INVESCO INC

Moderator: Martin Flanagan
January 30, 2019
08:00 am CT

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Coordinator: Welcome to Invesco's Fourth Quarter Results conference call. All participants will be in a listen-only mode until the question-and-answer session. At that time, to ask a question, please press star 1. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now, I would like to turn the call over to your speakers for today, Martin Flanagan, President and CEO of Invesco; Loren Starr, Chief Financial Officer; and Greg McGreevey, Senior Managing Director of Investments.

Mr. Flanagan, you may begin.

Martin Flanagan: Thanks very much and thank you everybody, for joining us. Again if you're so inclined the presentation that we'll be addressing is on the website so please feel free to follow up if you'd like to.

So we'll cover the business results for the Fourth Quarter today. Greg is going to go through the investment highlights but also talk about the environments and also what the combined investment firm will look, the investments teams will look like and Loren will go in to greater details from the financials. And then finally, I'll give an update on where we are with the Oppenheimer combination.

So turning to highlights on Page 5, there's no question that the Fourth Quarter is very challenging for the industry and for us. Eight out of 10 asset classes were negative territory 2018. That's the worst on record in decades and 74% of all listed companies were in fair market territory. So again much more difficult than I'd say was generally understood in the marketplace. And if you look at our Fourth Quarter results, we were not immune to the impact of these market dynamics.

The good news was growth sales were up that’s a nice health indicator. But absolutely, we had net flows during the quarter driven by these market dynamics in a big risk off move by many investors around the world. It was further impacted by a number of our key investment capabilities have relative underperformance with those with a value bias during that period of time. We did purchase $300 million of stock during the quarter that's from the $1.2 billion stock buyback program we announced last October.

And again I mentioned, Loren will get into the financials in just a minute. As we have previously talked about over the past few years we've been actively reposition the company to what we think are the opportunities in the market. There's no question that Oppenheimer is an important part of this work and will greatly accelerate our activities and we'll talk about that more specifically in a few minutes.

I do want to make the point we are on track to hit our $475 million of synergies. And we're making a meaningful progress towards hitting the close in the second quarter of this year with Oppenheimer. And we will revisit the financial terms of the combination because of the Fourth Quarter things are difficult, you'll see they're very, very compelling still.

And so with that Loren you want to pick?

Loren Starr: Yes. Thank you very much Marty. So on Slide 6, you’re going to see a summary of the results for the Fourth Quarter 54% and 63% of actively managed assets were in the top half of peers over the three and five year period, while the one year numbers dropped a bit to 41%.

We did see significant performance improvements in December and then to 2019 and Greg is going to talk about that a little bit later in the presentation. While growth sales were up nearly 27% percent versus the prior quarter. The market dynamics that Marty talked about in some near-term performance challenges continue to set redemptions at a higher-than-normal level.

Total long-term net outflows were 20.1 billion for the quarter. Significantly contributing to this results we're just a small number of larger institutional clients redemptions. Adjusted net operating income was 300 million for the quarter down from 358 million in the prior quarter. The lower revenue environment also impacted our adjusted operating margin which decreased to 32.6% from 37% in the prior quarter.

We did return 422 million of capital to shareholders during the quarter through a 122 million of dividends and 300 million of buyback. So now let's look at the long-term flows found on Page 7. For actively managed strategies outflows remain elevated in Q4.

This was particularly true for US and UK retail equity products, which faced some investment from its headwind. Active flows are also impacted by a handful of institutional outflows. For example, in October we experienced a 5.5 billion low-fee mandate redemption associated with a single client.

Our passive flows were also somewhat mixed in the quarter. We saw good sales into our European S&P 500 both shares low volatility and alter short duration ETFs. However, this was more than offset from outflow due to 1.2 billion and naturally maturing both shares at your end and 1.7 billion in negative flows from our senior loan ETF. The strength of our pipeline was reflected in our institutional results as growth sales were up more than 80% versus Q3.

The single account 5.5 billion low fee probably that I mentioned previously drove us into negative net flow territory. The strength of our growth sales was well-diversified and led by real estate stable value, fixed income and quantitative equity products. I'd also like to note that what you don't see it on these charts we benefited from strong flows into our Great Wall JV Money Market products which added nearly 3 billion in inflows in the quarter.

Next turning to Slide 8, our assets under management decreased by 92.7 billion or 9.5 percentage points, which reflects the impact of negative market returns and long-term outflows. Our net revenue yield actually in performances was down point 3 basis points to 38.6 basis points. This decline was driven primarily by the negative impact of FX and markets on our AUM mix, which was partially offset by an increase in the day count and higher real estate transaction fees and other revenues.

Let's move to Slide 9, where we provide a US GAAP operating results by quarter. My comments today will focus on the variance relating to our non-GAAP adjusted measures, which can be found on Slide 10.

But before turning to those results of one item I want to highlight on our US GAAP financials for the quarter as a new expense line item named transaction, integration and restructuring expenses. This line item includes transaction-related costs for acquisitions as well as integration and restructuring-related costs you might remember in fact that we use the same line item of approach when we did the Van Kampen acquisition given the size of that deal and given the size of the Oppenheimer deal.

The presentation of prior period business combinations and optimization amounts has been also reclassified to be consistent with the current series of presentation. And finally I would like to note that this reclassification has absolutely no impact on total operating revenues, total operating expenses or net income on a GAAP or on a non-GAAP adjusted basis.

So now let me just turn to Page 10 for our non-GAAP results and you'll see that our net revenues decreased by 47.7 million or 4.9% quarter-over-quarter to 19.2 million. This decrease primarily reflects our lower average AUM for the quarter partially offset by higher performance fees primarily earned from our European real estate investment teams. Our adjusted operating expenses at 619.2 million increased by 10.1 million or 1.7% relative to the third quarter.

The expense increased quarter-over-quarter was driven by about $10 million of seasonally higher marketing expenses which were focused on new fund launches in the UK. ETF offerings in Europe and EU or US efforts including a focus on our board share ETF products. We also saw $5 million of higher run rate outsource administration costs. It's associate with our digital platforms and outsourcing of our back office services.

And then finally about $6 million in non-recurring G&A expense from professional services in Q4 as well as there was a large credit that we recognized in the third quarter of these expense increases were partially offset by about 15 million less in variable compensation expense. Our adjusted non-operating income decreased 32.6 million compared to the third quarter largely reflecting the negative mark-to-market on our seen investments during the quarter.

In terms of firm’s effective tax rate increase to 25% primarily resulting from the impact of these unrealized market-to-market losses and that brings us to our adjusted EPS of 44 cents and our adjusted net operating margin of 32.6 percentage points for the quarter.

We next just turning to Slide 11, so let me say that when Oppenheimer joined Invesco in Q2 of this year as you know we plan on reducing the total expense space of the combined firms by roughly 15%. Clearly that will represent a significant spending reductions.

