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EDITED TRANSCRIPT

IVZ - Q4 2011 INVESCO LTD. EARNINGS CONFERENCE CALL

EVENT DATE/TIME: JANUARY 26, 2012 / 2:00PM GMT

OVERVIEW:

IVZ reported 4Q11 adjusted operating income of $256m and adjusted EPS of $0.42.

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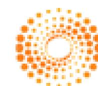

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PRESENTATION

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Operator

Welcome to Invesco first quarter results conference call. All participants will be in a listen-only mode until the question and answer session. (Operator Instructions) Today's conference is being recorded. If you have any objections you may disconnect at this time. Now I would like to turn the call over to the speakers for today, to Mr. Martin L. Flanagan, President and CEO of Invesco, and Mr Loren Starr, Chief Financial Officer. Mr. Flanagan, you may begin.

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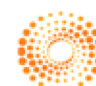

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Marty Flanagan - *Invesco - President & CEO*

Thank you very much and thank you, everybody, for joining us. First of all, there is a presentation that's on the website if you are so inclined to follow it. As is our common practice, I'll go through the business results for the fourth quarter. We'll hit some highlights of 2011, since it is the end of our year, and Loren will go into the details of the financials and then we'll open it up to Q&A. Those that are following the presentation, I'm now on slide 3. So taking a look at the fourth quarter and some of the overview points, long-term investment performance remained very strong across Invesco for the fourth quarter with again some areas of exceptional performance. Our strong investment performance contributed to the trend of positive long-term flows, in spite of what continued to be a very volatile market.

During the quarter we saw long-term net inflows across all distribution channels. Also during the quarter we reduced long-term debt by $105 million, further strengthening our balance sheet. Reflecting the continued confidence in the fundamentals of our business we purchased $436 million worth of Invesco shares during 2011. And looking ahead, we plan to take advantage of the many strengths of Invesco, continuing to invest in the business and further enhancing our relative position in the marketplace. We also remain focused on providing our clients with solutions to help meet their needs and their financial objectives regardless of the market environment. We believe that important parts of the global economy are on the road to recovery over the long-term, but expect that the road will remain bumpy in the near term. And consequently, we will continue to be very disciplined in our approach to our business and the markets while investing for the long-term. The steps we have taken to enhance our business in 2011 positions us very solidly. As we look into 2012, we expect solid results, but again, as markets improve, our results in 2012 could improve on the back of those markets.

Taking a look at 2011, on page 4 now, if you take a look at the accomplishments over the past year it really provides some insight into the long-range plans of the organization. First and foremost, we remained absolutely focus and committed on delivering strong long-term investment performance to our clients, which will continue to drive growth in the core business. In spite of the volatile markets, we further enhanced our business in key areas. As you all know, we have had a focus on continental Europe. We advanced that business there. Fixed income continues to be an area where we have great strengths, but further strengths our areas of focus of the organization and again our very, very strong real estate team continue to see success and we continue to expand that business in parts of Asia during 2011. We'll continue to invest in capabilities we see where we see strong client demand or future opportunities by continuing to develop the talent or, where necessary, hire world class talent, upgrade technology platforms, launch new products or provide the necessary resources. Bottom line we'll continue to do whatever is necessary to continue to improve our competitive position for the benefit of our clients.

And also during 2011, we increased the number of PowerShares products available to clients in Canada. That continues to be a nice growing part of the business there. And continue to expand our industry leading balance risk allocation capability in different parts of the business around the world, different channels, as that continues to be something that is very much desired by clients. And really the ability to leverage capability such as balance risk or real estate capabilities around the world or different investment management teams that we have is a key differentiator for us as an organization. We expect that to continue to develop over 2012 and in the years to come.

Taking a look at the fourth quarter results on page 5, we ended the quarter with $625 billion in assets under management versus $598 billion at the end of the third quarter. Invesco continue to generate strong long-term investment performance for our clients during the quarter, which contributed to the net long-term inflows of $5.6 billion. This further extended the positive trends we have demonstrated over the past several quarters of net inflows. Reflecting the challenges of a volatile market, adjusted operating income for the fourth quarter was $256 million, consistent with the third quarter, and earnings per share was $0.42 during the quarter, also consistent with the prior quarter. And as I have mentioned, Loren will go into greater details in just a minute.

I would like to turn to investment performance and on page 7 you can see our investment performance over 1, 3, 5 years at aggregate level. It continues to be very, very strong. And the one year performance being 71% of assets beating peers, that is the highest percentage since August of '09, and on a five year basis. 80% of assets beating peers, again very, very strong. The relative softness in the three-year number is reflective of some very strong performance rolling off of the fourth quarter 2008 and the brief period where we trailed the market during that, the Beta rally after March of '09. But based on the strength of the recovery subsequent to that, we would expect the three-year numbers to solidify by the middle of 2012, and again, looking at the underlying performance, it really is quite strong. A small number of funds represent some of this under-performance

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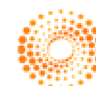

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or literally only 100, less than 100 basis points off the 50 percentile. They continue a positive returns for clients during the period. Half of them continue to be a net flows, so again, it is something very, very -- we feel very good about.

Taking a look at quarterly flows, again, on the back of the strong investment performance, the Enterprise contributed to positive flows during the quarter, in spite of the markets. And as I mentioned earlier, net long-term flows total $5.6 billion for the quarter, but also $24.5 billion for the year. So during the quarter and the year in total quite strong from a flow basis. Taking a look at sales across channel, gross sales in the retail and institutional channels contributed to the positive flows for Invesco as a whole and we continue to seek positive flows in nearly every part of the global business during the fourth quarter.

Turning to page 10, let's take a look at US retail redemption rates and how we continue to do relative to the industry. Reflecting a very challenging volatile market, gross sales in the US retail business dropped 15% quarter for quarter. Redemption rates, however, continue to out pace the industry, reflecting the differentiation we are achieving with our strong investment performance, the depth and breadth of our investment capabilities and a focused client engagement effort. In spite of the volatility we saw, we believe the combination of solid performance, the number of high demand capabilities will continue to drive good momentum in the business, and by our internal calculations we are seeing market share increases in gross mutual fund flows increasing relative to the market, of course, but also trending positive over the long-term.

One of the goals that we've talked to you all about is building brand recognition within the US. And during 2011, we got after those efforts and our brand awareness in the US intermediary and advisory market advanced considerably. A recent third party study showed that among mutual fund companies, Invesco achieved the most significant one year gain in brand penetration in these markets and is now among the top ten. We are not where we want to be, nor do we think we are where we need to be. We'll continue to focus on this and we expect further improvements in 2012. As always, we remain very focused on making further progress to achieve the full potential of that US franchise. All the indications, all the trends look quite positive and we feel very good about where we are going with that part of the business. I'm going to stop there and turn it over to Loren.

