets of performance issues, more exposure to Europe with Brexit concerns, and then value being out of favor. So when you sort of look at the Invesco platform, what are the areas where you're seeing like good performance, good traction in terms of demand by clients? And then in some of those pockets of issues are you maybe starting to see some of that like shift or alleviate?

Loren: I'll start. You can correct me. I mean the good news is the majority our assets are growing and if you look at the pockets, ETFs, 20% of our assets are in the ETFs. They're growing at sort of a rate of 14% organic growth rates year to date. It is one area that we think is going to continue to be a driver for growth for us into the future. We're one of the few asset managers who have a pretty strong capability there so we can bring those capabilities to our clients.

I think the other area that is performing really well is fixed income. Again, we have about 20, more than 23% of our assets are in fixed income. It's a great capability. Again, great performance. And again, selling across the spectrum of alternative to sort of more plain vanilla types of capabilities, both retail and into institutional.

Another area that I think is a really exciting for us just in China generally. And when you think about our positioning there, about 6% of our assets are in China. That's about 70 billion Greater China. That is a market that is growing rapidly. Huge opportunities for asset managers who are positioned there. And I would say we're really in a very strong position. That business is growing at sort of a 25% growth rate. Half of that is money market, so there is an element related to some of our relationship with _____Financial. But the rest is active equity, active fixed income so great capability.

And then the final point, and then I'll let Greg if you've got anything to add, really is just the area of alternatives. Alternatives represent about 15% of our overall assets under management. About half of that is private market capability and that is growing at a steady sort of rate of about 5%, with the private market piece growing a little bit faster in aggregate. So we think there's a lot that Invesco has right now that is in high demand. It's clearly the headwind has been in the domestic equity part. That's been the hardest part and it is a substantial part of our assets.

Greg: Maybe I'll just drill into some of the things that Loren mentioned. Then I'll maybe mention one other that he didn't. So on the ETF side we have about 250 billion or so of the ETF assets. I think we're known to play in that smart beta space and we really break down kind of that component of the passive marketplace. And when you start getting into the active space factors is really going to be where there's a massive, we think growth opportunities. So whether you call them factors or smart beta, that combination, we're well positioned we think in that space. One of the few firms that can do and has a long history of doing equity, fixed income, and commodities in that space. I think that's one.

Customized portfolios or solutions. There's a lot of different names around that. It's been a, I think the growing trend in the industry. We've invested. It's been our single biggest investment in the firm, our solutions capabilities overall. We think we have some very unique capabilities that differentiate us from a lot of other firms that play in that space. We're starting to see a tremendous pipeline and traction. We mentioned on the earnings call we just won an $11 billion mandate and followed that up with another $1 billion dollar mandate win. So that combination we think is going to continue to gain traction as people move away from products and into help me solve some of the unique needs and challenges that we kind of face.

I think on the alternative side, that's largely kind of in two areas, real assets, some of which we've benefited in the real asset space from the acquisition of Oppenheimer. And then in private credit and private markets overall, we're seeing still very strong demand in real estate for that portion of private markets. And then in private credit, both bank loans and what we're seeing in senior debt remains a very, very strong and robust capability that we have and very strong demand in the marketplace.

Loren mentioned fixed income. A lot of that growth, if you look at our fixed income portfolio, it's about 70% institutional. We typically have not had a huge amount of traction on the retail side. If you look at our flows recently, it's mainly been in the retail market where we've been able to get those flows. The pipeline and the demand for fixed income, despite rates and a lot of other robustness and valuations right now, remains incredibly robust and strong. And we have about 90% of our total assets under management in the top half of peers and about 50% of our total assets in the top quartile. So really strong performance, very stable teams across a number of different asset classes.

And then equities, which Loren kind of mentioned, the Asian equity area, which is strong, but we think EM equities and what we talked about before and global equities will still be an area of kind of strong demand in the marketplace and kind of an area of growth. So it's kind of in those five areas today that we see the opportunity for acceleration of organic growth.

Mike: Maybe just hitting on one of those, so the Asia opportunities. So you mentioned China. You guys also have some traction in Japan. So just when you think about that opportunity, what's been driving that? And then within China, I think you mentioned the money markets, which I think is what we all focus on, but how much like broader is that opportunity becoming and are you starting to see traction in some of the other product areas besides money funds?

Loren: I mean our Asia-Pac part of our business has been one area that has continued to grow. It really has been based on our success in China, but certainly Australia, Japan, Taiwan, some of the other areas that fall within that region. We've been very consistent and in that region for decades, so we're well known. Our brand is well recognized in those markets. And the performance of the products that are being managed in those areas is excellent. So we really have all the wind at our back really around some of those capabilities. We think in China in particular, again, the level of change and opening up the markets has been significant, really been helpful for asset managers like ourselves who have a presence there to gain traction.