However, given the challenging revenue environment that we're currently experiencing, we're implementing a number of immediate cost control measures that should help to limit the negative impact to our operating results while we continue to focus on the integration efforts.

These efforts are consistent with our historical approach when we managed through extreme volatility, like, we've been seeing. Some of these actions include deferring new hiring, canceling open requisitions when possible limiting, discretionary non-client travel conferences training and a slew of other professional service expenses as well as assessing all other areas to spend for additional opportunities.

So in addition to these mentioned activities we are also working hard to accelerate many of the Oppenheimer synergies and the combined synergies of the firm. So we plan on delivering upon closing. This is the topic that'll be covered in greater detail in a few minutes.

And with that, I'm going to turn it over to Greg.

Greg McGreevey: Thank you very much, Loren. There's a couple of key topics that I'd like to cover today just to set the stage. First, I want to cover investment performance for Invesco was a standalone firm and provide some color on our long-term investment performance and within that context look at some early signs of improvement.

Second, I want to highlights the significant benefits that we believe we will achieve through our combination with OppenheimerFunds.

And finally, I'll highlight how the expansion of our capabilities with the addition of OppenheimerFunds will enable us to provide better outcomes to clients and that's something we're very excited about. So if you can turn to Slide 13 we'll just take a quick look at performance overall. And as Loren referenced earlier his remarks on this slide, this chart shows are one, three and five-year peer-relative performance on a relative basis to peers for assets under management for the entire firm.

And as you can see a long-term performance remain strong with 63% of our overall actively managed assets in the top half of our peer group. In total, our five-year performance has remained strong despite challenging market conditions that Marty referenced to which you are all aware of over the past 18 months.

Favorably and what's not on this slide, we had 40% of our total actively managed assets in the top quartile of our peers on a five-year basis, which speaks to our long-term capabilities and a reflection of our quality investment teams.

So let's turn to the next slide to look at early signs of improvement in our investment performance. If you look at Slide 14, the market for much of 2017 and ‘18 was one fueled by growth and momentum, which should not benefit active management. Our investment team stayed the course, reflecting our strong belief that discipline is critical to producing repeatable alpha through market cycles.

As you look at recent investment results while it's still early days, we're seeing significant performance improvement in a number of areas. So let me provide a couple of touch points. On the upper left hand portion of this slide, we show our total US mutual fund assets. On a one-year trailing basis, performance in the top half of peer groups improved from 11% to 42% that's the end of November of last year to the middle of January of this year.

We've also seen significant improvements in the performance of our largest mutual funds in the US. As important, we're seeing material improvement in the one-year peer relative rankings for several strategies that have experienced the greatest flow challenge as highlighted on the right hand portion of this slide.

Specifically, diversified income moving from 88 percentile to 18 percentile on a one-year basis, international growth moving from 66 to 46, developing markets moving from 74 to 46 and UK income moving from 88 to 37 percentile.

Again, this improvement was achieved by investment teams staying true to their philosophy and approach. Now, while six weeks is not necessarily a trend that we recognize the short-term nature of that, we're encouraged by this early improvement in our performance, a continuation of which we believe would set us up for better flow experience in the coming months.

Let me now turn on the next slide to the combination with OppenheimerFunds from an investment perspective. And on Slide 15, upon closing the transaction, Invesco will be better situated than it's ever been to serve clients with a more complete comprehensive array of world-class investment teams and capabilities that can produce strong, relative performance over a market cycle.

Specifically, we believe we'll be better positioned to provide the following benefits to clients post-closing. One, have a stronger deeper investment organization; two, have complementary investment capabilities that will drive, enhance and more stable long-term investment results; and three, have greater sources of alpha to better align with client needs across the globe and in different channels. So now, I wanted to cover these points in more detail given their importance.

Touching on the first of these three points on Slide 16. It's very clear that we’ll be better off together than we would as a separate organization. Oppenheimer brings world-class investment teams and high-demand and high-alpha potential asset categories like global equity, emerging markets and international equities.

As can be seen from the right hand portion of this slide, the combination significantly enhances our scale within the US mutual fund market, which will afford us greater platform access and relevance to clients. And we think this is critical in the retail channel as intermediaries are looking to partner with fewer firms. This increased size and scale will also provide greater access to capital markets, which we believe is important and obtaining greater access to deal flow, research and firm exposure.

So if we can now turn to Slide 17. As mentioned earlier, Oppenheimer brings very strong performance track records which improves our combined position in the marketplace. Moreover history suggests our complimentary investment styles and capabilities will produce stronger and more stable investment performance on a combined basis. And the chart on this page supports that assertion. So I wanted just to give you a little bit of backdrop on it.

If you look at rolling three-year performance since 2010, the batting average for having 60% or more of our US retail assets under management in the top half of the tier group would have been 66% of the time for Invesco standalone, 83% of the time for Oppenheimer standalone, and 89% of the time for the combined firm. And this improved performance for the combined firm over the standalone firms would have shown similar results even if the thresholds were made higher.

So driving home this point, Oppenheimer's performance is often zagged when Invesco's performance is zagged and vice versa. Indicated by the fact that the performance between the two firms has been inversely correlated for the vast majority of time since 2010. And what this means from our perspective is the transaction better positions us to promote products and solutions with stronger combined performance through the full investment cycle.

So let me now turn to the final slide of my section on 18. And as we discussed, the expansion of our investment capabilities will provide us with an all-weather product suite to better meet the needs of our clients across the globe.

And specifically, having a more diverse set of strategies will improve our ability to meet the unique and varied needs of clients on a product-by-product basis. And in addition to that having greater sources of uncorrelated alpha will enable us to better customize outcome-oriented portfolios and deepen our partnership with clients.

We think this represents a massive opportunity for us to increase our relevance to clients by leveraging this enhanced product suite with our leading solutions capabilities across our global distribution network within both retail and institutional channels. So with all these, we could not be more excited about the opportunities created because of this combination and the positive impact it will have on our clients globally.

So I'm now going to turn the call back over to Marty.

Martin Flanagan: Thanks, Greg. So if you turn to Page 20, I'll pick up there and just spend a minute talking about an update on Oppenheimer and to level set, let me put in a context of what I talked about earlier. We have been aggressively repositioning the business over the last number of years, where we think clients are going and where the industry is going.

And we've done this by focusing on, you know, strengthening our leadership positions in core markets, while at the same time investing in areas where we see rapid growth and client need, ETFs, China, digital platforms, factors, et cetera. You all know that quite well.

But let's put Oppenheimer in the context of that and it's really the combination of Oppenheimer and the relationship with MassMutual that will accelerate this work. Clearly, we get an expanded leadership position in the U.S. Wealth Management channel with Oppenheimer, it is actually very important. It is the largest pool of assets in the world and most competitive and being relevant to those client matters enormously.

