Invesco Ltd.
Form 8-K
November 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): November 6, 2013

Invesco Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	001-13908	98-0557567
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1555 Peachtree Street, N.E., Atlanta, Georgia	30309
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (404) 892-0896
n/a
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

This Current Report on Form 8-K is being filed by Invesco Ltd. (the “company”) to update certain portions of the company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 22, 2013 (the “2012 Form 10-K”), to reflect the following changes:

Effective September 30, 2013, the company changed the presentation of its consolidated balance sheets from a classified basis to a non-classified basis. Under the non-classified basis, balances are not separately presented as current or noncurrent. Management believes that this presentation is more meaningful to readers because it aggregates assets and liabilities of the same nature, which is consistent with the manner in which management monitors its financial position. The company's previously classified balance sheets were not utilized to derive any ratios or metrics by which the company is measured. Additionally, the presentation of a non-classified balance sheet reduces the presentation complexities resulting from the classification of Consolidated Investment Products (CIP), which do not present classified balance sheet information in their underlying financial statements. Certain previously reported amounts in the consolidated balance sheet and notes have been reclassified to conform to the new presentation.

Effective June 30, 2013, the company adopted discontinued operations accounting for Atlantic Trust Private Wealth Management (Atlantic Trust). Accordingly, the results of Atlantic Trust have been presented as a discontinued operation in the income statement for all periods presented. As a result of this change, certain previously reported amounts in the consolidated financial statements and notes have been reclassified to conform to the current period presentation.

The following Items of the 2012 Form 10-K are being updated retrospectively to reflect the adoption of the accounting presentation changes described above (which Items as updated are included in Exhibit 99.1 hereto and are incorporated by reference herein):

Item 6 — Selected Financial Data
Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations
Item 8 — Financial Statements and Supplementary Data

No Items of the 2012 Form 10-K other than those identified above are being updated by this filing. Information in the 2012 Form 10-K is generally stated as of December 31, 2012, and this filing does not reflect any subsequent events other than the adoption of the accounting presentation changes described above. Without limitation of the foregoing, this filing does not purport to update Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the 2012 Form 10-K for any information, uncertainties, transactions, risks, events or trends occurring, or known to management. More current information is contained in the company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (the “Form 10-Q”), and its other filings with the Securities and Exchange Commission. This Current Report on Form 8-K should be read in conjunction with the 2012 Form 10-K, the Form 10-Q and the company’s other filings. The Form 10-Q and other filings contain important information regarding events, developments and updates to certain expectations of the company that have occurred subsequent to the filing of the 2012 Form 10-K.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP
99.1	Updated financial information as of December 31, 2012 and 2011 and for each of the three years ended December 31, 2012

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Invesco Ltd.

By: /s/ Loren Starr
Loren Starr
Senior Managing Director and
Chief Financial Officer
Date: November 6, 2013

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-162864) pertaining to the No.3 Executive Share Option Scheme, 2000 Share Option Plan, International Sharesave Plan, 1997 Sharesave Scheme, Irish Sharesave Plan, 2003 Share Option Plan (Canada), Perpetual Unapproved Share Option Scheme, and Trimark Executive Stock Option Plan of Invesco Ltd.,

(2) Registration Statement (Form S-8 No. 333-103609) pertaining to the Global Stock Plan, No.3 Executive Share Option Scheme, and International Sharesave Plan of Invesco Ltd.,

(3) Registration Statement (Form S-8 No. 333-98037) pertaining to the AMVESCAP Sharesave Plan of Invesco Ltd.,

(4) Registration Statement (Form S-8 No. 333-10602) pertaining to the AMVESCAP Global Stock Plan, the Executive Share Option Scheme, the AIM Option Plans and the AMVESCAP Sharesave Plan of Invesco Ltd.,

(5) Registration Statement (Form S-8 No. 333-8962) pertaining to the AMVESCAP Global Stock Plan, Executive Share Option Scheme and the AIM Option Plans of Invesco Ltd.,

(6) Registration Statement (Form S-8 No. 333-150970) pertaining to the Invesco Ltd. 2008 Global Equity Incentive Plan,

(7) Registration Statement (Form S-8 No. 333-166919) pertaining to the Invesco Ltd. 2010 Global Equity Incentive Plan (ST),

(8) Registration Statement (Form S-8 No. 333-174584) pertaining to the Invesco Ltd. 2011 Global Equity Incentive Plan,

(9) Registration Statement (Form S-8 No. 333-181536) pertaining to the Invesco Ltd. 2012 Employee Stock Purchase Plan, and

(10) Registration Statement (Form S-3 No. 333-184744) of Invesco Ltd.;

of our report dated February 22, 2013, (except for Notes 23 and 24 as to which the date is November 6, 2013) with respect to the consolidated financial statements of Invesco Ltd., and our report dated February 22, 2013, with respect to the effectiveness of internal control over financial reporting of Invesco Ltd., included in this Form 8-K, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

November 6, 2013
Atlanta, Georgia

EXHIBIT 99.1

Item 6. Selected Financial Data

The following tables present selected consolidated financial information for the company as of and for each of the five fiscal years in the period ended December 31, 2012. Except as otherwise noted below, the consolidated financial information has been prepared in accordance with U.S. generally accepted accounting principles.

	As of and For The Years Ended December 31,				
$ in millions, except per share and other data	2012	2011	2010	2009	2008
Operating Data[4]:					
Operating revenues	4,050.4	3,982.3	3,385.9	2,544.8	3,217.1
Net revenues[1]	2,836.0	2,791.6	2,422.1	1,860.7	2,349.8
Operating income	842.6	882.1	579.4	485.6	742.3
Adjusted operating income[2]	1,012.1	1,046.2	878.7	558.4	812.1
Operating margin	20.8 %	22.2 %	17.1 %	19.1 %	23.1 %
Adjusted operating margin[2]	35.7 %	37.5 %	36.3 %	30.0 %	34.6 %
Net income attributable to common shareholders	677.1	729.7	465.7	322.5	481.7
Adjusted net income[3]	748.6	759.1	618.7	364.3	509.1
Per Share Data:					
Earnings per share:					
-basic	1.50	1.58	1.01	0.77	1.24
-diluted	1.49	1.57	1.01	0.76	1.21
Adjusted diluted EPS[3][4]	1.65	1.63	1.34	0.86	1.28
Dividends declared per share	0.6400	0.4775	0.4325	0.4075	0.5200
Balance Sheet Data:					
Total assets	17,492.4	19,347.0	20,444.1	10,909.6	9,756.9
Long-term debt	1,186.0	1,284.7	1,315.7	745.7	1,159.2
Debt of consolidated investment products	3,899.4	5,512.9	5,865.4	—	—
Total equity attributable to common shareholders	8,316.8	8,119.1	8,264.6	6,912.9	5,689.5
Total equity	9,049.0	9,137.6	9,360.9	7,620.8	6,596.2
Other Data[4]:					
Ending AUM (in billions)	667.4	607.3	599.6	444.3	363.7
Average AUM (in billions)	645.3	617.8	516.9	401.6	453.4
Headcount	5,889	5,917	4,658	4,650	5,057

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(1) Net revenues are operating revenues less third-party distribution, service and advisory expenses (distribution expense related to the European infrastructure initiative), plus our proportional share of the net revenues of our joint venture investments, plus management and performance fees earned from, less other revenue recorded by, consolidated investment products. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information," for the reconciliation of operating revenues to net revenues.

(2) Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the operating income of our joint venture investments,

transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, and other reconciling items. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of operating income to adjusted operating income.

(3) Adjusted net income is net income attributable to common shareholders adjusted to add back transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, third-party distribution expense related to the European infrastructure initiative, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net income excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans, discontinued operations and other reconciling items. Adjusted net income also includes the company's proportional share of net revenues and operating income from joint venture investments. By calculation, adjusted diluted EPS is adjusted net income divided by the weighted average number of shares outstanding (for diluted EPS). See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of net income to adjusted net income.