Our joint venture, I mentioned we're about 70 billion of assets in Greater China. Our joint venture, one on power, which is the largest utility company which we formed way back in the early 2000s, is about 50 billion or sort of 40 billion of that. In that area, that one joint venture has been growing in leaps and bounds really because of the relationship with _____ Financial. But what's interesting is that the digital platform idea is really taken hold in China where more and more consumers are using these platforms as a way to invest their money. And about half of our flows, they're actually coming from, not just money market, are coming from digital platforms. So we see really the opportunity to do more, really expand our presence through digital platforms is a real major opportunity and we are currently exploring further opportunities even beyond in financial to do that.

I think also the opportunity to do partnerships with larger institutions in China is a very real thing and is one that I think will, to the extent that we are successful sort of establishing some of those partnerships, will open doors even further for us. So Marty just came back from Asia literally last week and he's confirmed everything that we believe in terms of strategic. This is probably one of our largest opportunities for the firm just generally in terms of growth and expansion.

Japan's another area which is – I mean it's a huge market. We have great presence there. We have about 35 billion of assets under management there. A lot of fixed income real estate and it's across the board kind of capabilities. It's a mix between retail and institutional, but probably more institutionally focused than retail generally. Flows have been a little bit slower there, but it is one where, again, we think the opportunity for us to see that change and actually move into inflows is very real going into 2020.

Greg: The one thing I'd add to that. If you kind of look at China from a net flow standpoint, even though the assets under management on a relative basis are somewhat small compared to _____ North American counterparts, it's a pretty big portion of the flows, if you will. So strategically we are well positioned for the onshore marketplace with the joint venture that Loren talked about. We have a very, very strong and capable team in the onshore market and those lines are going to continue to get blurred as we move forward. So strategically we're going to be well positioned to kind of leverage off of that capability.

The partnership opportunity, which is always one of those things that you never know exactly what could happen is, is real and it's accelerating at a pretty rapid pace. So what specifically is that? It's firms that have large customer bases who believe that they can offer different types of wealth management products that need an asset manager to come in and partner with them to provide those capabilities and a host of different services and an array of different investment outcomes that they want.

So we think we're very well positioned in that marketplace to be able to be one of the asset managers that can partner with these firms. So where that goes, the opportunities are massive right now. We'll see as this continues to develop, how big that opportunity can be. But any one of these in and of themselves could be a little bit of a game changer for us should we solidify the relationship and be the asset manager that's going to be selected to provide those capabilities through their distribution platforms.

Loren: Another thing I would just say is I also think fee rate, which is a big topic. Everyone looks at fee rates. I mean in Asia and particularly in China the fee rates are still quite healthy and you can look at our financials. We break out some of the financials for our joint venture margin. For that business is an excess of 50%.

It is a very profitable business for us. And so, it's one that if we can grow will definitely be a driver for margin expansion and profitability for us.

Mike: So another area that you mentioned was just the ETF business and the opportunity there. So it seems like a lot of ETFs on some of the platforms are used in like some of the model portfolios and that has driven like a lot of growth in certain channels. So when you just think about from like a distribution opportunity with like the wealth platforms, like how maybe like penetrated is Invesco with working with some of the distribution houses to include like the ETFs in the portfolios.

Loren: Well, I think we've seen a significant opportunity to offer model portfolios to some of our existing clients, but probably one of our most exciting opportunities is around the digital platforms that we ourselves are in the process of launching. So we've talked about Jemstep, which is a digital advice platform. We have a major money center bank that we're working with right now. We can't name the name, but at some point we'll be able to talk more deeply about that one. But that is an opportunity for us to take our models and sort of offer them through pretty significant set of assets under management or AUA. That could turn into AUM through these models.

Similarly I'd say in the UK we've talked about Intelliflo, which is a same concept. It's a digital practice platform that is used by the majority of or not the majority, but 35% of the UK IFA is use that platform. We own that platform. It's the fastest growing platform in the UK and it has more than 450 billion Sterling in terms of AUA. And so, that's another area where we just recently launched model portfolios into that system where once again you can see the use of our products, ETFs, even active product being used in that context.

So I think in terms of opportunity, those are probably the two that are highest, at least on my radar screen. I think in terms of us participant in other model portfolios across other more traditional client bases, we're absolutely working through that with the Solutions Group. We're competing head to head with others who offer those capabilities. But again, we probably have a little bit of a better chance through our own platform then sort of the head on head competition.