It will strengthen our ability to execute in a number of these high growth areas that we've talked about in the past. And also and I think very importantly, in particular, in light of this market where we talked about it before you can actually see the unique opportunity for us to create greater operating leverage and scale throughout combining the two organizations.

We're going to do this by using the framework that we used in the past, it served us very, very well. I'll get in greater detail about it in a minute, but it does the obvious, it's eliminating complexity, location optimization, focusing on rationalization of platforms and the like. Yes, you save money but quite frankly we generate greater resources and you build a better business and that's the point that I want to drive home as we talked about this.

So let me give you an update on where we are during the quarter, an awful lot got done during the quarter. And I want to thank everybody in both organizations it's been quite exciting and a lot of good things have been happening. So I do want to start by making a point that confirming the synergy target that we talked about initially $475 we feel very confident about that and we also feel very confident that we're going to be a stronger business coming out of it.

Greg's comments highlight some of that in particular, there is no question we'll be a stronger, more-talented organization post the close, which is what we had been focused on from day one. I also want to reiterate a key element of the value of the transaction is really the highly complementary initiative investment team, which Greg artfully described in a very clear way.

The Oppenheimer investment teams are really excited to be the part of the combined firm. They do have a strong retention program in place, which is important now. But the reality is it's the culture in the combined firm and feeling a part of something important and special that matters and collectively I think we are making that happen as an organization.

A very important milestone happened during the quarter and that was the OppenheimerFunds Board of Trustees approved the transaction. And this is foundational and a real catalyst for us to achieve the synergy targets that we've talked about initially.

The mutual fund proxies have been filed with the SEC that will be in the market soon as you know that becomes another gating factor to close. And then finally, we are actively engaged with MassMutual Future partnership opportunities. So again, very good progress during the quarter.

Let's turn back to the financials. We wanted to come back and sort of recap the financials in light of that very, very difficult Fourth Quarter. I think what you'll see is they remained, you know, stunningly compelling still. So if you – EPS accretion remains very strong if you look on a pro forma basis, it'll add 10 cents in 2019 and that's assuming the close, so for Q3 and Q4 so half of the year.

When you look at 2020, we expect the accretion to be 52 cents per share. And if you look at assets under management at 12-31-2018, the IRR is 16% it is down three percentage points from time of announcement. But again extremely strong returns in light of the market that we've just been through.

And as a result of the combination and inclusive of the expected run rate synergies of 475. If you looked at 2020, we'll add more than $800 million EBITDA. We have an operating margin in excess of 40% and the combined annual EBITDA will be $2.5 billion.

So again, in light of a very, very difficult Fourth Quarter the financial returns are very compelling to shareholders to say nothing of a firm just being dramatically stronger than prior to the transaction. So let's spend a little more time to go in a greater detail on the synergies.

And on Page 23, we've laid out the various categories for the opportunities that are emerging. We have robust plans in place heading towards closing and through execution many of which are in execution. You know, consolidating, key platforms, addressing overlap in areas such as distribution, consolidating product support functions and moving to common technology and infrastructure plan. So well underway right now and these are the areas where we see the emerging synergies coming from.

Some of this will be done by day one and other activities will accelerate post close due to regulatory reasons not permitting us to get start ahead of time or frankly the very important part of mitigating, you know, client experiences. All of these activities continue to drive further decisions helping us further refine our location strategy, reduce complexity in the organization. You know, identifying a stronger talented group of people with the organization and the reduced cost and benefits for clients and shareholders ultimately.

And I do want to reiterate, we are taking advantage of this very unique opportunity to materially strengthen the combined organization while gaining operational scale. Those opportunities don't come along very often and this is one of them and our heads are down on it.

We are using the framework and approach that has serviced very well in the past. And I just want to make the point again I have a high degree of confidence and our ability to get the synergy target and the fact that we will be a much stronger organization post close.

So let me sort of recap before up we open up to questions. As you all know, prior to 2018, we had nine straight years of positive net inflows and as we've talked about, you know, last year that was not the case with the negative market dynamics and the various styles of our approaches.

We are disappointed to be in net outflows but it comes with the territory. Greg made the point, we have a high degree of confidence in our investment teams and the performance, you know, we'll continue to strengthen those the market continues to evolve.

That said, we've made great progress in continuing to invest and repositioning our firm ahead of where we think client demand is and where the opportunities are. And I want to reiterate the combination with Oppenheimer will accelerate these efforts, driving further growth in trading scale and client relevance for us as an organization.

Post close, we'll have approximately $1.1 trillion in assets under management, putting Invesco in a very strong position to serve clients, grow our business and provide compelling financial returns for our shareholders.

So with that I will stop and Loren, Greg and I are happy to answer any questions anybody may have. Operator?

Coordinator: At this time, if you would like to ask an audio question please press star 1, you will be announced prior to asking your question. Please pick up your handset when asking you question. To withdraw your request, please press Star 2. One moment for the first question.

Our first question is from Ken Worthington with JPMorgan. Mr. Worthington, your line is open.

Ken Worthington: Hi, good morning and thank you for taking my questions. First on expenses, there is clearly seasonality in 4Q for your non-comp expenses. But maybe why weren't you better able to pivot given market conditions when the market started sort of weak earlier in the quarter?

And then Loren, were there any pull forwards in expenses from 1Q ‘19 or 2019 in general into 4Q, such as the prepaying of marketing or other expenses?

And then, I guess maybe lastly, how much cost cutting from your efficiency program was realized in 4Q both actual and the run rate of savings as we go into 1Q?

Loren Starr: So Ken, let's say in terms of expenses, a lot of the expenses related to marketing were planned, you know, probably well in advance of being in the Fourth Quarter. So these are, you know, product launches, these are events that have been sort of scheduled and committed to. So there isn't as much sort of near-term flexibility around marketing expense management as you might think.

Obviously, as we got into the more challenging parts of Q4, what we could pull back we did. But it was really not enough time to really move the dial on the market expense. But I would say that generally there's about $10 million of what I would call sort of unusually high run rate levels of marketing expense that should be taken into consideration.

In terms of any pull forward, no, there was nothing pulled forward from Q1 into Q4. Again, I think the Q4 numbers as I mentioned were, you know, punctuated by some higher expenses, particularly around G&A as well, which was about $6 million of probably one-time cost that should be considered in terms of what a true run rate would look like for us.

In terms of the cost cutting, we feel like we're absolutely on track in terms of the optimization. And so in terms of achieving, you know, the total goal of run rate expense savings, I think we are, you know, at that level, maybe a little bit still going to happen in Q1.

Ken Worthington: Okay, thank you. And just on the balance sheet post Oppenheimer, it seems like some of the feedback that you're getting suggests that investors characterize the preferred is that and thus see Invesco as a highly levered asset manager. With this in mind, what are your thoughts about the priorities for cash post Oppenheimer? And does deleveraging take priority over buybacks once the 1.2 billion commitment is complete?