1

(4) The company has adopted a discontinued operations presentation for the Atlantic Trust business as of June 30, 2013. Amounts presented represent continuing operations and exclude Atlantic Trust, with the exception of net income attributable to common shareholders, basic earnings per share, and diluted earnings per share. Prior period amounts have been reclassified to conform with this presentation.

2

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

The following executive overview summarizes the significant trends affecting our results of operations and financial condition for the periods presented. This overview and the remainder of this management's discussion and analysis supplements, and should be read in conjunction with, the Consolidated Financial Statements of Invesco Ltd. and its subsidiaries (collectively, the "company" or "Invesco") and the notes thereto contained elsewhere in this Annual Report on Form 10-K.

During 2012 global equity markets produced strong positive returns as evidenced by the returns of the S&P 500 index, which was up over 13%, the Nikkei 225 index, which increased almost 23% in the year and the MSCI Emerging Market index which gained over 15% in 2012. The markets recovered from the significant volatility and negative sentiment experienced during 2011 as fears over the solvency of peripheral European sovereigns and the fiscal situation in the U.S. subsided.

The table below summarizes the year ended December 31 returns based on price appreciation of several major market indices for 2012, 2011, and 2010:

	Year ended December 31,		
Index	2012	2011	2010
S&P 500	13.4%	0.0%	12.8%
FTSE 100	5.8%	(5.6)%	9.0%
Nikkei 225	22.9%	(17.3)%	(3.0%)
MSCI Emerging Markets	15.2%	(20.4)%	16.4%

Throughout 2012, Invesco continued to deliver strong, long-term investment performance, maintained its focus on its clients, and enhanced its profile in the industry.

As a global investment management firm dedicated to delivering investment excellence to our clients, Invesco is committed to further strengthening and enhancing our best-in-class risk management approach. A key factor in Invesco's ability to weather the economic storms of the past three years was our integrated approach to risk management.

Invesco's enterprise risk management (ERM) approach is embedded in its management processes across the organization. Broadly, our approach includes two governance structures - one for investments and another for business risk.

- Investment risk oversight is supported by the Global Performance Measurement and Risk group and the investment teams.
- Business risk oversight is supported by the Corporate Risk Management Committee and related committees.

Our Global Performance Measurement and Risk group provides senior management and the Board with insight into core investment risks, while our Corporate Risk Management Committee facilitates a focus on strategic, operational and other key business risks. Further, business component, functional, and geographic risk management committees maintain an ongoing risk assessment process that provides a bottom-up perspective on the specific risk areas existing in various domains of our business. A key value of a robust enterprise risk management process is facilitating the flow of information and insight across the organization and applying that information to more effectively managing risk. Through this regular and consistent risk communication, the Board has reasonable assurance that all material risks of the company are being addressed and that the company is propagating a risk-aware culture in which effective risk management is sewn into the fabric of the business. As a result of our efforts in this area, S&P has designated our enterprise risk management rating as "strong."

In addition, we benefited from our long-term efforts to ensure a diversified base of assets under management. One of Invesco's core strengths, and a key differentiator for the company within the industry, is our broad diversification across client domiciles, asset classes and distribution channels. Our geographical diversification recognizes growth opportunities in different parts of the world. This broad diversification enables Invesco to withstand different market cycles and take advantage of growth opportunities in various markets and channels.

The company announced on April 11, 2013 that it had entered into a definitive agreement to sell Atlantic Trust Private Wealth Management (Atlantic Trust) to Canadian Imperial Bank of Commerce (CIBC). The results of Atlantic Trust are reflected as discontinued operations in the income statement and are therefore excluded from the continuing operations of Invesco. Comparative periods shown in the income statement have been adjusted to conform with this presentation. Similarly, total AUM excludes the AUM of Atlantic Trust with comparative periods adjusted to a consistent basis.

Presentation of Management's Discussion and Analysis of Financial Condition and Results of Operations

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part II, Item 8, Financial Statements and Supplementary Data - Note 1, “Accounting Policies” and Note 20, “Consolidated Investment Products,” for additional details.

The majority of the company's consolidated investment product balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management and performance fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Additionally, the investors in the CLOs have no recourse to the general credit of the company for the notes issued by the CLOs. The company therefore does not consider this debt to be a company liability.

The impact of consolidation of investment products is so significant to the presentation of the company’s financial statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company’s non-GAAP presentation. There are four distinct sections within this Management’s Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

- Results of Operations (years ended December 31, 2012 compared to December 31, 2011 compared to December 31, 2010);
- Schedule of Non-GAAP Information;
- Balance Sheet Discussion; and
- Liquidity and Capital Resources.

Each of the financial statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of the consolidation of investment products relative to the company's consolidated totals. The impact is illustrated by a column which shows the dollar-value change in the consolidated figures, as caused by the consolidation of investment products. For example, the impact of consolidated investment products on operating revenues for the year ended December 31, 2012 was a reduction of $41.0 million. This indicates that the consolidation of investment products reduced consolidated revenues by this amount, reflecting the elimination upon their consolidation of the operating revenues earned by Invesco for managing these investment products.

The narrative that follows each of these sections separately provides discussion of the underlying financial statement activity for the company, before consolidation of investment products, as well as of the financial statement activity of consolidated investment products. Additionally, wherever a non-GAAP measure is referenced, a disclosure will follow in the narrative or in the note referring the reader to the Schedule of Non-GAAP Information, where additional details regarding the use of the non-GAAP measure by the company are disclosed, along with reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures. To further enhance the readability of the Results of Operations section, separate tables for each of the revenue, expense, and non-operating income/expense sections of the income statement introduce the narrative that follows, providing a section-by-section review of the company's income statements for the periods presented.

Summary Operating Information

Summary operating information for 2012, 2011 and 2010 is presented in the table below.

$ in millions, other than per share amounts, percentages and AUM	Year ended December 31,					
U.S. GAAP Financial Measures Summary	2012		2011		2010	
Operating revenues[5]	$4,050.4		$3,982.3		$3,385.9	
Operating income[5]	$842.6		$882.1		$579.4	
Operating margin[5]	20.8	%	22.2	%	17.1	%
Net income attributable to common shareholders	$677.1		$729.7		$465.7	
Diluted EPS	$1.49		$1.57		$1.01	
Debt/equity ratio including consolidated investment products (%)	56.2	%	74.4	%	76.7	%
Non-GAAP Financial Measures Summary						
Net revenues[1]	$2,836.0		$2,791.6		$2,422.1	
Adjusted operating income[2]	$1,012.1		$1,046.2		$878.7	
Adjusted operating margin[2]	35.7	%	37.5	%	36.3	%
Adjusted net income attributable to common shareholders[3]	$748.6		$759.1		$618.7	
Adjusted diluted EPS[3]	$1.65		$1.63		$1.34	
Debt/equity ratio excluding consolidated investment products(%)[4]	14.5	%	16.5	%	16.9	%
Assets Under Management						
Ending AUM (billions)[5]	$667.4		$607.3		$599.6	
Average AUM (billions)[5]	$645.3		$617.8		$516.9	

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(1) Net revenues is a non-GAAP financial measure. See Item 6. "Selected Financial Data," footnote 1, for the definition of this measure. See “Schedule of Non-GAAP Information” for the reconciliation of operating revenues to net revenues.

(2) Adjusted operating income and adjusted operating margin are non-GAAP financial measures. See Item 6. "Selected Financial Data," footnote 2, for the definition of these measures. See “Schedule of Non-GAAP Information” for the reconciliation of operating income to adjusted operating income.

(3) Adjusted net income attributable to common shareholders and adjusted diluted EPS are non-GAAP financial measures. See Item 6. "Selected Financial Data," footnote 3, for the definition of these measures. See “Schedule of Non-GAAP Information” for the reconciliation of net income to adjusted net income.