Loren Starr - *Invesco - CFO*

Thanks very much, Marty. So turning to slide 12, you'll see during the quarter we generated total net flows of $6 billion with $5.6 billion being long-term and there was $0.4 billion from money market. And similar to Q3 the aggregate flows reflected continued strong client demand for UTFs and other passive products. If you just look at the actively managed assets within the mix, we saw demand grow for the balance risk and other income oriented products in the quarter and that was offset by outflows and active equities, again as market volatility generally kept clients on the sidelines for these riskier assets. With that said, however, we are pleased to see the markets and FX working in our favor as we approached year end. And we added $20.9 billion to our assets under management and this quite honestly is a very stark contrast to Q3 where we lost $57.5 billion in AUM to these same factors.

The resulting increase in AUM quarter over quarter was $26.9 billion or 4.5%, leaving us with $625.3 billion AUM at the end of the quarter. It is interesting to note, however, that our average AUM for Q4 ended 1.7% lower than Q3 since we started the quarter at $598.4 billion in [AUM], which is in fact the lowest AUM level we had seen all year. Our net revenue yield in Q4 came in at 46.1 basis points and that was an increase of 1.5 basis points versus Q3, driven by larger performance fees and other revenues relative to the prior quarter.

Let's now turn to the operating results and the P&L. You'll see that the net revenues in the quarter grew $10.7 million or 1.5% and that included an unfavorable FX rate impact of $6.1 million. Drilling down on to that you'll see that the investment management fees in the quarter fell $33.3 million to $770.8 million and that was due to lower average AUM, but also the market impact on our asset mix and the fee rate during the quarter. The FX reduction accounted for $7.7 million of the $33.3 million. Our service and distribution revenues were down by $8 million or 4.2% and this was in line with our lower average AUM and the investment management fees and FX accounted for just $0.8 million of the decrease. And truly again, the two line items that came in pretty big this quarter were performance fees and other revenues. You saw that performance fees came in at $24 million and that was an increase of $21 million versus Q3 and these were generated from our private wealth management business, but also our real estate business. And then other revenues in the third quarter, sorry, in the quarter came in at $44.9 million and that's up $18.2 million. And this increase was due to a step up in transaction fees in both our private equity business and also real estate businesses.

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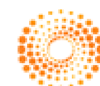

Third party distribution service and advisory expenses, which we net against gross revenues, fell $12.8 million or 4% and that was in line with the decline in investment management fees and service and distribution fees. FX reduced these expenses by $2.6 million. Next, going to operating expenses, these came in at $460.5 million and that was an increase of $10.1 million or 2.1% relative to Q3. The foreign exchange impact for this was $4.2 million quarter over quarter. I was looking at the pieces. Employee compensation came in at $312.3 million and that was an increase of $6 million or 2%. That increase was largely due to the bonuses that were linked to the increase in performance and transaction fees earned in the quarter and the FX decreased compensation expense by $2.7 million. Market expenses fell just by $2.3 million to $22.1 million. That was a 9.4% decrease. And FX was just a modest amount on that, $0.2 million.

Property, office and technology expense came in $61.9 million in the fourth quarter and that was a decrease of $0.9 million and FX accounted for most of that, that was $0.6 million. G&A actually came in a bit higher than our normal run rate this quarter at $64.2 million. That was up $7.3 million quarter over quarter. Roughly half of that increase was attributable to general step up in the level of business activities in the quarter, which included travel, but also in particular professional services costs associated with our increased marketing and IT initiatives. The remaining half of the increase was what I would characterize as one-off product related costs in the quarter that we don't expect to continue going forward. FX had a $0.6 million reduction on G&A during the quarter. Continuing on down the page, non-operating income decreased $1.7 million and that was due to the mark-to-market on certain of our partnership investments, as well as to a general lower level of realized gains on some of our seed capital disposals during the quarter.

The firm's effective tax rate came in on pretax adjusted net income at 22.9%. Again a little bit lower than we had originally thought, but going forward for 2012, we continue to see the tax rate drop. There are many regimes around the world that are seeing their tax rate drop, so we had forecast that to be around 25% next year. But again this will move around based on the mix of our businesses and where profits are earned. Overall, EPS came in at $0.42, basically flat for the third quarter and our adjusted net operating margin was 35.8%, which was a small decrease from the prior quarter. That concludes my section. I'll turn to back to Marty.

Marty Flanagan - *Invesco - President & CEO*

Great. Thank you, Loren. Just really to sum up the quarter, we thought it was a very good quarter in light of the environment that we have been in. You continue to see strong investment performance across the organization and we continue the trend of net long-term inflows across all channels of the company, which we think is again, very, very strong in light of the market that we have been operating in. We do remain cautiously optimistic about the markets and we will continue to be very disciplined managing the business, while at the same time continuing to look forward for organic growth during that period. But first and foremost, we'll continue to be very, very focused on delivering excellent investment performance for our clients. Let me stop there and Loren and I will answer any questions people have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Kim of Sandler O'Neill.

Michael Kim - *Sandler O'Neill - Analyst*

First, you have clearly benefited from the growth of the premium plus strategies, but my sense is that it is still a relatively small piece of your overall AUM base. So just curious, given demand for multi-asset class strategies continues to be high and how scalable is this business and what are some of the initiatives that are in place to further penetrate different markets?

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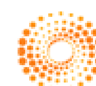

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Marty Flanagan - *Invesco - President & CEO*

First of all, as you point out, it is a spectacular product. It has a very good track record. It is now, this one in particular, depending on the channel you are in, it is over a three-year track record right now.

The team has been together 12 years, so highly respected, and this is an example of something that is being introduced in different markets and has been introduced in different market around the world, whether it be retail or institutional. And there are varying different subsets of the capability that clients are interested in. There is commodities focus and very different elements that way.

So, it is just one of the different multi-asset strategies that we have. We think we are very, very well placed in doing it. Again, we have a long track record in different markets. So, it is very scalable and we think we are on a good path and its early days to where we think it could be.

Loren Starr - *Invesco - CFO*

I think we have, what, about $6 billion in that class, from nothing, essentially. So, $6 billion in a year and that's without the three-year track record fully hitting in. I do think the idea that this could continue to move at the pace or maybe even accelerate into 2012 is quite feasible.

Michael Kim - *Sandler O'Neill - Analyst*

Then maybe can you just talk about how the sales and redemptions sort of progress through the quarter? And then any early read into trends thus far this year, particularly as it relates to any pick up in contributions from retirement accounts?