Mike: And then just in terms of the direct opportunity in terms of just your average investor, like buying an ETF from an Invesco. So with the brokerage platforms going to zero, it's gotten probably a little bit more competitive; meaning it seems like it's a little bit more of a neutral like playing field. And so, does that change much from like an investor standpoint or when you look at a lot of those platforms where you already like competing head to head and didn't have any like priority on those platforms.

Greg: So look, I think where the fees are going on the brokerage side is going to create some additional support for products like ETFs, if you will. And so, I think the question is, is there some value proposition in terms of what your product lineup can provide because they don't want to have – for most of, both the on the brokerage community I think and in the platforms they want to go to fewer providers. And I think that's a mantra that exists in the retail market, as well as the institutional side.

So as I kind of mentioned before, as it relates to our ETF lineup, there's very few firms that kind of have the breadth and scale that we do across both the equity, fixed income, and then other things that we can offer in the alternative side, if you will. So where the direction of travel is going or the fees are going and where our product lineup is, we think we're well positioned.

I think we're on the platform side, to get back to earlier question, I think we're well positioned, but we need to do a better job there. We're spending a lot of time trying to get entrenched, especially in areas that are complimentary like fixed income, which is still a little bit more in its infancy. And then on the brokerage side, we're spending a lot of time with the big brokerage firms out there to make sure that our models and if we're going to use our models, as well as our product lineup is going to be used there. So that's just an execution issue where we've got all the underlying foundational capabilities we think to be successful there.

Loren: I would say, I mean I think the sort of announcements around zero commissions and around some of the big platforms, I mean we generally do that as a positive for ETFs generally and the use of ETFs. We're a big providers, so, it may open up more competition on those platforms, but ultimately I think it's one where the market will grow as a result of that. And we're very well positioned, as Greg was mentioning, just generally within the ETF space to be able to sort of continue to, I think thrive even with that kind of mindset.

Mike: And then just one more on ETF. So you guys recently file like the active ETF offering. There's others out there and one's gotten approved, but just from your guys' perspective, why maybe do it under like the Invesco like brand or like that offering versus just piggybacking off of someone else that's already out there if they get approved.

Loren: I mean we're intrigued by all these models. We think they're all supportive of sort of an innovative, new capability to offer a product into the marketplace. I think everyone's looking for the better mousetrap to see what's the best vehicle. I think there's some good ones out there. I don't think we say we wouldn't consider some of the ones out there and using them, even with the one that we launched. We felt the one that we launched is a bit of a better mousetrap. Certainly one that we think the account participants might like more. There are various features of it that we think are more attractive than some of the other models.

Again, without getting into the very specifics in terms of the trading and liquidity of the products, we think we have a superior capability. It is one where you could see. There's an affiliate, a broker that we would be using as part of our concept so that will help with the liquidity and also sort of making sure that a portion of the portfolio is hidden, but not at all. So it makes it easier for the account participant to sort of manage that. So again, there's more details to it. I'm probably not doing it justice in terms of talking about all the bells and whistles. But I know our own team feels that it is actually got some very attractive features that would potentially make it even more attractive than some of the existing models out in the market.

Greg: Yeah, and I think Loren mentioned a couple of things here that are really important that sometimes get overlooked and our ability to get liquidity through the affiliate broker and have an ability to add value. Strategically what we're trying to do is very simple. We have a certain set of capabilities and to offer those capabilities and the right product chassis to meet customer needs, if you will. If they want that for tax or a whole bunch of other reasons to have, in this case an active capability and they want an ETF chassis to do that, then we want to offer that. And so, that's really simply what we're trying to do.

And then we have to say, okay, if we're going to put it into the non-transparent ETF, how do we make sure that we meet all the requirements to provide that value proposition and the delivery of some alpha generation to the end customer. And that's where we get into a lot of the things that Loren talked about that can get overlooked, but are kind of part of the value proposition.

Mike: Loren, you mentioned with Asia, just from a pricing standpoint, things on the higher side. I think for the industry like pricing has always been like a concern or an issue and more recently probably a bit more pressure, partially given the rate environment and stuff like that. But I think a lot of investors look at it and you kind of look at it too, like aspects. One is where your products, from a pricing standpoint, relative to the competition. So do you feel like from a competitive standpoint you're in a pretty good spot? And then over time, from a flow standpoint, where is like the growth coming in at the firm and is that going to continue to weigh on the fee rate?