(4) The debt-to-equity ratio excluding consolidated investment products is a non-GAAP financial measure. See the "Liquidity and Capital Resources" section for a recalculation of this ratio and other important disclosures.

(5) The company has adopted a discontinued operations presentation for the Atlantic Trust business. Amounts presented represent continuing operations and exclude Atlantic Trust. Prior period amounts have been reclassified to conform with this presentation.

5

Investment Capabilities Performance Overview

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. Long-term performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, is generally strong with some pockets of outstanding performance. Within our equity asset class, U.K. and Global Ex U.S. and Emerging Markets have had strong relative performance, with 87% or more of assets beating their peer group and benchmark over three- and five-year periods. U.S. Value funds reflect strong performance with 99% and 94%, respectively, of assets beating benchmarks and peers on a five-year basis. Within our fixed income asset class, Stable Value products have achieved excellent long-term performance with 100% of AUM ahead of benchmarks and peers on a one-, three-, and five-year basis.

		Benchmark Comparison				Peer Group Comparison			
		% of AUM Ahead of Benchmark				% of AUM In Top Half of Peer Group			
		1yr	3yr	5yr		1yr	3yr	5yr	
Equities	U.S. Core	17	%22	%81	%	17	%26	%56	%
	U.S. Growth	36	%28	%22	%	28	%23	%60	%
	U.S. Value	53	%55	%99	%	74	%73	%94	%
	Sector	63	%65	%58	%	43	%29	%39	%
	U.K.	11	%99	%98	%	9	%98	%94	%
	Canadian	100	%56	%81	%	100	%52	%56	%
	Asian	49	%45	%46	%	37	%44	%45	%
	Continental European	70	%70	%94	%	24	%58	%58	%
	Global	59	%80	%88	%	63	%73	%59	%
	Global Ex U.S. and Emerging Markets	25	%88	%99	%	15	%87	%99	%
Other	Alternatives	53	%62	%66	%	73	%54	%15	%
	Balanced	59	%56	%97	%	96	%83	%95	%
Fixed Income	Money Market	60	%33	%72	%	97	%96	%93	%
	U.S. Fixed Income	66	%94	%60	%	82	%85	%80	%
	Global Fixed Income	86	%62	%89	%	91	%41	%86	%
	Stable Value	100	%100	%100	%	100	%100	%100	%

Note: AUM measured in the one-, three-, and five-year peer group rankings represents 59%, 58%, and 55% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 70%, 69%, and 65% of total Invesco AUM, respectively, as of December 31, 2012. Peer group rankings are sourced from a widely-used third party ranking agency in each fund's market (Lipper, Morningstar, IMA, Russell, Mercer, eVestment Alliance, SITCA) and asset-weighted in USD. Rankings are as of prior quarter-end for most institutional products and preceding month-end for Australian retail funds due to their late release by third parties. Rankings for the most representative fund in each GIPS composite are applied to all products within each GIPS composite. Excludes passive products, closed-end funds, private equity limited partnerships, non-discretionary direct real estate, unit investment trusts fund-of-funds with component funds managed by Invesco, stable value building block funds and CLOs. Atlantic Trust results are excluded due to its upcoming disposition. Certain funds and products were excluded from the analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor's experience.

6

Assets Under Management

The company's rolling presentation of AUM from period to period (on the following pages) illustrates long-term inflows and outflows separately from the net flows into institutional money market funds. Long-term inflows and the underlying reasons for the movements in this line item include investments from new clients, existing clients adding new accounts/funds or contributions/subscriptions into existing accounts/funds, and new funding commitments into private equity funds. We present net flows into institutional money market funds separately because shareholders of those funds typically use them as short-term funding vehicles and because their flows are particularly sensitive to short-term interest rate movements.

The discussion below includes presentation of AUM as Passive and Active. Passive AUM includes ETFs, UITs, non-fee earning leverage, foreign exchange overlays and other passive mandates. Active AUM is total AUM less Passive AUM. The AUM for Atlantic Trust are excluded from all periods presented.

There are numerous drivers of AUM inflows and outflows, including individual investor decisions to change investment preferences, fiduciaries making broad asset allocation decisions on behalf of advised clients and reallocation of investments within portfolios. We are not a party to these asset allocation decisions, as the company does not generally have access to the underlying investor's decision-making process, including their risk appetite or liquidity needs. Therefore, the company is not in a position to provide meaningful information regarding the drivers of inflows and outflows.

AUM at December 31, 2012 were $667.4 billion (December 31, 2011: $607.3 billion; December 31, 2010: $599.6 billion). During the year ended December 31, 2012, net long-term inflows increased AUM by $10.4 billion, while positive market movements increased AUM by $48.3 billion. We experienced net inflows in institutional money market funds of $0.1 billion, net inflows in Invesco PowerShares QQQ fund of $0.2 billion, increases in AUM of $2.8 billion due to changes in foreign exchange rates, and net outflows from dispositions of $1.7 billion during the year ended December 31, 2012. During the year ended December 31, 2011, net long-term inflows increased AUM by $14.7 billion and negative market movements decreased AUM by $15.0 billion billion. We experienced net inflows in institutional money market funds of $5.3 billion and Invesco PowerShares QQQ fund of $3.1 billion, offset by decreases in AUM of $0.4 billion due to changes in foreign exchange rates during the year ended December 31, 2011. During the year ended December 31, 2010, net long-term inflows increased AUM by $3.4 billion and positive market movements increased AUM by $43.3 billion. We experienced net outflows in institutional money market funds of $15.5 billion, offset by increases of $1.0 billion in Invesco PowerShares QQQ fund and $1.6 billion due to changes in foreign exchange rates during the year ended December 31, 2010. Acquisitions added $121.5 billion of AUM in 2010, including $114.6 billion of AUM added at June 1, 2010 with the acquisition of Morgan Stanley's retail asset management business, including Van Kampen Investments (the “acquired business” or the “acquisition”). Average AUM during the year ended December 31, 2012 were $645.3 billion, compared to $617.8 billion for the year ended December 31, 2011 and $516.9 billion for the year ended December 31, 2010.

Net inflows during the year ended December 31, 2012 included net long-term inflows of passive AUM of $10.9 billion and active net long-term outflows of $0.5 billion. Net flows were driven by net inflows into our retail distribution channel of $10.4 billion, primarily in the fixed income and balanced asset classes, while our equity asset class experienced net outflows of $10.7 billion. Net inflows during the year ended December 31, 2011 included net long-term inflows of passive AUM of $14.4 billion and active net long-term AUM inflows of $0.3 billion. Net flows in 2011 were driven by positive net inflows of $6.0 billion into our retail and $8.7 billion into institutional distribution channels, primarily in the fixed asset class, while our equity asset class experienced net outflows of $11.4 billion.

Market gains and losses/reinvestment of AUM includes the net change in AUM resulting from changes in market values of the underlying investments from period to period and reinvestment of client dividends. As discussed in the

"Executive Overview" section of this Management's Discussion and Analysis, global equity markets produced strong returns during the year ended December 31, 2012, contrasting with overall declines experienced in the year ending December 31, 2011. Of the $48.3 billion increase in AUM resulting from market gains during the year ended December 31, 2012, $33.3 billion of this increase was due to the change in value of our equity asset class. Our fixed income, balanced, and alternatives asset classes were also positively impacted by the change in market valuations during the period. Of the total decrease in AUM resulting from market losses during the year ended December 31, 2011, $15.0 billion was due to the change in value of our equity asset class, decreasing in line with equity markets globally. Of the $43.3 billion in AUM resulting from market increases during the year ended December 31, 2010, $33.4 billion of this increase was due to the change in value of our equity asset class, in line with increases in the S&P 500 and the FTSE 100 indices of 12.8% and 9.0%, respectively, during that period.