Marty Flanagan - *Invesco - President & CEO*

So, I think probably not just for us, but for everybody in the asset management industry, context is important. Let me just use the most public data and it's for us it's only a subset of our business, but if you look at US -- our mutual fund flows as somewhat of an indicator of investors. I think we've all seen it, you ended up 2011 with $62 billion in that inflow. And that is, if you go back to 2003, it is really a quarter of the net inflows you saw during that period of time, but for 2008, where it was almost $170 billion out and we all know what that was. It was really a very, very difficult environment.

Then again, within that the flows -- you have 2011 was the almost $90 billion in equity out flows and the only other period that you saw anything close to that was 2008, which was $152 billion. So, if you use that somewhat as a proxy of how investors were thinking around the world the world and to some degree in the institutional market, although recognizing it's a slower period, having net inflows, having gross sales, market appreciation, increasing penetration as we did, we feel very, very good about where we stand and again, I think it's on the back of first and foremost just broad deep investment management capabilities and our ability to move around the world with these capabilities and into multi-channels.

So again, I think our relative success in what really was a very difficult market, I think we feel confident about as we look forward into 2012 if these markets stay where we are, we expect we are going to have a quite a good year.

Michael Kim - *Sandler O'Neill - Analyst*

Okay, thanks for taking my questions.

Operator

William Katz of Citigroup.

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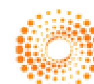

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Bill Katz - *Citigroup - Analyst*

Just in terms of free cash flow, obviously you took down the credit exposure a little bit and bought back a little stock. As you look into this year, so manage the business prudently, could you sort of maybe highlight your priorities for free cash flow? And then secondly as you look at the business, are there any product gaps or areas that you might be able to shed to further hone the story?

Loren Starr - *Invesco - CFO*

Yes, Bill, I'll try to handle the first part and maybe Marty will take the second one. I think they are somewhat linked, clearly. But in terms of free cash flow, we certainly took more of our free cash flow and used it for stock buyback this year.

Our general interest to continue to return capital when we don't see a clear need for it is there. And certainly when our stock is trading at a discount, which it continues to do, and certainly when we see the fundamentals improving and maybe it not being reflected in our stock, it is far more interesting for us to be buying our stock now than ever before.

We do also, clearly, buyback our stock to eliminate any dilution associated with year-end grants. So, again, I think you can certainly assume by looking at our history as to how we are going to be thinking about things going forward. So there isn't really a change in our capital priority, we want to continue to have dividends to be ever increasing.

I do think the topic about the certainty of dividends and the use of dividends is one that we are still looking at in terms of what's the right level. But between dividends and buybacks, I think it is largely business as usual and really the only thing that comes into play, other than that, is largely acquisitions, and maybe, Marty, you want to talk to that.

Marty Flanagan - *Invesco - President & CEO*

Maybe picking up on your point, Bill, just about product gaps. We maintain we don't have a lot of product gaps. There are areas where we are always looking to improve relative performance within an area or success within an area within the product gap.

Our focus will continue to be on really organic development, product development. My other personal opinion is the depth and quality of our investment teams is really, been here six and a half years, it's really strong. I feel really good about them.

So as we look forward, we think that we are going to be able to meet our needs largely through continued organic product development. And as you look at - hear about some of these big transactions that might be in the marketplace, it just -- we have been very clear about what our acquisition strategy is. I would suggest that that's inconsistent with our need or our strategy at this time.

Bill Katz - *Citigroup - Analyst*

And just sort of Bob question. I think maybe it's just sort of seasonal, but I noticed that headcount was down about 30 or so quarter to quarter. Intrigued by your comments about the leverage to improving markets. So, as you think about the incremental margin for the business, where are you if the market sort of continues to trend a bit higher here. Is it still 50%, 60% or is there room for that to be a little bit higher as well?

Loren Starr - *Invesco - CFO*

Bill, I think to accept that the markets are strong and charging forward, we'll definitely see the incremental margins be at the higher end of the range. So I think when you think about 50% to 60%, it is probably closer to the 60% side. When it is flatter and we are really growing through organic methods it is harder to generate those same incremental margins and they tend to be closer to the 50%. Depending on the markets, that's probably how you are going to see things pan out.

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Bill Katz - *Citigroup - Analyst*

Thanks for taking my questions.

Marty Flanagan - *Invesco - President & CEO*

I think what I add to it, too, I think what you -- again, if you just look at -- it is really the asset mix element too, which has been a driver in the effective fee rate. I think that's, again, not just for us, but for everybody in this industry. If you have those positive equity markets and for us, if you have relative flows into that, again, that's going to drive to the higher end of that range too.

Bill Katz - *Citigroup - Analyst*

Okay, thanks again guys.

Operator

Alex Kramm of UBS.

Alex Kramm - *UBS - Analyst*

First of all, maybe a little bit of a numbers question. But Loren, you just walked through all the volatile items in the income statement, i.e. performance, the other and G&A. Can you talk a little bit about what you expect there for the next quarter, given what you see out there in terms of spending, but also in terms of realizing performance fees in UK and things like that? Thank you.

Loren Starr - *Invesco - CFO*

Great question and one that is particularly difficult to answer. So, just as -- when we think about our plan and when we think about what we are going to spend and do, we generally don't assume performance fees are coming in.

We are very conservative, because they are very hard to forecast and it will be very dependent on the market environment in a particular, for a particular product. I would say generally we see performance fees be higher or higher in the first quarter and the fourth quarter. And that's a trend that has been in place for awhile. The one place where we've seen higher first quarter performance fees in the past has been the UK.

And that will be very dependent on how much we get, will be dependent on the market environment that we are in when that's calculated and if you look at our UK, excuse me, product and the performance, it's very sensitive to what is happening in the UK, whether banks are performing or not, as an example. And so that is something that's, it is hard to forecast and it can swing quite a bit.

So I do think there is the potential for a nice performance fee, given the strength of the performance of the UK generally. So I'll just put that out there, but it is something that is hard to bank. I think it -- the other part that I do feel better about is real estate and the transaction fees and the performance fees that we continue to see coming from that activity.

As Marty mentioned, real estate has been a very strong product for us. We have seen a lot of client demand and we have seen a lot of commitments to new products and as those get invested, we are able to generate some transaction fees on some of those products and certainly we have a fairly large pipeline of investment activity in our real estate business that should produce pretty good transaction fees. And then as well performance fees will also be coming because it is a well performing product.

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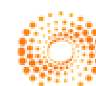

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I'm generally quite hopeful. I think the other parts of the business where you have not seen performance fees, whether that's in our private equity business or some of the PPIP products, for example, those are things that are probably going to be more weighted towards 2013 and later because we can't recognize those performance fees until there is virtually no opportunity for clawback.