Loren Starr: Great question. So I do believe, you know, we're sensitive to the leverage clearly. But, you know, we do feel that the 1.2 billion is something that we need to do as part of this transaction, as part of I think the economics. And clearly, we may delay some of it a little bit further into 2020 as opposed to accelerating more in the upfront part of it. But we are still intending to complete the 1.2 within the two-year timeframe that we originally discussed.

We are going to be, you know, clearly looking at the leverage ratio. I don't want to say we're blind to it. You know, markets will have some impact, it's still I don't want to say it's, you know, sort of immutable truth that we're going to deliver 1.2. If markets really took another downturn, you know, we might think about it again. But right now where we are, we feel very comfortable completing the $1.2 per schedule.

Ken Worthington: Thank you.

Coordinator: Thank you, Mr. Worthington for your question. Our next question comes from Craig Siegenthaler with Credit Suisse. Sir, your line is open.

Craig Siegenthaler: Good morning, Marty, Loren. I just wanted to come back to Slide 16, can you provide us an update on the potential to merge the Invesco and OppenheimerFunds that are in the same categories? And I know you didn't include this in the 475 million of expense redundancies, which is mostly focused on back office. But there is a lot of product overlap between the two businesses so just wanted an update here.

Martin Flanagan: Yes. So, you know, that is one of the areas that, you know, we will not turn our attention to until after close for various regulatory reasons. There's probably going to be less overlap than you imagine in that. But I will say there is opportunity, I'm sure there's opportunity for rationalization. And again, after close, we will come back to you and give you some insights. And again I wouldn't look at it as just unique to the Oppenheimer transaction.

Again, it's a normal practice that we just look at our product shelf and, you know, make those decisions. So I wish I could give you a more clear update, but we're just not in a position where we can do that.

Craig Siegenthaler: And then my follow up is on the ETF business. You build a, you know, large ETF business both organically and through M&A. But the business really didn't participate in the migration to ETFs last year or in the Fourth Quarter. And I know some of that was the bank loan ETF, but can you give us your view on sort of, you know, what happened in 2018 in terms of share loss and also how you're positioned for growth in the future?

Martin Flanagan: Yes, look we think this has been a very important undertaking for us. And I think if you just look at where we started and where we are, we think we're very well placed. You do make some important points so if you look at where the dollars were moving us, you know, last year it wasn't where our lineup was. And as what we said, on the back of Guggenheim we had a lot to build from utilizing, you know, the self-indexing unit and some of the things like bullet shares.

The final launches where we think we will be done will be by the end of Q1 of this year. And we feel that we'll be in a very good position to continue to grow. And again I think you're right. So, you know, Q2 of the bank loans and like that was - that's part of what comes with that market.

Craig Siegenthaler: Thank you, Marty.

Coordinator: Thanks. Thank you for your question Mr. Siegenthaler. Our next question is from Michael Carrier with Bank of America. Your line is open.

Michael Carrier: Thanks, guys. Loren, maybe first one for you. Just given your commentary, you know, around expenses and more environmental, you know, separating it from, you know, say the Oppenheimer, you know, like synergies throughout the year.

So just wanted to get maybe a little bit more, you know, granularity on how you're thinking about maybe Invesco like the core expense base, you know, going forward, relative to say like the Fourth Quarter run rate?

Loren Starr: Yes, absolutely, Mike. So, I think, I was giving you some, you know, points around sort of run rate versus one-time. So let's say there's in my mind, sort of roughly 16 million of expense in Q4 that, you know, I'd say were elevated and more of onetime in nature related to specific events that won't recur on a regular basis.

So, if you were to take that out of, you know, the Q4 numbers. I would say our go forward into Q1 will be certainly down, flat to down to that number. So we feel, you know, very confident that that number, you know, into Q1 is going to be, you know, at a lower level run rate wise versus where we are in Q4 ex-those one-time things.

Michael Carrier: Okay, thanks. Tough one in.

Martin Flanagan: Yes, can I add just so…

Loren Starr: Wait, Michael, I think, Marty has one more point…

Martin Flanagan: Yes, I understand, you know, and again, we're being very responsible going through Q1. But I do want to – the organization is going full forced to get this combination done. And I think turning your attention to that is really what matters.

There are very, very few opportunities where you can literally create a stronger organization and take out 15% of the operating costs around the world. When in fact this is largely is coming from the US. And if you put that side by side, very, very few organizations able to pivot like this in an environment.

So again, it's really the capabilities that attracted us Oppenheimer. But when you look at the scale benefits they are material and real. And I think as we said Q4 really sort of highlight that for everybody is beyond the conversation it's actual fact.

Michael Carrier: Okay, that's helpful. And then, Marty, just on the organic growth or the flow outlook. So you know, clearly Fourth Quarter was tough for everyone. I think in the third quarter you guys had, you know, some elevated outflows.

Just want to kind of get your maybe perspective on what were some of the more unusual things or things that were more surprising versus when you're looking at ‘19 with markets stabilizing you guys pointed to, you know, some of the investment performance rebound. Where you're seeing some of the sales traction, you know, where you're maybe most hopeful, you know, that redemptions could slow just start to turn, you know, the trajectory around.

Martin Flanagan: Yes. So let me put in context, and again I, you know, we feel that we've built a very diversified business by asset class and by geography. But if you look at last year and if you line up the organization you almost couldn't make it up thing didn't serve us well because of the value capabilities we had.

You saw that quite clearly what happened that largely impacted the US mutual fund business. Brexit is a real topic for us and you just saw sterling dropped from I think a peak a 1.44 to 1.24. But if you literally look at EMEA and use mutual funds flows as a proxy in the year, they dropped by 87% there.

So I mean – and then you look at the trade wars and people will point so well there's nothing really happened in there. I can tell you our clients went risk off. We had some very good capabilities Asian equity capabilities that, you know, got terminated during that. So, the notion that you could have trade for as Brexit and saying, you know, disproportionately impacting an organization like Invesco.

I would not have thought that's possible. It's not an excuse, it's just a reality. And again I think, you know, importantly, you know, Greg, was talking about the depth and breadth of the investment capabilities, the performances these markets are actually good for active management and we're seeing that. I don't know if Greg, if you'd add to that.

Greg McGreevey: The only thing I'd add to, when you kind of look at our pipeline overall. I think there's maybe a couple of areas where that pipeline is starting to see a pretty significant increase in fixed income as kind of one factor we kind of talked about that before is too. And then pockets of the alternative business overall where clients out there need income when they need returns.

So specifically within real estate and we're starting to see, you know, after a very troubled kind of Fourth Quarter within bank loans. Overall we're starting to see an increase in the interest within kind of bank loans. So in our solutions businesses really being ramped up given the investment that we've made there. And so we're starting to see a number of things come out of that engagement that we're having with clients.

So those would be I think if you just look at our pipeline the kind of areas we've seen an increase.

Michael Carrier: Okay, thanks a lot.