Foreign exchange rate movements in our AUM result from the effect of changes in foreign exchange rates from period to period as non-U.S. Dollar denominated AUM is translated into U.S. Dollars, the reporting currency of the company. The impact of the change in foreign exchange rates in the year ended December 31, 2012 was driven primarily by the strengthening of the Pound

Sterling relative to the U.S. Dollar, which was reflected in the translation of our Pound Sterling-based AUM into U.S. Dollars, the strengthening of the Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Canadian Dollar-based AUM into U.S. Dollars, and the strengthening of the Euro relative to the U.S. Dollar, which was reflected in the translation of our Euro-based AUM into U.S. Dollars. This was partly offset by the weakening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Yen-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the year ended December 31, 2011 was driven primarily by the strengthening of the Japanese Yen relative to the U.S. Dollar, partially offset by the weakening of the Pound Sterling, Canadian Dollar and Euro relative to the U.S. Dollar. The impact of the change in foreign exchange rates at December 31, 2010 was driven by the strengthening of the Canadian Dollar and Japanese Yen relative to the U.S. Dollar, offset by the weakening of the Pound Sterling and the Euro.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at December 31, 2012, 2011, and 2010:

	December 31, 2012	December 31, 2011	December 31, 2010
Pound Sterling ($ per £)	1.625	1.555	1.565
Canadian Dollar (CAD per $)	0.996	1.018	0.994
Japan (¥ per $)	86.520	76.950	81.080
Euro ($ per Euro)	1.319	1.299	1.342

Net revenue yield on AUM decreased 1.3 basis points to 43.9 basis points in the year ended December 31, 2012 from the year ended December 31, 2011 level of 45.2 basis points. Excluding performance fees, the net revenue yield decreased 1.5 basis points to 43.3 basis points in the year ended December 31, 2012 from the year ended December 31, 2011 level of 44.8 basis points. Changes in our AUM mix significantly impact our net revenue yield. For example, on an asset class basis, our equity AUM generally earn a higher net revenue rate than money market AUM. The tables that follow also analyze AUM into active and passive style. Passive AUM generally earn a lower effective fee rate than active asset classes. At December 31, 2012, passive AUM were $114.0 billion, representing 17.1% of total AUM at that date; whereas at December 31, 2011, passive AUM were $96.3 billion, representing 15.9% of our total AUM at that date. In the year ended December 31, 2012, the net revenue yield on passive AUM was 9.3 basis points compared to 10.8 basis points in the year ended December 31, 2011, a reduction of 1.5 basis points. The net revenue yield (before performance fees) on active AUM has been more stable, reducing from 50.7 basis points in the year ended December 31, 2011 to 50.3 basis points in the year ended December 31, 2012. The higher proportion of passive AUM combined with the lower yield earned by passive AUM resulted in the majority of the overall yield reduction experienced in 2012 when compared to 2011. The increase in passive AUM includes the movements in the Powershares QQQ Nasdaq-100 index tracking fund. The Powershares QQQ fund AUM increased to $30.4 billion at December 31, 2012 compared to $25.6 billion at December 31, 2011, an increase in passive AUM of $4.8 billion. The revenue yield for Invesco on this product is less than 1 basis point, reimbursing Invesco for the portfolio trading services provided to the fund, and flows into and out of this product therefore have a significant impact on the overall net revenue yield and are a significant factor in the year-on-year yield reduction.

Although net revenue yield reduced on a year-on-year basis, this trend reversed during the second half of 2012 due to improving equity markets as well as net inflows in the balanced asset class, including strong net AUM flows in our Continental European business. The balanced asset class includes the Invesco Balanced Risk Allocation strategy range of products. AUM for this strategy reached $18.7 billion as at December 31, 2012 compared to $5.2 billion at December 31, 2011, an increase of $13.5 billion during the year. These active AUM inflows assisted in stabilizing the active and passive AUM mix and contributed to a net revenue yield before performance fees of 44.0 basis points in the final quarter of 2012 compared to the 43.3 basis points recorded for the year ended December 31, 2012.

Gross revenue yield on AUM decreased 1.7 basis points to 63.1 basis points in the year ended December 31, 2012 from the year ended December 31, 2011 level of 64.8 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from consolidated investment products; however, the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company's true effective fee rate from AUM. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in AUM were as follows[3]:

$ in billions	2012 Total AUM	Active	Passive	2011 Total AUM	Active	Passive	2010 Total AUM	Active	Passive
December 31	607.3	511.0	96.3	599.6	518.8	80.8	444.3	391.3	53.0
Long-term inflows	131.9	102.2	29.7	138.0	102.5	35.5	116.9	81.1	35.8
Long-term outflows	(121.5)	(102.7)	(18.8)	(123.3)	(102.2)	(21.1)	(113.5)	(81.0)	(32.5)
Long-term net flows	10.4	(0.5)	10.9	14.7	0.3	14.4	3.4	0.1	3.3
Net flows in Invesco Powershares QQQ fund	0.2	—	0.2	3.1	—	3.1	1.0	—	1.0
Net flows in institutional money market funds	0.1	0.1	—	5.3	5.3	—	(15.5)	(15.5)	—
Market gains and losses/reinvestment	48.3	41.3	7.0	(15.0)	(12.9)	(2.1)	43.3	35.7	7.6
Acquisitions/dispositions, net	(1.7)	(1.7)	—	—	—	—	121.5	107.1	14.4
Foreign currency translation	2.8	3.2	(0.4)	(0.4)	(0.5)	0.1	1.6	0.1	1.5
December 31	667.4	553.4	114.0	607.3	511.0	96.3	599.6	518.8	80.8
Average long-term AUM	543.5	466.1	77.4	524.4	458.2	66.2	427.5	378.2	49.3
Average short-term AUM	101.8	69.0	32.8	93.4	68.3	25.1	89.4	68.8	20.6
Average AUM	645.3	535.1	110.2	617.8	526.5	91.3	516.9	447.0	69.9
Gross revenue yield on AUM[1]	63.1	74.2	9.3	64.8	74.3	10.8	66.0	74.7	10.8
Gross revenue yield on AUM before performance fees[1]	62.4	73.4	9.3	64.4	73.8	10.8	65.7	74.3	10.8
Net revenue yield on AUM[2]	43.9	51.1	9.3	45.2	51.2	10.8	46.9	52.5	10.8
Net revenue yield on AUM before performance fees[2]	43.3	50.3	9.3	44.8	50.7	10.8	46.6	52.2	10.8

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(1) Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in 2012 for our JVs in China was $3.0 billion (2011: $3.3 billion, 2010: $3.6 billion). It is appropriate to exclude the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Consolidated Statements of Income.

(2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues to net revenues.

(3) All AUM amounts quoted in the tables exclude the AUM of the discontinued operation, Atlantic Trust. As of December 31, 2012 the excluded Atlantic Trust total AUM were $20.3 billion ($18.0 billion at December 31, 2011; $16.9 billion at December 31, 2010; $15.2 billion at December 31, 2009) with $18.5 in balanced ($17.4 billion at

December 31, 2011; $16.9 billion at December 31, 2010; $15.2 billion at December 31, 2009) and $1.8 billion in equity ($0.6 billion at December 31, 2011; none at December 31, 2010; none at December 31, 2009).