But there is a lot of built-up performance fees, I would say, in those products as well, quite significant. I'm pretty hopeful overall the next couple of years we are going to see this stepping up certainly off of the 2011 levels.

Alex Kramm - *UBS - Analyst*

In terms of the other NG&A line --.

Loren Starr - *Invesco - CFO*

In the other NG&A line we definitely called out half of the increase, so call it roughly $4 million, that was nonrecurring and those were really related to step up in some of the costs on some of our products that deal costs and other costs to correction type of items that, again, were really unusual in the quarter and would not recur. I feel pretty comfortable that $4 million off of that would be kind of the right thinking in terms of run rate going forward. Again it is sort of hard to predict quarter to quarter exactly what happens, but that is the one that I feel pretty good about.

Alex Kramm - *UBS - Analyst*

Then just maybe following on on what Bill just asked around capital deployment. You didn't call out any sort of buybacks for the first quarter and you did that in the fourth quarter. I know you didn't do much in the third quarter, so is your hesitation to actually give us a number related to maybe you are looking at a couple of opportunities out there or is it just not something you want communicate at this time in flexibility?

And then just related to the M&A question again. You said maybe not anything large scale right now, but you think some of the uncertainties out in Europe in particular give you opportunity to maybe get little pieces out of some of the assets that are for sale or maybe even as some people don't know what their futures pick up some teams? Or do you think we need to hold off a few quarters for that?

Loren Starr - *Invesco - CFO*

I think I can probably answer. The sort of number of what the buyback could be, again, I think it's a little hard because the market is moving, is volatile. So, laying out a specific number is one that people will remember, but it will definitely shift depending on what sort of market you are in. So, it is probably more a percentage of cash flow or something like that metric that is more important.

And I am saying between dividends and buybacks, I think you should look at what we have been doing is sort of roughly in line with how you should be thinking about us going forward. There may be a topic just between the split between dividends and buybacks that we are going to want to look at, how much to dividends, how much to buybacks.

That is really kind of the only science that I think we want to spend a little more time in. In terms of the acquisitions, no, there isn't any sort of hidden agenda here in terms of holding some offer. I think you take us literally when Marty said that there isn't any grand plan or money being hidden off the side because we might be doing something. That is certainly not the thought process now.

Alex Kramm - *UBS - Analyst*

All right thanks.

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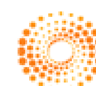

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Operator

Glenn Schorr of Nomura.

Glenn Schorr - *Nomura Asset Management - Analyst*

So, definitely take it in this weak environment, but all the flows are on the more passive product side. That is the trend of the world and I don't know if you see that accelerating, but maybe if you could remind us the fee differential of your passive versus active products. I know the margin held up. And then maybe an additional comment on there about incremental margins on the passive new money, because my gut is, is that is even better than the overall firm.

Loren Starr - *Invesco - CFO*

Yes, Glenn. I think we do provide some of that detail in our number of pages on our quarterly asset roll forwards. If you were to look at the passive products for let's say Q4, you are going to see something around 10.6 basis points and you are going to see our active being closer to 52. So that is the general spread.

It can move around a lot, depending on what's happening in a particular quarter, because some passive products can really generate some pretty good fees, some of the ETFs in Canada and so forth, you could definitely see higher fees in some of the ETF products than in the past. And I'd say the incremental margins are probably very similar to both products, it's just you need to generate a whole lot more because it is a lower revenue feed generation level for it to really move the dial.

We don't really look to sort of grow products that are going to dilute margins. We really think all our products need to be contributing positively with similar incremental margin characteristics. So again, I think we like our passive products.

We think they are great. We are very pleased that we have great capability there and it is a trend that I'd say probably as some likes to continue, but certainly early days there's showing some of the active product beginning to take hold. Too soon to call it a trend, but January has generally been, I think, more favorable to active product than passive.

Marty Flanagan - *Invesco - President & CEO*

Just adding to that, I can just tell you what we are seeing. So where our clients interested and as you would imagine the risk, balance risk asset allocation products multi-strat, very, very interested in that. Our real estate products globally, whether they are global REITS, REITS, direct real estate, very, very interested in that.

Bank loan products and then on the equity side, you are seeing a lot of interest in our equity income type products quite broadly, whether it be DC plans or C plans or traditional retail and so you are starting to see people move more into riskier asset classes, which is a very, I think it is a very positive and hopeful trend for the market and frankly, for us as a company.

Loren Starr - *Invesco - CFO*

Also look in our just institutional business, we are actually seeing a growth in the amount of interest in equity products and actually, I think it is about 30% of our unfunded, won but unfunded business is in equities now. So we are actually beginning to see, I think, some of the smart money coming back into active equities.

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Marty Flanagan - *Invesco - President & CEO*

Yes. And add into that also the international growth products also seem to be getting quite a bit of interest. As Loren said, early days, but it does feel like investor sentiment is moving towards what does look like very attractive valuations and return characteristics in those products.

Glenn Schorr - *Nomura Asset Management - Analyst*

One quickie follow-up on the capital usage. It is great to see the share count shrinkage over time. Is there anything special on issuance front in the first quarter that we should have in our models that there would be even if you do buyback some stock no net shrinkage in the share account?

Loren Starr - *Invesco - CFO*

We will try to work as quickly and diligently as we can to reduce any impact and generally that's been the case in terms of how we've operated. In terms of the amount of equity issued, it can -- you can look to our past history, it ranges around somewhere between -- it can be 130 to 180. It is in that range. So, you can sort of think about that range in terms of equity coming in. Easy enough for us to go in and eliminate that pretty quickly without it having a major impact on EPS.

Glenn Schorr - *Nomura Asset Management - Analyst*

Just a last quickie is if you look at the full year operating leverage, your adjusted revenue is up 15 and your comp and other expenses 12 to 13. Is that the right operating leverage thought process in an okay market backdrop as you continue to still build out the capabilities?

Loren Starr - *Invesco - CFO*

Again, it depends. Some of the revenue impacts are on performance fees related and there is different payouts for performance fees than there are for management fees. Again, it is a little hard to sort of nail exactly what the right sort of relationship between revenues and compensation.

That is not the way our plans work. It is not really the way we do it. I think the best way to think about it is sort of broadly year to year this incremental margin concept as to how we manage. Again, that is more of a result than anything, but it is one that sort of held up in terms of 50% to 60% incremental margins depending on how much revenue is coming from markets versus organic growth.

Glenn Schorr - *Nomura Asset Management - Analyst*

Excellent. Thanks.

Loren Starr - *Invesco - CFO*

Sure.

Operator

Ken Worthington of JPMorgan.