Loren: Yeah, so I think – I mean we definitely saw pressure for the industry, probably heightened. Wasn't probably any worse than it was in 2018. I think the idea that it's going to keep at this pace is probably unlikely. There probably will continue to be some form of pressure, though, going forward. Generally we feel pretty comfortable about our product range. We do benchmark all our products on a regular basis. We look at are there any that are out of line and generally our products are well priced. I mean certainly in the US in particular. You look at some of our largest funds, the equity ones, they're 35, 38 basis points. And those are pretty well priced relative to other equity capabilities.

Our focus has been to continue to understand consumer sentiment. We've launched new products that do have lower fee rates. Obviously ETFs is. We continue to launch new ETFs. We've looked at different pricing share classes and other things, too. So it's more around structure as opposed to sort of repricing or taking down the management fee on the back book. It's been more really sort of how new products can get launched. Sub-advised, it's another case where we see in Europe, for example, sub-advised product is very big. That's at a lower fee, but it's one that is growing. And so, our fee kind of dynamics are largely driven by mix as these new products, new sales, in terms of these different share classes, different products come through relative to seeing back book of product.

I'll tell you one thing, though, is that generally, I mean it kind of looks all negative, but, one, I'd say we feel very good about the fees with our ETFs. They're high margin products for us. And so, people think low fees, it's got to be low margin. That's not true. As long as you are able to deliver scale, it's actually absolutely a wonderful product. Same with money market, for example; low fees, high margins. I think the real trick has been can you grow it faster to offset some of the sort of outflow on some of the higher fee product. And that's been the real dynamic that we've been sort of seeing right now.

But as long as we can continue to grow the lower fee products at a faster rate than the outflows on the higher fee, we should see our rate be reasonably stable. And certainly if we can see growth in places like China and on the institutional pipeline, which we've talked about before, the fee rate on the product coming in is at a higher rate than the firm overall fee rate, about 20 basis points higher and certainly higher than what's going out. And so, that dynamic also is very helpful for stabilizing fee rates going into the future.

Greg: So we constantly look at our fee rates as you would expect and we kind of make sure that we're in kind of the top third from a pricing standpoint relative to our competitors. And we're also looking on our active products of what is the objective and how much alpha have we produced in value for money construct relative to the management fee. And that's, I think what a lot of people should look at and they are looking at it.

So I think the overall fee in our business, to Loren's point, is going to be in part where demand is going to be and what our asset mix overall for our active strategies outside of what we've seen from a flow standpoint, outflows in the US. Our fee level on those products really hasn't changed that significantly; i.e. if you're producing alpha and you price your products effectively, we're kind of seeing individuals, because of the scarce alpha generation that exists out there in that space, people willing to kind of pay for that.

Mike: So one of the areas that can offset some of that would be the alternatives; meaning that part of the business has more attractive fees. When I think about Invesco, like the real estate business has always been like kind of a key area. More recently like the bank loan stuff has been a little bit more challenging, just given the right backdrop. But when you think about that offering, like maybe what's the outlook? Like on the real estate side any like big success or funds or I mean anything like in the pipeline from like a fundraising standpoint or is it…?

Loren: We always have products out and we always are raising funds, I think unlike maybe some of our competitors that are ultimately big, big funds and they to do smaller funds on a global basis. And so, that's been the general mode. I think we're particularly excited about some of the alternative products moving into the retail space. They're definitely examples of success in that area and it's one where we think we could also follow suit.

A good example would be what we call our INREIT, which is sort of private REIT sold through the retail channel. And that's one where, again, you can see pretty sizable opportunities. We already have looked at and we do have capabilities in direct real estate in some of the retail channels. Some of the 401k capabilities you can see some direct real estate actually finding its way through there. So that's a pretty new area of exploration for us and one that we think is really, really potentially large and certainly the fees are significant both on the retail and the institutional side.

Greg: I think one of the areas we're seeing a big demand, to the other part of your question, is bank loans you write have been challenged from a flow standpoint. But in the private credit space, which is an opportunity to offer bank loans higher up in the capital structure, private debt in the middle market space, and then distressed, even though the distressed market clearly is not distressed right now, but we could argue we're kind of at the end of the credit cycle. The opportunity to kind of play and offer an overall capability that allows us to move between those three capabilities is something that's gaining quite a bit of traction.

So we can offer those on an individual basis. If somebody just wants private debt, we've got a growing team within that space. We're very strong in the distressed space and we're one of the leaders in bank loans. And the ability to pull that together we think is an opportunity that a lot of people, especially given where we're at in the credit cycle, are now kind of _____. So we'll have to see how much traction we get in that space, but the pipeline is growing in that arena.