Our AUM by channel, by asset class, and by client domicile were as follows:

Total AUM by Channel[1,7]

$ in billions	Total	Retail	Institutional
December 31, 2011 AUM	607.3	374.0	233.3
Long-term inflows	131.9	104.1	27.8
Long-term outflows	(121.5)	(93.7)	(27.8)
Long-term net flows	10.4	10.4	—
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—
Net flows in institutional money market funds	0.1	—	0.1
Market gains and losses/reinvestment	48.3	37.0	11.3
Acquisitions/dispositions, net	(1.7)	—	(1.7)
Foreign currency translation	2.8	4.2	(1.4)
December 31, 2012 AUM	667.4	425.8	241.6
December 31, 2010 AUM	599.6	378.2	221.4
Long-term inflows	138.0	99.8	38.2
Long-term outflows	(123.3)	(93.8)	(29.5)
Long-term net flows	14.7	6.0	8.7
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—
Net flows in institutional money market funds	5.3	—	5.3
Market gains and losses/reinvestment	(15.0)	(12.3)	(2.7)
Foreign currency translation	(0.4)	(1.0)	0.6
December 31, 2011 AUM	607.3	374.0	233.3
December 31, 2009 AUM	444.3	239.1	205.2
Long-term inflows	116.9	71.7	45.2
Long-term outflows	(113.5)	(73.9)	(39.6)
Long-term net flows	3.4	(2.2)	5.6
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—
Net flows in institutional money market funds	(15.5)	—	(15.5)
Market gains and losses/reinvestment	43.3	36.9	6.4
Acquisitions/dispositions, net	121.5	104.0	17.5
Foreign currency translation	1.6	(0.6)	2.2
December 31, 2010 AUM	599.6	378.2	221.4

See accompanying notes immediately following these AUM tables.

Passive AUM by Channel[1]

$ in billions	Total	Retail	Institutional
December 31, 2011 AUM	96.3	76.9	19.4
Long-term inflows	29.7	24.7	5.0
Long-term outflows	(18.8)	(17.4)	(1.4)
Long-term net flows	10.9	7.3	3.6
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—
Net flows in institutional money market funds	—	—	—
Market gains and losses/reinvestment	7.0	6.8	0.2
Foreign currency translation	(0.4)	—	(0.4)
December 31, 2012 AUM	114.0	91.2	22.8
December 31, 2010 AUM	80.8	70.6	10.2
Long-term inflows	35.5	24.1	11.4
Long-term outflows	(21.1)	(19.3)	(1.8)
Long-term net flows	14.4	4.8	9.6
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—
Net flows in institutional money market funds	—	—	—
Market gains and losses/reinvestment	(2.1)	(1.6)	(0.5)
Foreign currency translation	0.1	—	0.1
December 31, 2011 AUM	96.3	76.9	19.4
December 31, 2009 AUM	53.0	48.1	4.9
Long-term inflows	35.8	16.9	18.9
Long-term outflows	(32.5)	(13.9)	(18.6)
Long-term net flows	3.3	3.0	0.3
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—
Net flows in institutional money market funds	—	—	—
Market gains and losses/reinvestment	7.6	4.8	2.8
Acquisitions/dispositions, net	14.4	13.7	0.7
Foreign currency translation	1.5	—	1.5
December 31, 2010 AUM	80.8	70.6	10.2

See accompanying notes immediately following these AUM tables.

Total AUM by Asset Class[2,7]

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives[3]
December 31, 2011 AUM	607.3	270.4	149.0	27.2	74.0	86.7
Long-term inflows	131.9	52.5	38.9	18.3	2.7	19.5
Long-term outflows	(121.5)	(63.2)	(25.8)	(5.9)	(3.4)	(23.2)
Long-term net flows	10.4	(10.7)	13.1	12.4	(0.7)	(3.7)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	0.1	—	—	—	0.1	—
Market gains and losses/reinvestment	48.3	33.3	9.4	3.3	(0.1)	2.4
Acquisitions/dispositions, net	(1.7)	—	—	—	—	(1.7)
Foreign currency translation	2.8	2.4	0.4	0.7	—	(0.7)
December 31, 2012 AUM	667.4	295.6	171.9	43.6	73.3 [4]	83.0
Average AUM	645.3	291.8	160.1	35.3	73.1	85.0
December 31, 2010 AUM	599.6	294.0	132.0	26.6	68.3	78.7
Long-term inflows	138.0	58.1	38.8	7.4	2.2	31.5
Long-term outflows	(123.3)	(69.5)	(25.1)	(5.4)	(2.0)	(21.3)
Long-term net flows	14.7	(11.4)	13.7	2.0	0.2	10.2
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	5.3	—	—	—	5.3	—
Market gains and losses/reinvestment	(15.0)	(15.0)	3.2	(1.1)	0.2	(2.3)
Foreign currency translation	(0.4)	(0.3)	0.1	(0.3)	—	0.1
December 31, 2011 AUM	607.3	270.4	149.0	27.2	74.0	86.7
Average AUM	617.8	287.9	144.7	26.9	73.3	85.0
December 31, 2009 AUM	444.3	192.6	76.2	24.7	83.5	67.3
Long-term inflows	116.9	61.3	32.7	4.9	1.5	16.5
Long-term outflows	(113.5)	(70.9)	(19.1)	(5.2)	(1.9)	(16.4)
Long-term net flows	3.4	(9.6)	13.6	(0.3)	(0.4)	0.1
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—	—	—	—
Net flows in institutional money market funds	(15.5)	—	—	—	(15.5)	—
Market gains and losses/reinvestment	43.3	33.4	4.2	1.9	0.1	3.7
Acquisitions/dispositions, net	121.5	75.1	37.9	0.3	0.6	7.6
Foreign currency translation	1.6	1.5	0.1	—	—	—
December 31, 2010 AUM	599.6	294.0	132.0	26.6	68.3	78.7
Average AUM	516.9	241.0	103.0	25.6	75.1	72.2

See accompanying notes immediately following these AUM tables.

Passive AUM by Asset Class(2)

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives(3)
December 31, 2011 AUM	96.3	45.6	30.0	—	—	20.7
Long-term inflows	29.7	14.0	11.2	—	—	4.5
Long-term outflows	(18.8)	(10.2)	(2.7)	—	—	(5.9)
Long-term net flows	10.9	3.8	8.5	—	—	(1.4)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	7.0	5.9	0.5	—	—	0.6
Foreign currency translation	(0.4)	—	—	—	—	(0.4)
December 31, 2012 AUM	114.0	55.5	39.0	—	—	19.5
Average AUM	110.2	55.5	34.8	—	—	19.9
December 31, 2010 AUM	80.8	42.8	19.8	—	—	18.2
Long-term inflows	35.5	11.1	12.1	—	—	12.3
Long-term outflows	(21.1)	(9.9)	(2.6)	—	—	(8.6)
Long-term net flows	14.4	1.2	9.5	—	—	3.7
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	(2.1)	(1.5)	0.7	—	—	(1.3)
Foreign currency translation	0.1	—	—	—	—	0.1
December 31, 2011 AUM	96.3	45.6	30.0	—	—	20.7
Average AUM	91.3	44.8	26.7	—	—	19.8
December 31, 2009 AUM	53.0	31.1	4.0	—	—	17.9
Long-term inflows	35.8	22.2	7.4	—	—	6.2
Long-term outflows	(32.5)	(23.0)	(1.4)	—	—	(8.1)
Long-term net flows	3.3	(0.8)	6.0	—	—	(1.9)
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	7.6	5.6	0.6	—	—	1.4
Acquisitions/dispositions, net	14.4	4.5	9.2	—	—	0.7
Foreign currency translation	1.5	1.4	—	—	—	0.1
December 31, 2010 AUM	80.8	42.8	19.8	—	—	18.2
Average AUM	69.9	38.6	12.4	—	—	18.9

See accompanying notes immediately following these AUM tables.