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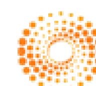

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Ken Worthington - *JPMorgan Chase & Co. - Analyst*

On the direct real estate side, it seems like you put a bunch of money to work in 4Q. So the questions there are how much money did you put to work in 4Q? How is the market environment look for putting more money to work in say the first half of the year? And if you can, what is the pipeline, the amount of money that's funded but not yet invested or maybe collective, but not yet invested?

Marty Flanagan - *Invesco - President & CEO*

Ken, it is Marty. Let me try to take -- make a couple comments there. I don't know that we have disclosed all those details or Loren is going to see what he has handy, but let me just make this comment. As you probably know, it is just a spectacular team.

Our point of view, it is one of the very few global real estate teams in the world now literally on the ground around the world with clients around the world. There continues to be an awful lot of client interest in the direct real estate capability quite broadly. And you are even seeing clients in Europe interested in the Asian capability (technical difficulties) hoping was going to come out of the transaction, the AIG transaction that was done a year ago.

And again, the global re-product, the re-product in particular continues to have a lot of interest and it is consistent with the commentary I was making earlier where people seeking income and that's at the institutional level, too, not just the retail level. So it's probably been one of the most active areas in the company. So I know that is very high level responding to your question without the details.

Loren Starr - *Invesco - CFO*

I think, without getting into specifics, it is billions of dollars is what we've got in terms of what is to be invested. I do think our real estate team is very disciplined and so in terms of how quickly they deploy it, will be very much just in the best interest of the clients. So it can take time. I don't have a clear line of sight, quite honestly, in terms of what's moving and what's not. That is really in the heads of our real estate team and sort of transactions that I'm not even privy to and shouldn't be. So it is a little hard to answer exactly how quickly it is going to get deployed, Ken, I apologize but that is --.

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

Worth a shot. And then on the management fee rate, in terms of the fee rate on the active assets excluding the performance fees, what are kind of the dynamics that are moving the fee rates around. Obviously, like stable value has been a big, big source of success for you, but what are the other kind dynamics that are impacting that active fee rate?

Marty Flanagan - *Invesco - President & CEO*

You are hitting exactly on an important question. If you go back and look at sort of the effective fee rate at the end of 2007 and compare it to the end of '11, it was probably 50 versus 45 during that period. And the vast, vast majority of that movement in the effective fee rate is driven by the asset mix shift as you are highlighting.

There is probably -- so you would then ask the question, so could you expect it to go back to that level? I don't expect it to necessarily to go back to that level with one point when we did the Morgan Stanley Van Kampen transaction some of the important long and very long history funds have lower effective fee rates, so there is a little bit of a cap to where it will get to.

But that doesn't stop it from, the organization from being able to generate the margins that we have talked about in a growing market environment. So that's the main dynamic.

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

Great. Thank you very much.

Operator

Jeff Hopson of Stifel

Jeff Hopson - *Stifel Nicolaus - Analyst*

Was curious on Europe, where there was improvement quarter over quarter, what's been helping you there? And then in Asia it looks like that was, the flows were primarily on the passive side, I guess, institutional, is that right?

Loren Starr - *Invesco - CFO*

All right. So, I think Europe, it is a similar topic, quite honestly, as it is in the US, where we have seen great strength in certain products. We have a multi-asset risk balance risk product in Europe that is flowing really well, very strongly. So it is really the strength of that. We've also seen sort of lower redemption rates generally, so that's been helpful for the flow picture quarter over quarter. What was the second part of your question?

Jeff Hopson - *Stifel Nicolaus - Analyst*

On Asia it looked like most of that was passive institutional?

Loren Starr - *Invesco - CFO*

Right, so that was largely real estate. We actually have certain situations where we manage individual properties which we put into passive. So it is not really a portfolio management function, it actually gets into an individual property management opportunity. So that is why we put that in passive, but in fact we got a decent fee, right.

Jeff Hopson - *Stifel Nicolaus - Analyst*

And in Europe is that the sale of the, that product is that retail or institutional?

Loren Starr - *Invesco - CFO*

Both. It cuts both ways.

Jeff Hopson - *Stifel Nicolaus - Analyst*

Okay, great. Thank you.

Loren Starr - *Invesco - CFO*

Sure.

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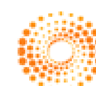

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Operator

Dan Fannon of Jefferies & Co.

Dan Fannon - *Jefferies & Company - Analyst*

I guess, Loren, my question would be on the comp. I'm just trying to get what the normalized level of comp would be ex the payouts from performance fees and the real estate? I think you might have said flat quarter over quarter, but just want to get a sense as we think about going into the first quarter next year.

Loren Starr - *Invesco - CFO*

The first quarter has got some interesting dynamics, as you know. We have got payroll taxes that come into play. We are going to have some of the stock grants and other deferred grants coming in, in February that begin to roll in. We have got some things that are expiring, too. We have some modest increase across salary. So, in terms of thinking about Q1, I think if you look at our Q4, obviously the $6 million performance fees, you are going to might have some of that again recurring in Q1.

So, it is -- I think if you look more to Q3 as sort of a starting point level, it is probably easier to think about what the run rate is into Q1 and 4. But again, it is going to be very market dependent as to if we can use the assets do what they are doing, it will obviously reflects some of the variable parts of our comp, which will be helpful.

But again, if you are sort of thinking flat markets to end of year Q4, no asset increases, sort of modest performance fees, I think again sort of the Q3 levels is sort of the general right run rate for thinking about comp.

Dan Fannon - *Jefferies & Company - Analyst*

Then the comment around the backlog and 30% being equity-based, is that quantitative products? And if not, maybe give a sense, talk about what those products are? And then also the outlook for kind of the demand around the Quant products would be helpful.

Loren Starr - *Invesco - CFO*

Yes, it is actually spread across many different equity capabilities, so it is not just Quan. Quant does factor in, particularly European Qanta is doing very, very well. But I think there are strong interest in some of the global products, emerging market equity products, Asia equity products. So it is a spectrum of equity offerings that we have that is featuring there. So there is no one that I would say points out as dominating.

Dan Fannon - *Jefferies & Company - Analyst*

Okay, great.

Marty Flanagan - *Invesco - President & CEO*

And I'd just add in on the quantitative capability. Again, as we have said, we have had a very, very strong team, been together for a long, long time, highly qualified. That was an area in the marketplace where Quant fell totally out of favor '09, '10, but what you have seen, with our team in particular, that performance has come back quite strongly.

It has done exactly what it's supposed to do and there is actually a fundamental bias underneath it, so it is not -- it is different than a lot of the Quant capabilities out there and we are actually, as Loren said, the global quantitative capability, in particular, is starting to get a lot of interest again. And

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we are seeing net new clients into that capability, where if you were asking that question a year ago, I don't know that you would thought that you would be saying that a year, today.