Coordinator: Thank you for your question, Mr. Carrier. Our next question is from Dan Fannon with Jefferies. Your line is open, sir.

Dan Fannon: Thanks. Good morning. I guess, you know, Marty, just kind of building upon your comments about the last quarter and kind of the integration of and how excited you are about the deal.

Can you talk about I guess what you're hearing from intermediaries, consultants, your clients about the transaction? And I know you guys have an outflow assumption based on what you gave us last quarter based on the transaction, maybe update us on if there's any changes to that or how you think that may or may not be conservative?

Loren Starr: Yes. Look I can speak to my very specific conversation if not every single one of them was incredibly positive. So if you just start with the fundamental strength of where Oppenheimer is and the U.S. Wealth Management platform the notion of those two firms together that we've had nothing but very, very strong positive feedback for all the reasons that Greg talked about, right?

It’s, you know, depth of capability, type of capabilities, it’s beyond investment capability. What can you serve the clients beyond the investment capabilities so very, very positive.

There is also institutional clients in different parts of the world that are actually very attracted already to a number of the Oppenheimer capabilities, emerging markets, global equities and then two of them. So again, we're just getting very good client feedback of Oppenheimer joining us. But also what we can do together. So, again from our perspective the next few months we can go fast enough if we want to get the rest.

Dan Fannon: The redemption assumption on the because of the deal.

Loren Starr: So I think nothing changed in terms of those assumptions. We're still looking at sort of a $10 billion assumption outflow in 2019, you know, after the deal is completed. Again that's just a degree of conservatism. I think in some ways, I mean you're seeing a little bit of the overhang on Oppenheimer flows right now as people are waiting for the deal to close. And so, you know, but again the good news is it seems to be a manageable number.

It's nothing that is sort of excessive, you know, we are feeling very confident once we bring the firm together that we're going to be able to improve the redemption experience for both firms quite honestly.

Dan Fannon: Okay. So, just to clarify a couple of things on your change in accretion, can you just give us the specific factors of change? I think the timing closed and I think obviously markets. But also could you just update us, since the announcement with Oppenheimer's outflows have been.

Martin Flanagan: So, again I think in terms of the biggest change will be the timings. We only have two quarters of accretion versus sort of roughly the three quarters that we had in the prior assumption. You know, obviously we're starting at a lower AUM base for the business which also has impact on both, you know, the first year and the second year accretion numbers. Beyond that, you know, all the other assumptions are essentially the same in terms of market and so forth.

The outflow for Oppenheimer I think is roughly a 4% decay annualized. So again, it's picked up a little bit as we've entered the Fourth Quarter not to be, you know, surprise about that one. Just generally because of the market environment so we continue to watch it. But as I said there's nothing extreme or alarming at all in terms of the flow pattern that we're seeing so far.

Dan Fannon: Great. Thank you.

Coordinator: Thank you for your question Mr. Fannon. Our next question comes from Bill Katz with Citigroup. Your line is open sir.

Bill Katz: Okay. Thank you very much. I think in your the press release you had mentioned a little bit in your prepared remarks that you're sort of pursuing some cost containment work as well. I was wondering if you could maybe potentially quantify that and then how sticky is that? In other words, if the revenue backdrop were to improve would you relax some of that with some maybe some delayed spending on the other side of that?

Loren Starr: So I mean in terms of stopping hiring and freezing that makes a lot of sense for us in context of a large transaction that is going to occur in the Second Quarter. We, you know, are obviously bringing on a fair number of folks to the combined company.

But I would say that we are really asking people, you know, between now and the time of the close to curtail any hires that they otherwise might want to bring in if they are able to without affecting clients or investment performance. Really the discretionary elements of what we do.

And then sort of services around, you know, training, development, Cheyney sort of internal things that can be delayed. So some of it is just the time-based, you know, can we sort of reduce our spend until we get to the point where the biggest event will be sort of reducing 15% of the combined cost of the firms coming together. That is by far and away the bigger impact.

We are looking at, I mean with that said, you know, are there sort of longer term opportunities to reduce costs on a permanent basis as opposed to some of those things that we just talked about. So that is still happening but those things take longer. And again it is going to be impacted by, you know, bringing the two firms together. We see a lot of opportunity to do that.

Bill Katz: Okay. This is a follow up two-part question. So thanks for taking both of them. In your guidance, you also mentioned the pro forma EBITDA being about 2-½ billion versus previously 3 billion. So I was wondering if you could unpack that and like as you gave some of that around the Oppenheimer assumptions. But how much of that comes from sort of a legacy footprint if you will?

And then as we look into the new part of the year any qualitative or quantitative update on how the flows are evolved at Invesco Standalone as well as Oppenheimer?

Loren Starr: So, the reduction in EBITDA is really a function of lower AUM for both firms that is just quantitatively what is driving. Our EBITDA number is down. There's nothing more in terms of sort of unpacking. It's really just a, you know, lower earnings.

I think in terms of and sort of a preview into the quarter, you know, I think we feel that there's a lot of variability. Right now, and so we're sort of hesitant to provide glimpses into the quarter. We think it will be a better result if we can sort of talk about that when we say that, you know, all three months completed as we and you will see the monthly releases as they come through.

Bill Katz: Okay. Thank you, very much.

Loren Starr Thanks Bill.

Coordinator: Thank you for your question Mr. Katz. Our next question is from Alex Blostein with Goldman Sachs. Your line is open.

Alex Blostein: Hey, good morning guys. So, maybe just a couple of specific questions. I know, we're kind of going through some of these numbers already. But could you guys give us just the Oppenheimer ending AUM, a revenue run rate, an expense run rate where things done today?

Loren Starr: Yes, I don't have that detail for you Alex. Obviously, we have the AUM of two 13 to 14 I think these are the number that we provided. So again I think it will scale down, you know, revenue will scale down. You should expect kind of literally with the AUM.

Alex Blostein: Got you. And in terms of the purchase price. So, I understand obviously the market conditions got a lot worse but, you know, the 52 cent accretion in 2020s is on a 30% below the 80 cents that you provided in your last call. Can you talk a little bit about it? Is there any room to negotiate the purchase price? I think there're something there as it relates to flows but I was wondering if you could flash that out a little bit.

Loren Starr: Yes, I mean in terms of the flow there are some contractual sort of adjustments related to outflows between, you know, now in the close or at the time of the close. If we aren't successful bringing over client assets, you know, as well there's an adjustment there. So it's a pretty significant hurdle for that to kick in. I think it has to be at least 7-½ percentage points, it's on a revenue run rate.

So, and at that point and below is when the adjustment happens. So anything between 0 to 7-½ there would be no adjustment made on the purchase price. And Marty I don't know if you want to talk about, you know, sort of the concept of renegotiate settlement it's not even a though - I think we're contextually bound and happy to continue.