Total AUM by Client Domicile(5,7)

$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia(6)
December 31, 2011 AUM	607.3	412.0	23.4	89.8	32.0	50.1
Long-term inflows	131.9	81.6	3.8	13.4	20.6	12.5
Long-term outflows	(121.5)	(71.4)	(5.0)	(15.2)	(14.9)	(15.0)
Long-term net flows	10.4	10.2	(1.2)	(1.8)	5.7	(2.5)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	0.1	0.6	0.1	(0.2)	—	(0.4)
Market gains and losses/reinvestment	48.3	29.5	2.3	10.4	2.5	3.6
Acquisitions/dispositions, net	(1.7)	—	—	—	(1.7)	—
Foreign currency translation	2.8	—	0.6	3.7	0.3	(1.8)
December 31, 2012 AUM	667.4	452.5	25.2	101.9	38.8	49.0
December 31, 2010 AUM	599.6	398.5	27.9	92.1	35.3	45.8
Long-term inflows	138.0	80.8	2.6	14.3	17.2	23.1
Long-term outflows	(123.3)	(71.8)	(5.7)	(13.8)	(18.4)	(13.6)
Long-term net flows	14.7	9.0	(3.1)	0.5	(1.2)	9.5
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	5.3	5.7	0.1	(0.7)	(0.1)	0.3
Market gains and losses/reinvestment	(15.0)	(4.3)	(0.8)	(1.6)	(1.6)	(6.7)
Foreign currency translation	(0.4)	—	(0.7)	(0.5)	(0.4)	1.2
December 31, 2011 AUM	607.3	412.0	23.4	89.8	32.0	50.1
December 31, 2009 AUM	444.3	278.9	29.0	84.9	24.4	27.1
Long-term inflows	116.9	56.3	2.1	16.2	15.7	26.6
Long-term outflows	(113.5)	(53.1)	(6.8)	(14.1)	(12.3)	(27.2)
Long-term net flows	3.4	3.2	(4.7)	2.1	3.4	(0.6)
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—	—	—	—
Net flows in institutional money market funds	(15.5)	(16.5)	—	(1.5)	3.5	(1.0)
Market gains and losses/reinvestment	43.3	29.4	2.2	7.0	2.0	2.7
Acquisitions/dispositions, net	121.5	102.6	0.1	1.8	2.9	14.1
Foreign currency translation	1.6	(0.1)	1.3	(2.2)	(0.9)	3.5
December 31, 2010 AUM	599.6	398.5	27.9	92.1	35.3	45.8

See accompanying notes immediately following these AUM tables.

Passive AUM by Client Domicile[5]

$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia[6]
December 31, 2011 AUM	96.3	89.6	—	—	1.3	5.4
Long-term inflows	29.7	29.0	0.1	—	0.2	0.4
Long-term outflows	(18.8)	(17.7)	—	—	(0.6)	(0.5)
Long-term net flows	10.9	11.3	0.1	—	(0.4)	(0.1)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	7.0	6.7	—	—	0.2	0.1
Foreign currency translation	(0.4)	—	—	—	—	(0.4)
December 31, 2012 AUM	114.0	107.8	0.1	—	1.1	5.0
December 31, 2010 AUM	80.8	77.3	—	—	1.2	2.3
Long-term inflows	35.5	31.7	—	—	0.5	3.3
Long-term outflows	(21.1)	(20.7)	—	—	(0.4)	—
Long-term net flows	14.4	11.0	—	—	0.1	3.3
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	(2.1)	(1.8)	—	—	—	(0.3)
Foreign currency translation	0.1	—	—	—	—	0.1
December 31, 2011 AUM	96.3	89.6	—	—	1.3	5.4
December 31, 2009 AUM	53.0	50.2	—	—	1.1	1.7
Long-term inflows	35.8	19.8	—	—	0.2	15.8
Long-term outflows	(32.5)	(13.6)	—	—	(0.3)	(18.6)
Long-term net flows	3.3	6.2	—	—	(0.1)	(2.8)
Net flows in Invesco PowerShares QQQ fund	1.0	1.0	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and losses/reinvestment	7.6	6.2	—	—	0.2	1.2
Acquisitions/dispositions, net	14.4	13.7	—	—	—	0.7
Foreign currency translation	1.5	—	—	—	—	1.5
December 31, 2010 AUM	80.8	77.3	—	—	1.2	2.3

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(1) Channel refers to the internal distribution channel from which the AUM originated. Retail AUM represents AUM distributed by the company's retail sales team. Institutional AUM represents AUM distributed by our institutional sales team.

(2) Asset classes are descriptive groupings of AUM by common type of underlying investments.

(3) See Part I, Item 1, "Business - Objectives by Asset Class" for a description of the investment objectives included within the Alternatives asset class.

(4) Ending Money Market AUM includes $69.4 billion in institutional money market AUM and $3.9 billion in retail money market AUM.

(5) Client domicile disclosure groups AUM by the domicile of the underlying clients.

(6) Net flows in Asia in 2010 were driven by an inflow of $15.8 billion in the three months ended June 30, 2010 and an outflow of $18.6 billion in the three months ended December 31, 2010 related to a passive mandate in Japan which was a post-close direct consequence of the acquired business.

(7) All AUM amounts quoted in the tables exclude the AUM of the discontinued operation, Atlantic Trust. As of December 31, 2012 the excluded Atlantic Trust total AUM were $20.3 billion ($18.0 billion at December 31, 2011; $16.9 billion at December 31, 2010; $15.2 billion at December 31, 2009) with $18.5 in balanced ($17.4 billion at December 31, 2011; $16.9 billion at

15

December 31, 2010; $15.2 billion at December 31, 2009) and $1.8 billion in equity ($0.6 billion at December 31, 2011; none at December 31, 2010; none at December 31, 2009).

Results of Operations for the Years Ended December 31, 2012 compared to December 31, 2011 compared to December 31, 2010

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part II, Item 8, Financial Statements and Supplementary Data - Note 1, “Accounting Policies” and Note 20, “Consolidated Investment Products,” for additional details.

The majority of the company's consolidated investment products balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Additionally, the investors in the CLOs have no recourse to the general credit of the company for the notes issued by the CLOs. The company therefore does not consider this debt to be a company liability. To assist in the comparisons, the discussion that follows will separate the impact of consolidated investment products from the overall consolidated results of operations. The discussion includes the use of non-GAAP financial measures. See “Schedule of Non-GAAP Information” for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Summary of Income Statement Impact of Consolidated Investment Products

$ in millions	December 31, 2012 Impact of Consolidated Investment Products	Invesco Ltd. Consolidated	December 31, 2011 Impact of Consolidated Investment Products	Invesco Ltd. Consolidated	December 31, 2010 Impact of Consolidated Investment Products	Invesco Ltd. Consolidated
Total operating revenues	(41.0)	4,050.4	(47.2)	3,982.3	(45.0)	3,385.9
Total operating expenses	31.5	3,207.8	13.0	3,100.2	10.0	2,806.5
Operating income	(72.5)	842.6	(60.2)	882.1	(55.0)	579.4
Equity in earnings of unconsolidated affiliates	0.5	29.7	(0.2)	30.5	(0.6)	40.2
Interest and dividend income	246.2	268.3	298.9	318.2	240.9	251.3
Other investment income/(losses)	(106.4)	(89.4)	(138.9)	(89.9)	114.0	129.6
Interest expense	(168.3)	(220.6)	(187.0)	(248.8)	(118.6)	(177.2)
Income from continuing operations before taxes	(100.5)	830.6	(87.4)	892.1	180.7	823.3
Income tax provision	—	(261.4)	—	(280.0)	—	(193.1)
Income from continuing operations, net of taxes	(100.5)	569.2	(87.4)	612.1	180.7	630.2
Income from discontinued operations, net of taxes	—	18.1	—	9.9	—	6.6
Net income	(100.5)	587.3	(87.4)	622.0	180.7	636.8

(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	89.8	89.8	107.6	107.7	(170.9)	(171.1)
Net income attributable to common shareholders	(10.7)	677.1	20.2	729.7	9.8	465.7

16

Operating Revenues and Net Revenues

The main categories of revenues, and the dollar and percentage change between the periods, are as follows:

				Variance			
	Years ended December 31,			2012 vs 2011		2011 vs 2010	
$ in millions	2012	2011	2010	$ Change	% Change	$ Change	% Change
Investment management fees	3,127.8	3,040.7	2,630.9	87.1	2.9 %	409.8	15.6 %
Service and distribution fees	771.6	780.2	645.5	(8.6)	(1.1)%	134.7	20.9 %
Performance fees	41.4	26.0	14.3	15.4	59.2 %	11.7	81.8 %
Other	109.6	135.4	95.2	(25.8)	(19.1)%	40.2	42.2 %
Total operating revenues	4,050.4	3,982.3	3,385.9	68.1	1.7 %	596.4	17.6 %
Third-party distribution, service and advisory expenses	(1,308.2)	(1,279.4)	(1,051.0)	(28.8)	2.3 %	(228.4)	21.7 %
Third party distribution expense related to European infrastructure initiative	15.3	—	—	15.3	N/A	—	N/A
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	37.5	41.4	42.2	(3.9)	(9.4)%	(0.8)	(1.9)%
Management fees earned from consolidated investment products	38.6	46.8	45.3	(8.2)	(17.5)%	1.5	3.3 %
Performance fees earned from consolidated investment products	2.4	0.5	—	1.9	N/A	0.5	N/A
Other revenues recorded by consolidated investment products	—	—	(0.3)	—	N/A	0.3	(100.0)%
Net revenues	2,836.0	2,791.6	2,422.1	44.4	1.6 %	369.5	15.3 %

A significant portion of our business and AUM is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling, Canadian Dollar, Euro and Japanese Yen will impact our reported revenues and expenses from period to period. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements decreased operating revenues by $20.8 million, equivalent to 0.5% of total operating revenues, during the year ended December 31, 2012 when compared to the year ended December 31, 2011 ($74.9 million increase in 2011 as compared to 2010, or 1.9% of 2011 total operating revenues). Additionally, our revenues are directly influenced by the level and composition of our AUM. Therefore, movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period. The returns from most global capital markets increased in the year ended December 31, 2012. These market value increases, combined with net new business inflows, contributed to a net increase in AUM of $60.1 billion during the year.

Operating revenues increased by 1.7% in the year ended December 31, 2012 to $4,050.4 million (year ended December 31, 2011: $3,982.3 million). Net revenues increased by 1.6% in in the year ended December 31, 2012 to $2,836.0 million (year ended December 31, 2011: $2,791.6 million). Operating revenues increased by 17.6% in the year ended December 31, 2011 to $3,982.3 million (year ended December 31, 2010: $3,385.9 million). Net revenues increased by 15.3% in in the year ended December 31, 2011 to $2,791.6 million (year ended December 31, 2010: $2,422.1 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses (adjusted for third party distribution expense related to the European infrastructure initiative), plus our proportional share of net revenues from joint venture arrangements, plus management and performance fees earned from, less other revenues recorded by, consolidated investment products. See "Schedule of Non-GAAP Information" for additional important disclosures regarding the use of net revenues.

The company acquired Morgan Stanley's retail asset management business, including Van Kampen Investments (the “acquired business” or the “acquisition”) on June 1, 2010. The operating results for the year ended December 31, 2011 include the results of the acquisition for the entire year, while the operating results for the year ended December 31, 2010 include results of the acquired business from the purchase date of June 1, 2010 through December 31, 2010. The integration of the acquired business was largely completed at the end of 2010; as such, accurate segregated revenue and expense information for the acquired business is not available, resulting in the inability of the company to quantify the impact of the acquisition on operating revenues and expenses in the detailed variance discussion that follows. As part of the acquisition-related U.S. mutual fund product alignment,

17

certain 1 year and 2 year fee waivers were agreed between the company and the fund boards which reduced the company’s annual management fees by approximately $30 million commencing June 1, 2011. These fee waivers began to cease during mid-2012.

Investment Management Fees

Investment management fees are derived from providing professional services to manage client accounts and include fees earned from retail mutual funds, unit trusts, investment companies with variable capital (ICVCs), exchange-traded funds, investment trusts and institutional management contracts. Investment management fees for products offered in the retail distribution channel are generally calculated as a percentage of the daily average asset balances and therefore vary as the levels of AUM change resulting from inflows, outflows and market movements. Investment management fees for products offered in the institutional distribution channel are calculated in accordance with the underlying investment management contracts and also vary over contractually determined periods in relation to the level of client assets managed.

Investment management fees increased by $87.1 million (2.9%) in the year ended December 31, 2012, to $3,127.8 million (year ended December 31, 2011: $3,040.7 million). This compares to a 4.5% increase in average AUM and a 3.6% increase in average long-term AUM. As discussed above, the net revenue yield is lower in the year ended December 31, 2012 when compared to the year ended December 31, 2011 due to changes in the composition of our AUM. The weighting of AUM flows into passive products has lowered the overall AUM net revenue yield. In addition, as mentioned above, management fees were reduced commencing in June 2011 due to acquisition integration-related U.S. mutual fund mergers. Some of these fee waiver agreements lapsed in mid-2012 benefiting revenue in the second half of 2012. See the company's disclosures regarding the changes in AUM and revenue yields during the year ended December 31, 2012 in the “Assets Under Management” section above for additional information regarding the movements in AUM. The impact of foreign exchange rate movements decreased investment management fees by $17.9 million (20.6% of the increase) during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Investment management fees increased by $409.8 million (15.6%) in the year ended December 31, 2011, to $3,040.7 million (year ended December 31, 2010: $2,630.9 million). The increase compares to a 19.5% increase in average AUM and a 22.7% increase in average long-term AUM. As discussed above in the “Assets Under Management” section, the mix of our AUM asset classes changed partly due to the AUM acquired through acquisitions, and partly due to market value changes and investor flows such that the revenue yield on our average AUM was lower in 2011 when compared to 2010. The percentage increase in investment management fees is therefore lower than the percentage increase in average AUM and average long-term AUM. The lower yield also reflects the acquisition-related U.S. mutual fund fee waivers that commenced in June 2011. Foreign exchange rate movements accounted for $67.2 million (16.4%) of the increase in investment management fees during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Service and Distribution Fees

Service fees are generated through fees charged to cover several types of expenses, including fund accounting fees and other maintenance costs for mutual funds, unit trusts and ICVCs, and administrative fees earned from closed-ended funds. Service fees also include transfer agent fees, which are fees charged to cover the expense of processing client share purchases and redemptions, call center support and client reporting. U.S. distribution fees include 12b-1 fees earned from certain mutual funds to cover allowable sales and marketing expenses for those funds and also include asset-based sales charges paid by certain mutual funds for a period of time after the sale of those funds. Distribution fees typically vary in relation to the amount of client assets managed. Generally, retail products offered outside of the U.S. do not generate a separate distribution fee; the quoted management fee rate is inclusive of these services.

In the year ended December 31, 2012, service and distribution fees decreased by $8.6 million (1.1%) to $771.6 million (year ended December 31, 2011: $780.2 million) due primarily to decreases in transfer agency fees of $4.8 million and administration and custodial fees of $2.3 million. The impact of foreign exchange rate movements decreased service and distribution fees by $1.5 million during the year ended December 31, 2012. The fee reductions are attributable to the fund mergers and fee waivers associated with the U.S. mutual fund product realignment, the continued conversion of B-share fee structures to class A-shares that generate a lower annual service fee, and other changes in the AUM mix as a larger percentage of AUM charges no or lower distribution fees during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

In the year ended December 31, 2011, service and distribution fees increased by $134.7 million (20.9%) to $780.2 million (year ended December 31, 2010: $645.5 million) primarily due to the acquisition and due to the increase in average AUM during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Performance Fees

Performance fee revenues are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues as of the performance measurement date, when the contractual performance criteria have been met and when the outcome of the transaction can be measured reliably in accordance with Method 1 of ASC Topic 605-20-S99, “Revenue Recognition - Services - SEC Materials.” Cash receipt of earned performance fees occurs after the measurement date. The performance measurement date is defined in each contract in which incentive and performance fee revenue agreements are in effect. We have performance fee arrangements that include monthly, quarterly and annual measurement dates. Given the uniqueness of each transaction, performance fee contracts are evaluated on an individual basis to determine if revenues can and should be recognized. Performance fees are not recorded if there are any future performance contingencies. If performance arrangements require repayment of the performance fee for failure to perform during the contractual period, then performance fee revenues are recognized no earlier than the expiration date of these terms. Performance fees will fluctuate from period to period and may not correlate with general market changes, since most of the fees are driven by relative performance to the respective benchmark rather than by absolute performance. Of our $667.4 billion in AUM at December 31, 2012, approximately $46.3 billion or 6.9%, could potentially earn performance fees.