Dan Fannon - *Jefferies & Company - Analyst*

Great. Thank you.

Operator

Roger Freeman of Barclays Capital.

Roger Freeman - *Barclays Capital - Analyst*

Just a couple questions on the retail business. Just looking at flows gross, looks like gross redemptions decreased more than gross sales. Can you talk to whether or how much of this is coming from increased benefits off the Van Kampen deal? And did you move higher on any of the broker platforms this quarter on get into any of the model portfolios?

Loren Starr - *Invesco - CFO*

I think, Roger, the sales probably dipped down a bit, that was in line with industry trends. I think we have so much of our product as equities. Equities were, as Marty mentioned, in significant outflow more than we've seen ever I think in this year. I'm just talk about for the year.

But certainly the quarter was -- we did see continued pressure on equities. So I don't think the experience that we are having looked in isolation, is the right way to think about it. You have got to think about it relative to the mix of businesses we have got. It was actually not a bad sales result and we are seeing, as I said, sort of things that are really selling strong offsetting things that are sort of not selling as strongly and that would be in the, again, the multi-asset products, some of the fixed income products and then off that equities were down.

The redemption rate just continues to be a very good story for us. I think performance is a very important driver of that as well. Obviously, I think the depth of our relationships with our advisors and how we are selling it into those channels is also a factor. We are very pleased with the progress that we continue to have in all the channels that we are in.

I don't know if there is anything in particular that I would call out as sort of being sea changing or it is just progress, steady progress that we continue to have in each of these channels that gives us confidence.

And again, based on early results for 2012, again we are seeing and sort of the thesis if people start coming, wanting more equity products, we'll see the benefit significantly to us, is something that we are hopeful is going to continue.

Roger Freeman - *Barclays Capital - Analyst*

I think you mentioned in the G&A commentary, there was a piece of that, that was marketing related. Just wondering off the back of the survey work you were doing, sort of measuring your advertising campaign around increasing the penetration of the Invesco brand. Are you working on a new advertising campaign? What is your sort of -- where do you think you stand in terms of brand recognition?

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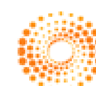

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Marty Flanagan - *Invesco - President & CEO*

We are continuing advertising. We are continuing to sort of evolve the campaign that is out there where it was, again, whatever that level of interest is. It was very much brand awareness. There is actually now perhaps some very specific advertising around the strong investment performance of the organization, so it is closing that perception reality gap.

We have had now years of good performance and that is probably not recognized in the advisor channel to that degree. So that is a focus. And you have to be very specific. Before we'd like to measure things, right? So before we started this advertising campaign we measured where we were. We didn't even show up on the -- they couldn't find us, right? So there was no awareness is where we started.

And as I mentioned, about 12 months later, something less than that, we were certainly top ten in recognition. But again, that is not where it needs to be. We think we really need to move up to get closer 4, 5, 6, somewhere in that and that is probably going to be a good place to be. We would expect that staying on this path with continued focus in that area, we should move up those categories.

Roger Freeman - *Barclays Capital - Analyst*

What is your time frame in terms of goal to get to that 4, 5, 6?

Marty Flanagan - *Invesco - President & CEO*

You know what, I -- let's put it this way. If you asked me we would have gone from nowhere to ten in 12 months, I would have said that is not possible. I don't want to extrapolate that, because I think we will have a failed outcome. It has got to be probably three years. We should make some progress again this year.

Roger Freeman - *Barclays Capital - Analyst*

Great. Okay, thanks.

Operator

Michael Carrier at Deutsche Bank.

Michael Carrier - *Deutsche Bank - Analyst*

Two quick ones. Maybe on the flow side. You are still in an environment where, for the whole industry, flows are few and far between, but certain products you guys had the passes, that the risk managed products, the real estate, all doing fairly well. Any like -- when you look at where those products are distributed, any increased penetration or new distribution into channels over the next 12, 24 months that you see and then particularly on the real estate side, because it seems like in '07, '08, a lot of firms pulled out, so if you have a good franchise right now you are obviously benefiting. Anything from the distribution side where you can continue to sell those products where you might have some attraction relative to peers?

Marty Flanagan - *Invesco - President & CEO*

You are hitting on -- the two areas you talked about are just absolute strengths of the firm. Just pick upon the real estate side. It is exactly the model that we have been talking about the firm for as long as I have been here. If you have a strong investment capability, identify client needs around the world by channel, and the real estate team, whether listed or direct, it is literally we have clients all around the world in those capabilities.

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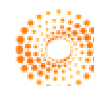

And the penetration is quite successful already and will continue to be. But maybe where you are going the next question is just the balance risk capability. I mean there is no question. I think we all see it.

And if the fed is halfway correct in their forecast, these ideas of balanced risk capabilities, multi-strap capabilities over the next number of years, with an income bias in particular, they are going to do quite well. That is a capability that you have started in the institutional market in the United States, ended up in the retail market and is now in multiple places around the world.

So again, you could just see that just continue to probably make greater incremental product -- penetration simply because it is relatively new to the market. But it is really the equity income capabilities we have, some of the fixed income capabilities, bank loans, et cetera, I just think -- again, we think we are positioned quite strongly for the market environment, subject to a changing quite dramatically again. That is how we see it right now.

Michael Carrier - *Deutsche Bank - Analyst*

Loren, just on the performance fees and in the transaction are the other revenues, just so we don't get too carried away, when you start thinking about 2012, I guess in the first quarter if we think about the UK, based on today, any type of range that you could give? Obviously, performance could change drastically throughout the quarter.

But I just -- in terms of the 24 versus a normal step down, versus what comes out next quarter, that was just in the fourth quarter and what could come in. And then same thing on the transaction side if the flows into real estate continue and so you have to continue to put money to work and then you also will have exits and realization that will drive transaction fees as well.

We have kind of been used to that 25, 30 level, but obviously from historical levels that is very, very low. So, any kind of guidance or new generalities there, because I know it is volatile from any given quarter.

Loren Starr - *Invesco - CFO*

It is and you are exactly right. So I think generally, the step up, Q4 step up, Q4 may be a high point, so the idea of not extrapolating that, I appreciate that, because it, you probably you know would get it wrong. I think the idea of 25 is too low, 30 is probably still too low. 35 is probably the right sort of number. But again, this is sort of very generic forecasting on my part to sort of get you in line.