Mike: And then one of the areas that you guys mentioned from a headwind standpoint has been on the equity side. And we said up front like whether it's more exposure to Europe, some performance issues, some stuff out of favor like value. Like you've kind of been like kind of in the target zone of a lot of these things. It seems like that shift from growth value we're seeing a little bit of a turn there or a shift. Just maybe size up like when you think about like how the firm's position in terms of value growth, like what could that potentially mean based on like you have to go way back, but like past values, like _____.

Greg: Well, look, we've done a lot of work on this as you'd expect and I think most of – the two teams that have probably been most impactful on the equity side have been our UK team and our US kind of equity team. We've got a decent amount of assets in kind of both areas. They both have a very strong valuation bent to their investment philosophy. And so, when you look at a market with high correlations of individual stocks to benchmarks, even though a lot of these groups are benchmarked are now _____, the firms or the companies that really have had the most explosive returns are those that also have extreme valuations in many cases and we're just not going to invest in those companies.

So what we are starting to see is a turn in both the growth and value cycle. We're starting to see our performance over the course of this year continue to change. So if you just look historically at these groups, they're incredibly well-seasoned, well tenured, very strong investment processes. It wasn't just like suddenly they lost their complete ability to invest in the marketplace. There's some dynamics that I think are not unique to these groups. The average equity investor kind of in those markets, only about 10% have outperformed their relative benchmark. So it's an industry phenomenon. We haven't just sat back on our historic laurels. We spent a lot of time really working with the group to raise the bar through some deep dives that myself and a number of other of our best investors and going in and spending time with that group just to make sure those teams that we fully understand the things that are kind of going on.

I guess the headline is we're highly confident that those groups will continue to produce the results historically that they have. We're starting to see some early signs. Don't want to declare victory in any stretch, but I think if we sat here three years from now, and hopefully we can, we'll say, look, our equity performance in aggregate is back to the percentages in the top half appears that historically we've been able to produce. And it wasn't that long ago. If we sat here we'd have 75% of our equity funds in the top half peer groups. That number's a lot lower today. It's more in the 30% range. We'll get back into that 75% range. It's just going to take a little bit of time.

Mike: We have a few minutes left, so I'll just opening it up to the audience to see if there's any questions out there. One in the front.

Q: Hi. So you guys talked about the high fee rates and strong economics in Asia versus the US and I was just wondering what's driving that and if you expect it to get more competitive over time and fee rates become more in line with US fee rates.

Loren: A good question. I mean we generally see that outside the US. Fee rates are higher. Same with Europe. Just not different than that. I do think it's one that the competitive dynamic will, as things mature, you'll see the fee rate dynamics probably find their way through Europe as they are a little bit through MiFID II and probably at some point through Asia. It's just a matter of timing. And so, they're probably 10 years behind a little bit in terms of thinking about where those dynamics are.

But it is interesting. Certain countries and certain regions are surprisingly resilient to fee changes. I mean we've always looked at Canada, for example, has been sort of surprisingly high fee and it's one that is pretty mature, but it still sort of maintains a pretty high fee. So again, it's a little bit a function of how distribution happens and the economics of distribution as well as who the competitors are. And we've not seen some of the sort of cutthroat pricing activities that you've certainly seen in the US where you've had certain participants really going to zero. That has not been the case. But I mean it's always there.

Greg: Look, I think to the first part of your question, the demand I think for flows in that marketplace is going to continue to be very high. So I think to the first part of your question, we're going to expect demand to be strong and probably accelerate. I think for the products like the money market products, you are going to see, I think fees to begin to come under a little bit of pressure as we move through that. What will offset that is the movement from money market funds into a variety of other products within that marketplace.

So the risk spectrum, they're starting off at the kind of the lower end risk spectrum and then they'll begin to move out and we're starting to see that moving into other areas of fixed income, whether that be short-term bond or international bond, global bond, things like that that will have a higher fee rates. So that mix, which I think will be somewhat offsetting. I don't know exactly how that's going to come out in the wash, but I think you should think about it as very strong and continued demand I think for products. And then this mix issue is going to be sorted out in the marketplace and fees will be sort of…

Loren: And the other thing, which is real is, I mean the amount of alpha that is able to be generated in some of these markets is so large relative to some of the other markets that the fee becomes less of a topic if you're sort of generating double digit returns for clients. Whether they're fighting for a basis point or not on fees, it's less of an issue.

Mike: We're out of time, so we'll wrap it up there. Thanks, Loren. Thanks, Greg.

Greg: Thank you, guys.

Loren: Thank you.

Greg: Appreciate it.

END