Martin Flanagan: Look I turn your attention to the financial returns we just put in front of you, after a very, very difficult market are quite compelling. And again, we're going to be dramatically stronger firm, you know, coming out of it. So we're very supportive of it.

Loren Starr: I would say, I mean obviously markets have improved also at that point. I think, you know, sort of three and a half and above, you know, percentage points above where we are. So all those numbers are going to look better in light of just a few, you know, weeks of January coming through.

Alex Blostein: That's fair enough. Thanks.

Martin Flanagan: Thank you.

Coordinator: Thank you for your question Mr. Blostein. Our next questions from Brennan Hawken with UBS. Your line is open, sir.

Brennan Hawken: Good morning. Thanks for taking the question. So, just to clarify on the triggers that Alex just asked about. I think, you said 7-½% decay rate. Is that annualized in the period from announcement to close? And while I appreciate that is at a 4% decay rate, you know, a lot of that seemed to come in the Fourth Quarter post the announcement. And it's hard to unpack exactly how, what attributed that decline the announcement of the deal versus a very difficult market period.

But when you update us on the $10 billion number or did not update the $10 billion number. That's post to close so it would anticipate potentially some of those outflows happening ahead of close. Can you just sort of flash that out a little bit for us please? Thanks.

Loren Starr: Yes, so I mean what we're doing is taking the 214 assuming flat markets through the close and then 10 billion out, right? So, it's not a refined, you know, sort of what it happens. But if it happens, you know, before 214 sort of becomes 200, you know, before the close it's essentially getting the same place, right?

So it's not a - because that we assume that outflow was almost immediate when it kind of happen, when the deal happens. So I don't think it would affect the deal economics in terms of when the flow happens. It's really just, you know, the fact that it's 10 billion less off of the 214 number, right? So that's the assumption, that you should be looking at for those deal economics to still work.

Brennan Hawken: Okay. And then the 7-½% decay that you require is that annualized?

Loren Starr: That's, all right two things. So, one there's - so that you can look at the file documents in terms of the contract just, you know, that all the details there.

And it would probably a little more complicated I'm making. But that's a run rate, that's a 7-½% revenue run rate decline off of what was originally, you know, put in place, purely due to clients not coming over right through the deal.

So I think it's just important to note that, you know, again there's details around that. You know, I don't know if it makes…

Martin Flanagan: It's a common practice in, you know, these transactions.

Loren Starr: Yes.

Brennan Hawken: Okay. And then when you guys had announced it initially you had indicated that you had a repurchase you're going to be executing in between announcement and close. Can you give us an update on your expectations for those repurchases and the timing et cetera around those?

Loren Starr: So I think we had said originally, you know, 400 to 600 million prior to the close. Obviously, we've done 300 of that already. And then the rest being done after that. You know, we're still looking at the market. We're looking at what happens to stock price so I mean there is also developments that come into our repurchase decisions. You know, we're sort of exiting the blackout period. So we're going to be able to begin to transact again in our stock.

And again, also just mindful of leverage ratios and so forth. So we're going to be, you know, reasonably conservative around the pace of buyback prior to the close as you would expect.

Brennan Hawken: Thanks for taking my question.

Loren Starr: Yes, thank you.

Coordinator: Thank you for your question Mr. Hawken. Our next question is from Brian Bedell with Deutsche Bank. Your line is open, sir.

Brian Bedell: Great, thanks very much. Maybe just come back to the one more in the cost phase of the 475 million. Just to clarify, I think I may have missed this, I think you think the deal is now closing closer to the later part of the Second Quarter.

And then on the expense synergy on that timing through 2020. Can you just give us, you know, just to reaffirm sort of that trajectory and then whether you think you can actually accelerate those back office saves, given the environment? And then though the walk down of the margin from over 45% to 40% post synergy. Is that all due to the lower AUM and the market conditions?

Loren Starr: Yes, so Marty you can jump in if you want…

Martin Flanagan: Why don't you start it, I will follow up on that.

Loren Starr: Okay. So in terms of the 475 you should expect that, you know, because the close has delayed effectively a quarter that our timing around capturing synergies is going to be more pushed into the first quarter of 2020. Getting that sort of numbers that we were talking about 75%, 80% of synergies is because of shared timing so that's kind of one point.

I think in terms of the margin, you know, it was being 40, you know, around 40 greater than 40 that's all just due to AUM levels. And so the associated impact again. That would be better today just because of the look that we've seen in the market specs about firms.

So again, we'll, you know, obviously continue to look at those deal economics very sensitive to where markets are. But again hopefully, we've sort of hit the bottom and, you know, we'll see more upside in these economic numbers.

Martin Flanagan: Yes and I would just add on the platforms and the like. Look, these are big undertakings, you know, we do know how to do it. We have a, you know, a history of doing them well. We'll do them as quickly as possible. But, you know, also very importantly you got to serve your clients, you need to do a good job. So again I would come back to the big picture.

We will hit 475, we will hit the margin targets as we talked about, you know, markets. And it's a very unique opportunity for us to frankly build some very important scale into the organization, which we will do.

Brian Bedell: Right, okay. And then as you think about the growth - the revenue synergy and growth opportunity, this is going back to, you know, your comments about being able to launch new product structures using Oppenheimer investment management talent on these products. And also expanding them geographically into Europe where they don't have a big presence.

I guess the spending around those growth initiatives. How do you think about that like the timing of that, is that something that you would prefer to get a handle first on. You know, whether you're going to combine any investment teams and then go about that process or would you rather try to get that product into this new structures and geographies and sooner rather than later and maybe sacrifice some of, you know, these. And some of, you know, have some additional expense against that.

Martin Flanagan: Yes, I think, you know, the beauty of the combination is the incremental spend is not very much. The quality of the investment teams are there. We have an institutional distribution capability. There is demand for it. So the pace will be determined by the clients and their appetite and as you know institutionally it takes time to, you know, to go through those processes.

Oppenheimer already has a non-US range a CCAP range that frankly it's getting it into our distribution capability. So again, those are things that will come pretty rapidly. I do want to come back to. There is no revenue synergies in these numbers. From going to institutional business or the non-US business or anything between MassMutual and ourselves.

So and that's just fine. But do know there's none of that in the numbers for it.

Brian Bedell: And just the timing on the expectation of doing those, you know, synergizing that Oppenheimer product. Would you wait for product teams to be combined first or would you going to just go right out of synergies?

Martin Flanagan: No, look there're already conversations with, you know, with the teams and what the opportunities are and also we're in deep conversations with MassMutual about what we can do. But again I don't want to set an expectation other than we will execute what's in front of us. But the combine firm together and the relationship MassMutual is going to be an important one.

Brian Bedell: Okay, great. Thanks very much.

Coordinator: Thank you for your question, Mr. Bedell. Our next question is from Kenneth Lee with RBC Capital Markets. Your line is open, sir.