In the year ended December 31, 2012, performance fees increased by $15.4 million (59.2%) to $41.4 million (year ended December 31, 2011: $26.0 million). The performance fees generated in 2012 arose primarily due to products managed by the Bank Loan group ($16.5 million), Invesco Perpetual ($12.7 million) and the European Real Estate group ($7.9 million).

In the year ended December 31, 2011, performance fees increased by $11.7 million (81.8%) to $26.0 million (year ended December 31, 2010: $14.3 million). The performance fees generated in 2011 arose primarily due to products managed by the European Real Estate group ($11.9 million), Invesco Perpetual ($5.3 million) and the U.S. private equity business ($4.5 million). The performance fees generated in 2010 arose primarily due to products managed by the European Real Estate group ($4.3 million) and Invesco Perpetual ($3.4 million).

Other Revenues

Other revenues include fees derived from our UIT operations, transaction commissions earned upon the sale of new investments into certain of our funds, and fees earned upon the completion of transactions in our direct real estate and private equity asset groups. Real estate transaction fees are derived from commissions earned through the buying and selling of properties. Private equity transaction fees include commissions associated with the restructuring of, and fees from providing advice to, portfolio companies held by the funds. These transaction fees are recorded in our financial statements on the date when the transactions are legally closed. Other revenues also include the revenues of consolidated investment products.

In its capacity as sponsor of UITs, the company earns other revenues related to transactional sales charges resulting from the sale of UIT products and from the difference between the purchase or bid and offer price of securities temporarily held to form new UIT products. These revenues are recorded as other revenues net of concessions to dealers who distribute UITs to investors.

In the year ended December 31, 2012, other revenues decreased by $25.8 million (19.1%) to $109.6 million (year ended December 31, 2011: $135.4 million). The impact of foreign exchange rate movements accounted for $1.0 million (3.9%) of the decrease in other revenues during the year ended December 31, 2012 as compared to the year ended December 31, 2011. After allowing for foreign exchange rate changes, the decrease in other revenues was $24.8 million. The decrease in other revenues include decreases in transaction commissions of $14.8 million, UIT revenues of $5.5 million, mutual funds front end fees of $2.3 million and other revenues of $2.2 million during the year ended

December 31, 2012 compared to the year ended December 31, 2011. Transaction commissions in 2011 included increased commissions generated by our private equity group as mentioned in the 2011 comparative below.

In the year ended December 31, 2011, other revenues increased by $40.2 million (42.2%) to $135.4 million (year ended December 31, 2010: $95.2 million). Other revenues included an increase of $15.3 million in UIT revenues reflecting a full year of the acquisition, higher real estate acquisition and disposition fees of $11.5 million, due to increased real estate fund property activity, an $11.3 million increase in transaction commissions generated by our private equity group, and an increase in mutual funds front end fees of $1.3 million, offset by a $0.6 million decline in other revenues during the year ended December 31, 2011 as compared to the year ended December 31, 2010. The impact of foreign exchange rate movements accounted for $1.4 million (3.5%) of the increase in other revenues during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses include periodic “renewal” commissions paid to brokers and independent financial advisors for their continuing oversight of their clients' assets, over the time they are invested, and are payments for the servicing of client accounts. The revenues from our U.S. retail operations include 12b-1 distribution fees, which are passed through to brokers who sell the funds as third-party distribution expenses along with marketing support distribution costs. Both the revenues and the costs are dependent on the underlying AUM of the brokers' clients. Renewal commissions are calculated based upon a percentage of the AUM value. Third-party distribution expenses also include the amortization of upfront commissions paid to broker-dealers for sales of fund shares with a contingent deferred sales charge (a charge levied to the investor for client redemption of AUM within a certain contracted period of time). The distribution commissions are amortized over the redemption period. Also included in third-party distribution, service and advisory expenses are sub-transfer agency fees that are paid to third parties for processing client share purchases and redemptions, call center support and client reporting. Third-party distribution, service and advisory expenses may increase or decrease at a rate different from the rate of change in service and distribution fee revenues due to the inclusion of distribution, service and advisory expenses for the U.K. and Canada, where the related revenues are recorded as investment management fee revenues, as noted above.

Third-party distribution, service and advisory expenses increased by $28.8 million (2.3%) in the year ended December 31, 2012 to $1,308.2 million (year ended December 31, 2011: $1,279.4 million). The impact of foreign exchange rate movements decreased third-party distribution, service and advisory expenses by $6.1 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. After allowing for foreign exchange rate changes, the increase in third-party distribution, service and advisory expenses was $34.9 million. The increase includes increases in renewal commissions of $22.8 million, distribution fees of $10.2 million, transfer agent fees of $7.4 million and administration fees of $0.9 million. The increases are offset by decreases in sub advisory fees of $3.4 million and external commissions of $3.0 million. As part of the outsourcing of the U.K. transfer agency, operational process changes resulted in an accounting adjustment recognizing additional distribution expense of $15.3 million in the fourth quarter of 2012, which is included in the $10.2 million increase noted above. This additional expense is attributable to periods prior to 2012.

Third-party distribution, service and advisory expenses increased by $228.4 million (21.7%) in the year ended December 31, 2011 to $1,279.4 million (year ended December 31, 2010: $1,051.0 million), which is consistent with the increase in investment management and service and distribution fee revenues, reflecting the impact of the acquired business. Foreign exchange rate movements accounted for $24.7 million (10.8%) of the increase in third-party distribution, service and advisory expenses during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Proportional share of revenues, net of third-party distribution expenses, from joint venture investments

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues. The company's most significant joint venture arrangement is our 49% investment in Invesco Great Wall Fund Management Company Limited (the “Invesco Great Wall” joint venture).

Our proportional share of revenues, net of third-party distribution expenses, from joint venture investments decreased by $3.9 million (9.4%) to $37.5 million for the year ended December 31, 2012 (year ended December 31, 2011: $41.4 million). The decrease moved in line with our share of the Invesco Great Wall joint venture's average AUM for the year ended December 31, 2012, which was $3.0 billion compared to $3.3 billion at the year ended December 31, 2011.

The 1.9% decrease in our proportional share of revenues, net of third-party distribution expenses, from joint venture investments to $41.4 million in 2011 (year ended December 31, 2010: $42.2 million), was driven by the decline in average AUM of the Invesco Great Wall joint venture. Our share of the Invesco Great Wall joint venture's average AUM for the year ended December 31, 2011, was $3.3 billion, a 8.3% decline in average AUM from $3.6 billion for the year ended December 31, 2010.

Management and performance fees earned from consolidated investment products

Management believes that the consolidation of investment products may impact a reader's analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

Management and performance fees earned from consolidated investment products decreased by $6.3 million to $41.0 million in the year ended December 31, 2012 (year ended December 31, 2011: $47.3 million). The decrease is primarily due to the impact of funds deconsolidated during the year ended December 31, 2012.

Operating Expenses

The main categories of operating expenses are as follows:

	Years ended December 31,			Variance 2012 vs 2011			2011 vs 2010		
$ in millions	2012	2011	2010	$ Change	% Change		$ Change	% Change	
Employee compensation	1,228.0	1,180.7	1,055.4	47.3	4.0	%	125.3	11.9	%
Third-party distribution, service and advisory	1,308.2	1,279.4	1,051.0	28.8	2.3	%	228.4	21.7	%
Marketing	102.2	85.3	77.8	16.9	19.8	%	7.5	9.6	%
Property, office and technology	265.1	242.9							