And then performance fees, really, I mean for the UK, it couldn't go from 0 to 12. It could really move all over the place. So that one is just binary up or down, depending on that day when they take that picture of that performance. There are some other things other than UK that we'll continue to show. I think overall performance fees for 2012 and it is hard to say exactly when and how they all come in. It could be sort of roughly in line with what 2011 is, if not maybe a little bit better. That is really hard for me to lay out exactly.

Michael Carrier - *Deutsche Bank - Analyst*

Right. Okay. That is all, thanks a lot.

Operator

Craig Siegenthaler of Credit Suisse.

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Craig Siegenthaler - *Credit Suisse - Analyst*

Loren, just a question again on performance fees. Can you remind us what type of asset classes crystallized in the second and the third quarter so have the potential to generate performance fees?

Loren Starr - *Invesco - CFO*

Historically, and again you have to go back a few years, we had our Quant group were able to generate pretty significant performance fees on a quarterly basis in the second and third quarters. For us, in terms of that particular product, performance has significantly improved. It still, I would say, away from the point where there would be something I would say you should start thinking about it for your models.

I think the sort of things that might hit second and third quarter would be around some other capabilities that we have, whether it is bank loans or it could be real estate. And those, again, very hard for me to say exactly when that happens, because it will have to do with what is going on in the portfolio that particular time. Again, those are the harder quarters to really sort of forecast from my perspective.

Craig Siegenthaler - *Credit Suisse - Analyst*

Then just a big picture question for Marty. Marty, just kind of based on your perspective of what you are seeing in talking to clients in terms of future organic growth punch rates, how would you rank client demand over the next several years in alternatives versus passes versus active equity versus balance? I know it is a difficult question, but where do you think demand will trend versus those asset classes?

Marty Flanagan - *Invesco - President & CEO*

Well, I think if you asked me six months ago, I could have given you a more clear feedback. I think six months ago, let me -- institutionally you would have said everybody's going into immunization mode, how can I limit downside but at the same time sort of passive fixed income really locking at the same time topping growth, because people are just so scared about market depreciation. You are now, at least the feedback we are seeing, you are starting to get the beginning of evolving thoughts.

And I was with one important client, multi-national client that literally we just three mandates, two of the three were -- one was international capability, one was equity income type mandate and the thought of these types of mandates six months ago going into pension plans, I don't know that I would have thought -- would have been on the table. So I think there could be movement again back to some risk assets, which I think everybody would have said that was served off the table.

But where we are seeing it again, back to what Loren said, bank loans, real estate, commodities within it, premium plus type things, those still are on balance the headline type things. But I think there is a softening again towards equity products, which I would never have told you that six months ago.

Craig Siegenthaler - *Credit Suisse - Analyst*

Sounds like really kind of improvement in a lot of alternative classes active equities, but still maybe that doesn't catch up to maybe ETF growth?

Marty Flanagan - *Invesco - President & CEO*

I you know what, let me say this from this standpoint. So we are happy to say, we are very, very strong ETF business, we think it is excellent and growing. So I can say this with -- I don't think the ETFs are going to take over the world.

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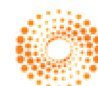

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And I don't think -- my history has been as soon as -- if you extrapolate that into passive, as soon as everybody says the world is going passive, that is probably the exact inflection point in the market where you start to see people going into active equity. And that has been, at least as long as I have been paying attention to the market, that's what's happened. So I think that is probably a hopeful sign. Not scientific, but hopeful.

Craig Siegenthaler - *Credit Suisse - Analyst*

Guys, thanks for taking my questions.

Operator

Robert Lee of KBW.

Rob Lee - *KBW - Analyst*

Not too many. Obviously, most of my questions have been answered. Just real one quick one, Loren, on the back to the capital management. I guess the one piece that wasn't really touched on in that was managing the debt side of it. And you obviously have about $500 odd million on the facility, I think $260 million comes due in April, if I'm not mistaken. Kind just update us on your thought about kind of managing the debt of the firm and I would assume given current rates and maybe an opportunity to refinance the existing debt, plus maybe add some of the facility debt to it at a pretty favorable rate?

Loren Starr - *Invesco - CFO*

Great question, Rob. So, I think again, we have articulated that we want to bring the debt down on the credit facility. We have been doing it, we have been chipping away at it, I think, reasonably successfully. I is something that we will continue to work on. So that is kind of one point.

I think there isn't sort of this fear, I mean for us, it is just we want to have a strong balance sheet. We want to have a lot of financial flexibility. It will allow us to actually take advantage of opportunities if they surface in the future and that is kind of the way we think about debt too, quite honestly. It is not debt for the sake of debt.

Debt is cheap. Certainly you go out and raise a lot of debt. But we wouldn't really raise debt unless there was a reason to raise debt. Again, I think it would have to be lined up with a reason to need to finance something. If it was an acquisition that we'd be out there. For the same reason that the debt that is coming due, it is $215 million in April.

Probably all things considered, we haven't made a decision yet and we don't need to make a decision. It could be quite easy for us to let that just sort of retire it and let it roll on to our credit facility and continue to chip away at the credit facility. So, we are focused on definitely returning actively capital back to shareholders. There is no buyback is quite important. Again, there is kind of this confusion about what comes first, what doesn't.

I think again the message is, is balanced. It is something that is going to work for all parties involved and so we would expect to see a continued sort of work on bringing down the credit facility over time and probably that debt coming due you know would probably just retire. Again, if a transaction came up and it was, again, you heard us talk about there is nothing imminent. But if something were to come up, that could change the dynamics.

Rob Lee - *KBW - Analyst*

Maybe as an adjunct to that, of the 730 of cash and equivalents at the end of the quarter, I know some of that's you have to maintain for regulatory purposes, but how much of that do you actually consider kind of available and free outside of kind of your normal what you like to have as kind of a back stop, so to speak, working capital?

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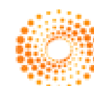

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Loren Starr - *Invesco - CFO*

Sure. Well, we've said in the past and we still believe strongly that we'd like to see about $1 billion dollars of cash in excess of what is in the European subgroup, again, to help us have the financial flexibility of certainly in line if not even a little bit less than some of our peers in terms of what they've done and again we don't think it is an extreme position in the sense that we saw how uncomfortable it can be when you need capital, If you can't get access to it, then you are really in a difficult situation.

So having some cash that would be available. That would be over time we'd want to get to that level. Right now we have about $440 million in the sub group, European sub group of the $724 million. So what is free and available is about $288 million. That is kind of where the number is right now. But that number can move around quite a bit and actually in the fourth quarter is when it gets to be, the European sub group requirement is the highest in the fourth quarter and then it can actually drop down to quite a bit lower, because that is really dependent on how the bonuses and the accruals for bonuses get paid.