Kenneth Lee: Hi, thanks for taking my question. In terms of the - just a question on the OppenheimerFunds, I think on the last call you mentioned that fee rates have been trending upwards over the last few years. Just wondering what the expectation over the near term, you know, what factors or mix shift could push that fee right either up or down, wondering if you could give us a little bit more color there. Thanks.

Martin Flanagan: Yes, I'll maybe start and then Loren can add. Look it's no different than us. Our effective fee rate where you see trending down it's really, it's a mix shift topic for us. And you would imagine and the risk off environments, you know, people putting money in money funds et cetera that you see that happen.

Oppenheimer during the period had the exact opposite, you know, there was aggressive or I should say aggressive, you know, quite successful in emerging markets and international equities and those are higher fee capabilities. And again that is sort of the natural flow of things within an organization. So, client demand will drive those big shifts. There's very little we can do about it.

Loren Starr: Yes and I'd say I mean from what we can see those fee rate is very stable. So nothing is really, even though the market has been sort of negative I think they would continue to offset that through growth in the alternatives platform. And so, overall I'd say it's pretty, pretty stable.

Kenneth Lee: Got you. And just one bit of housekeeping, some details behind that $5.5 billion low fee mandate redemption you mentioned, which asset categories were those located? Thanks.

Loren Starr: So that was mostly fixed income. There was a little bit of equity component all single-digit base points.

Kenneth Lee: Got you, very helpful. Thanks.

Loren Starr: Yes.

Coordinator: Thank you for your question Mr. Lee. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open, sir.

Patrick Davitt: Hi, good morning guys, thank you. Earlier last year before you announced the Oppenheimer deal there was a lot of focus and chatter from you guys around 2019 optimism on flows from newer initiatives. In particular Jemstep is getting ramped up with some new distribution pipes.

Could you walk through your expectations on that now, has the ability for that could generate a little bit more incremental flow change, has it been pushed out or pulled forward? I know you really focus on Oppenheimer but it'd be helpful to get an update on some of that stuff as well.

Loren Starr: Yes, so we're still on track Second Quarter of 2019 is when the largest client that we've sort of one business from is going to start using and putting into production the Jemstep capability along with our models. So we will begin to see, you know, flows and revenues coming from that, you know, immediately into the Second Quarter.

Again I think it is one of these things as we said it's going to build. It's not going to be sort of a flood of revenues in AUM immediately. But, you know, given the size of this client and the breadth and scope of, you know, the advisors they're using. And how these models are going to play out I think it will built into a material number. You know, as we get into end of 2019 and into 2020.

The pipeline for Jemstep is still very strong, continued to win business and so that is again progressing. But it is as we said, you know, slower than anybody would have possibly had originally imagined. In terms of, you know, the actual going from, you know, the design to production to execution just takes time.

And so the other thing just in terms of, you know, the things that, you know, we are excited about around ETFs and institutional business. China factor base investing and all these capabilities as growth engines that we so-called characterize have just been growing as the percentage of our overall sales every quarter.

So we do see that as being, you know, an increasingly important factor in terms of our success. And so the investments that we made which, you know, we've talked about I believe are paying off for us and we'll even more so into 2019.

Patrick Davitt: Thank you and couple of things to it, quick follow-up. You mentioned Brexit earlier and I think everybody has kind of decided that trying to handicap what happens. There's a losing battle at this point. But as that plays out through March and April, have you done any work to kind of gauge how much worse the outflows in the UK business could be if it goes bad and conversely how much better they could be if it goes good?

Martin Flanagan: Yes, so it's a good question. Everybody is doing those types of calculations. But what I would say and I mentioned this earlier. Brexit for our business really didn't become real until this past year in the second half of the year.

And it's just not the UK, it's on the continent too and I mentioned if you look at flows across and it literally down 87% year-over-year. That it has been a risk-off environment, like, you know, you really can't imagine.

So I don't know what's going to happen with Brexit. There's a lot smarter people than me on it. We spend a lot of time on it. It's important to us. But Loren was talking about, you know, this quarter if my perspective and the organization's perspective if you take a no-deal Brexit off the table.

And it looks like there'll be some different outcome. I think that would be very positive for investor sentiment, client sentiment. And I would imagine it would be in a better position when you look at, you know, clients getting back to making investment decisions. You know that's how we're looking at it.

The other one that is headwind that we'll see what happens is the trade negotiations between the US and China. That is a headwind for us. So, anything that moves in a positive manner is again, I think about positive development for us.

Loren Starr: And maybe just two bits of information. So one, in the quarter Q4 the UK equity outflows under a billions still big number. But, you know, again in terms of overall size of AUM just sort of manageable number. And the other point is that we did just because of the uncertainty around the Brexit outcome. We did hedge to the fall 2019 using, you know, similar strategy that we've used in the past around hedging the operating income for struck at 1.25 that sort of an insurance policy.

So if the pound were to drop below 1.25 obviously these insurance policy, you know, would protect us on the downside at worst-case scenario. So anyway just so people know we have it through 2019.

Coordinator: Thank you for your question Mr. Davitt. Our next question comes from Robert Lee with KBW. Sir, your line is open.

Robert Lee: Great, thank you. And guys thanks for your patience and taking all the questions, this morning. And again sorry to maybe, you know, go back to the expense save. But I just want to make sure I, you know, understand everything correctly. So I guess what I'm trying to square is, I mean still the expectation of ultimately, you know, an 800-ish EBITDA contribution. If I have that number correctly, you know, with the lower kind of accretion.

Should I simply be thinking that hey you're going to still targeting that. But really maybe that, some of that benefit because of the later close and timing kind of leads into 2021. You know so that's why 2020 is kind of coming down. Am I thinking of that correctly?

Martin Flanagan: No, so I just want to be really clear on this. So, the accretion numbers that for 19 and 20 that we laid out it is based on it. I mean our expectation of, you know, getting too close having the two quarters this year or next year. Then the run rate impact of the 475 through the programs that we outlined that are in place right now.

You know, we know how to do this. We've done in the past. And the only change that drove the EBITDA from 3 billion to 2-½ billion was the markets. And so there's, we don't expect a bleed. And the reason why the quarter went back was you really have to get getting through mutual fund approval is just critical.

And, you know, that happened at the end of the year into January. And other than that we're on track, right? So again we have a high degree of confidence that we'll get this done.

Robert Lee: Great. And maybe just to confirm the guidance from the share count perspective. Basically where you finished plus, you know, the share repurchases you've done already plus what you're going to issue. And that's it kind of no incremental - not filling in the rest of the 900 million every purchase between now through, you know, call 2020.

Loren Starr: Yes. So I mean again, I think let me just so specifically your question is timing of the 1.2 or?

Robert Lee: Well no, more of like I think of the 50 cents accretion in 2020, you're not. You know, is there additional share repurchase kind of baked into that from this point forward or you just kind of pro-forma in New York today plus what we are going to issue?

Loren Starr: Yes. I mean, it's the exact same pro-forma where we are today, what we're going to issue. And then the buyback, you know, as previously described. You know, so the 400, 600 prior to close and the rest done, you know, within a year after the close.

Robert Lee: Okay. Great, that was it guys, thank you.

Martin Flanagan: Thank you very much.

Coordinator: Thank you for your question Mr. Lee. Our next questions from Chris Harris with Wells Fargo. Your line is open.

Chris Harris: Thank you. Hey guys. So, on the improved investment performance you're highlighting here. I wonder if you can talk about that a little bit more. Is that mainly attributable to the value style investing coming back or is there something else going on. And if it is kind of an improvement in value, should we be assuming that's potentially a bad thing then for the Oppenheimer business?

Martin Flanagan: Yes, so, you know, Chris thanks a lot for the question. I think there's a couple of things that are going on. I think, you know, one of which I mentioned in my comments where we're kind of going through the prepared remarks. A lot of it is just the change in momentum driven stocks that were really a big driver of the market. That really changed or started to change when we moved into December and kind of into January.

And so it's become over that time period and hopefully that will continue a much more conducive environment for active management. So it's just the stock selection was really the big driver there. And specifically momentum that was driving a lot of stock performance kind of change if you will.

There was a component of that that could be a little bit of a kind of value and growth. But that really wasn't the biggest component if you will that would contribute to that, you know, that performance if you will.

In terms of the second part of your question, I mean I think as we kind of highlighted, you know, we're going to zig and they're going to zag, which we think is a really good thing when you look at stock selection and uncorrelated sources of alpha if you will.

So some of their strategies, you know, in the very short run may have fallen off a little bit. Not necessarily specifically related to the fact that value has come, you know, more back into vogue.

You know, I think the headline for what we're really trying to point out is, when you look historically at our performance and their performance it's very uncorrelated sources of alpha. We think that's very important for our clients kind of over the line.

Chris Harris: Got it, thank you.

Coordinator: Thank you for your question Mr. Harris. We have a next question from Michael Cyprys with Morgan Stanley. Sir, your line is open.

Michael Cyprys: Hey good morning. Thanks for your patience in taking the question. I just wanted to circle back to the strategic partnership that you have with MassMutual. Can you just talk about what that will entail, how formalize it is and how does Invesco, how do you ensure you get what you need from it and say three or five years' time? Just in terms of the level of commitment and alignment. Thank you.

Martin Flanagan: Yes, Michael it's Marty. So, look we have a very good relationship with them. They are a shape of material interest in Invesco and the alignment of interests, you know, starts right there. And, you know, that's not going to move. You know, Roger is very clear about the long-term nature of wanting to be in the asset management business. And that's how they view this transaction. It was a broadening their exposure to the sector.

And what we are right now is in a broad range of conversations of what are the things that we could do together that it could make a difference in the marketplace. And again, I'd rather come back with facts then to, you know, get ahead of it. And right now we are assuming zero revenue synergies from anything other than the core Oppenheimer business.

Michael Cyprys: Got it. Okay. And then just if I could have to follow up just quickly here on liquidity in the markets and the credit cycle. Just curious to hear your perspectives on any sort of implication of a turn in the credit cycle, just given the build-up and leverage by corporate to cycle with a larger portion going into daily liquidity funds such as high-yield bond funds and loan funds, many of which you guys managed.

So I guess what sort of risk of that present to the industry and what's being done to mitigate such risk and how do you see this playing out.

Martin Flanagan: So we're looking pretty closely and I think it's probably a very long-winded answer to, you know, probably address the heart of your question. So we certainly are seeing, you know, those things that you kind of referenced play out if you will. I think, you know, the main part that we're dealing with is really looking at from a client fiduciary standpoint. You know, the liquidity within our funds the ability to be able to respond to that liquidity if you will.

I think the size and scale in a comment that I kind of reference from a capital markets perspective I think, you know, this is kind of helpful in our ability to get access to, you know, the capital markets and be able to hopefully get, you know, get improve quiddity and there is like that.

So you know, the implications I think are multifaceted when you kind of talk about the industry. So maybe in the sake of time I'll kind of, you know, just kind of stop there in relation to your question.

Loren Starr: I would say though in terms of like our bank loan product we saw absolutely no issues in terms of managing through the volatile markets and sort of addressing the redemptions. So it was all done really with no issues, you know, given the way that we managed that product. So again one data point but probably one that's relevant certainly for Invesco.

Michael Cyprys: Okay. Thank you.

Coordinator: Thank you for your question Mr. Cyprys. Our last question is a follow-up from Alex Blostein with Goldman Sachs. Your line is open, sir.

Ryan Bailey: Good morning. This is actually Ryan Bailey on behalf of Alex. I guess a question for Loren on the standalone Invesco expense base of 2019. So we look at expenses for 2018 ex-distribution looks like there's about 2.4 billion. Can you help us think about where we should be resetting or standalone Invesco given current AUM levels and then some of the cost initiatives that you would outlined excluding what was happening with the deal synergies?

Loren Starr: Yes, so I think I touched on a little bit when we were sort of looking into the First Quarter versus where we are in Fourth Quarter. You know, we are, you know, if you look at the 619, which was the expenses -- quarterly expenses -- on Q4 used to subtract out the 9 million kind of one-time expenses. That I was talking about, I mean you sort of in a 603 kind of run rate. And, you know, we said we're going to be down from that number.

So again and that that First Quarter also includes you know payroll taxes and so forth, which tend to go away. So again, it a little hard to sort of talk about, you know, the full year because we're obviously doing this large transaction and that's the plan. And so we're planning on taking up 50% of the combined business. And, you know, post-close there's no standalone Invesco anymore. It's really the combined company.

But I would say in terms of thinking about us the run rate guidance that I just provided should give you, you know, the right standalone view, if you want to just extrapolate that assuming flat markets across the year.

Ryan Bailey: Got it. And maybe just if I can sneak one more in. What's the minimum amount of cash we should be thinking about that should be on the balance sheet just given, you know, the seasonal expenses you just mentioned for kind of the first half and then any integration costs?

Loren Starr: So, again our capital policy is not changed. We are targeting and continue to target a billion dollars of cash in excess of what is required from a regulatory capital perspective largely driven by the rules in Europe. You know, that requirement in Europe is somewhere between 600 and 700 million of capital that needs to sort of stay on the balance sheet. And so we'd have, you know, roughly 1.7 billion would be kind of the target on a go-forward basis.

Ryan Bailey: Got it. Thank you very much.

Loren Starr: No problem.

Coordinator: That does conclude our Q&A session of today's call. I'll now turn our conference back over to Marty Flanagan.

Martin Flanagan: Again, I just want to thank everybody for participation in the questions and I look forward to speaking with everybody soon. Have a good rest of the day.

Coordinator: That does conclude today's conference call. We thank you all for participating. You may now disconnect and have a great rest of your day.

END