Marty Flanagan - *Invesco - President & CEO*

Let me, Rob, it is a good question. Let me step back and just sort of circle through the big point that we have talked about over the last couple of years and that is first and foremost, we are going to be good stewards of shareholders capital. As Loren said, we are going to -- in combination through dividends and stock buyback insure that in the balance approach continue to get that back to shareholders. But during past crisis, what is a business fact is that clients actually care about the strength of a business.

And if you ask 2005 if clients cared about how strong is the business, how strong is the balance sheet, it just wasn't a topic. It is a topic these days and we've determined that over time, if we get this excess capital, excess cash of $1 billion, we think that hits it. We'll have some of the higher ratings ultimately by the rating agencies. And again, we just think it is a business necessity to get to that point. Another caller, but again, we'll continue to do very, very good things to our shareholders so no one should feel that that's not --.

Loren Starr - *Invesco - CFO*

Well, in the end it is all for shareholders.

Marty Flanagan - *Invesco - President & CEO*

Right, exactly. Good point.

Rob Lee - *KBW - Analyst*

Great. I appreciate it guys. Thank you very much.

Operator

Marc Irizarry from Goldman Sachs.

Marc Irizarry - *Goldman Sachs - Analyst*

Marty, we are hearing a lot about convergence between traditional and alternative product. Obviously, with Wilber Ross and his businesses, is probably an opportunity there. How do you think about product in terms of both of the converges between traditional and alternatives and are you seeing that in your business as an opportunity.

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Marty Flanagan - *Invesco - President & CEO*

There is no question about it. I think that's -- people call it different things, but the current phraseology is multi-asset strategies and I think it is beyond what you -- take off the phraseology it is meeting clients' needs and demands and probably for us, probably the most interesting of that in most recent years was the combination when we became one of the PPIP managers to the treasury. It was our fixed income team, it was our direct real estate team, and it was our distressed private equity with your WL Ross that came together to meet the needs of the treasury and we've done versions of that for clients around the world.

So it is really putting together some of our different capabilities through the different strong investment teams meeting these needs. It is a realism. I think it is out there and I think some firms are talking about it, others are doing it and we have a long history of doing it, whether it be having teams like that come together or again through this team that's been together more than 12 years as an allocation team that is doing premium plus type product. It is real. We are seeing it and we are doing it and there is probably going to be more of it.

Marc Irizarry - *Goldman Sachs - Analyst*

And just maybe one for both you and Loren. If you look at fee rates obviously moving lower, just not investment management fees, but the redemption rates. It appears that the assets are becoming stickier and I mentioned maybe it was performance, maybe it is related to mix, just wondering if you could address the sort of trade-off that you are seeing between the asset base that you have today and the stickiness and the fee rate. And then, Loren, just in terms of the areas if we are in sort of a lower mix, lower fee mix place if you will, where do you think you could pull back in terms of distribution and alternatively, where you are investing?

Marty Flanagan - *Invesco - President & CEO*

Just on stickiness, at a more sub group you saw, we continue to have a relatively low redemption rate against the industry. We continue to have -- that sort of extends through the institutional clients around the world and I attribute it largely to first and foremost, doing what we are meant to do for clients and meeting their investment objectives and strong client engagement and service.

So, as long as we are doing a good job, we would expect that to continue. And again, I made the point earlier, the lower effective fee rate, if you look at maybe was a peak around end of '07 and I think that was the year to where it is now. The vast majority of that is explained by asset mix shift from equity to fixed income, which you would understand with the markets that have been around with one caveat being as equity markets come back, we would expect that effected fee rate would increase with that asset mix.

It probably won't get as high as it did just because of some of the very long, long history. Van Kampen funds that came over had lower effective fee rates. But again, it is a very strong capabilities. Loren?

Loren Starr - *Invesco - CFO*

You handled that one right.

Operator

Jonathan Casteleyn of Susquehanna.

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Jonathan Casteleyn - *Susquehanna Financial Group / SIG - Analyst*

Can you talk to remaining capacity in the real estate business on the listed or direct side. Realistically should we expect some level of saturation over time or are these businesses that can still call it double from here. Is there still ample room to grow? Can you comment there, please.

Marty Flanagan - *Invesco - President & CEO*

Let me make a comment then Loren can. I think first and foremost, all of our investment management teams are driven by generating the returns for clients. And when they say it is too much, it is too much and they'll stop. I don't think -- there are natural limitations and in different areas. And again, I don't have -- I have not had this specific conversation.

But on the direct side, there is probably some limitations. On the listed side there is probably some limitations too, so I think extrapolating through the moon is not a good thing. But I don't know if you --?

Loren Starr - *Invesco - CFO*

I think that is true. I think the good news is with our footprints in real estate in particular, the fact that we now have a global capability, there is opportunity for us to grow in certain types of disciplines within direct that we haven't had before as well. So, if we focus on core and value we are now looking at some other opportunity type of funds. So, I think our ability to grow is growing.

Marty Flanagan - *Invesco - President & CEO*

Yes.

Loren Starr - *Invesco - CFO*

Let's put it that way, through some of the recent acquisitions that we did of AIG's real estate business at the end of the year and our success in the region. So, I don't think there is anything that is going to stop our real estate business from continuing to grow.

Marty Flanagan - *Invesco - President & CEO*

I did want to leave that as a -- we are not near that area yet.

Jonathan Casteleyn - *Susquehanna Financial Group / SIG - Analyst*

And then just quickly on the Canadian PowerShares business, can you remind us what percentage of the current PowerShare business it represents and then maybe the contribution in the quarter. Was the delta solely contributed to Canadian business in the quarter and was a very strong ETF result in 4Q?

Loren Starr - *Invesco - CFO*

I think the Canadian business ETF growth has been significant for Canada in the sense that they have seen a lot of interest in those types of products and we listed some products. So I think it is probably at the point of maybe getting to $1 billion. So it is new. And within the quarter, that is not going to be all coming in that quarter, because it started before. So maybe it is $0.5 billion.

But that is the smallest piece of what is going on with the ETFs in the quarter. I know people ask and probably should just let you know in terms of in the quarter we had, in terms of the Qs, let me just give you that. But between the Qs, the QQQs and the Deutsche Bank PowerShares product it

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was $2.2 billion of the flows related to those two products and they can move around. Just as a point of comparison in Q3 it was about $1 billion between those two pieces. The thing that is really moving the most would be in somewhat those two volatile categories.

Jonathan Casteleyn - *Susquehanna Financial Group / SIG - Analyst*

Great. I appreciate the time.

Marty Flanagan - *Invesco - President & CEO*

Thank you very much, everybody. We appreciate the interest and the questions and we look forward to talking to you next quarter. Have a good rest of the day.

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