

Invesco Ltd.
Form 10-Q
October 30, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-13908

Invesco Ltd.

(Exact Name of Registrant as Specified in Its Charter)

Bermuda

(State or Other Jurisdiction of Incorporation or
Organization)

98-0557567

(I.R.S. Employer Identification No.)

1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA

(Address of Principal Executive Offices)

30309

(Zip Code)

(404) 892-0896

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if Smaller reporting

a smaller reporting company) company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

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As of September 30, 2014, the most recent practicable date, the number of Common Shares outstanding was 430,827,656.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Invesco Ltd.

Condensed Consolidated Balance Sheets

(Unaudited)

\$ in millions, except per share data	As of September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	1,352.6	1,331.2
Unsettled fund receivables	999.1	932.4
Accounts receivable	532.6	500.8
Investments	886.5	839.7
Assets of consolidated sponsored investment products (CSIP)	334.5	108.5
Assets of consolidated investment products (CIP):		
Cash and cash equivalents of CIP	238.6	583.6
Accounts receivable and other assets of CIP	118.1	58.3
Investments of CIP	5,555.9	4,734.7
Assets held for policyholders	1,509.2	1,416.0
Prepaid assets	103.6	101.4
Other assets	110.7	182.1
Property and equipment, net	367.3	350.8
Intangible assets, net	1,252.2	1,263.7
Goodwill	6,720.1	6,867.3
Total assets	20,081.0	19,270.5
LIABILITIES		
Accrued compensation and benefits	540.1	676.4
Accounts payable and accrued expenses	766.4	763.1
Liabilities of CIP:		
Debt of CIP	4,710.3	4,181.7
Other liabilities of CIP	349.2	461.8
Policyholder payables	1,509.2	1,416.0
Unsettled fund payables	994.8	882.0
Long-term debt	1,589.1	1,588.6
Deferred tax liabilities, net	325.3	323.6
Total liabilities	10,784.4	10,293.2
Commitments and contingencies (See Note 11)		
TEMPORARY EQUITY		
Redeemable noncontrolling interests in CSIP	157.5	—
PERMANENT EQUITY		
Equity attributable to common shareholders:		
Common shares (\$0.20 par value; 1,050.0 million authorized; 490.4 million shares issued as of September 30, 2014 and December 31, 2013)	98.1	98.1
Additional paid-in-capital	6,103.9	6,100.8
Treasury shares	(1,851.7) (1,700.4

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Retained earnings	3,764.5	3,361.9
Retained earnings appropriated for investors in CIP	56.4	104.3
Accumulated other comprehensive income, net of tax	252.9	427.9
Total equity attributable to common shareholders	8,424.1	8,392.6
Equity attributable to nonredeemable noncontrolling interests in consolidated entities	715.0	584.7
Total permanent equity	9,139.1	8,977.3
Total liabilities, temporary and permanent equity	20,081.0	19,270.5
See accompanying notes.		

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Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

\$ in millions, except per share data	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating revenues:				
Investment management fees	1,047.3	914.4	3,044.6	2,644.5
Service and distribution fees	222.1	220.7	675.4	642.7
Performance fees	8.2	5.1	44.3	47.2
Other	33.4	31.6	106.1	85.1
Total operating revenues	1,311.0	1,171.8	3,870.4	3,419.5
Operating expenses:				
Employee compensation	343.8	330.3	1,048.8	995.9
Third-party distribution, service and advisory	420.2	380.9	1,236.2	1,093.0
Marketing	26.6	22.6	80.2	68.6
Property, office and technology	76.4	71.9	264.4	207.0
General and administrative	114.4	80.1	312.1	224.9
Transaction and integration	—	—	—	3.2
Total operating expenses	981.4	885.8	2,941.7	2,592.6
Operating income	329.6	286.0	928.7	826.9
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	10.9	10.3	26.4	25.3
Interest and dividend income	2.6	2.5	8.6	6.8
Interest expense	(18.1)	) (9.7)	) (55.0)	) (29.4)
Other gains and losses, net	(1.3)	) 2.7	21.5	20.8
Other income/(loss) of CSIP, net	7.4	—	23.3	—
CIP:				
Interest and dividend income of CIP	53.4	46.5	149.7	147.5
Interest expense of CIP	(37.5)	) (33.5)	) (98.1)	) (96.8)
Other gains/(losses) of CIP, net	0.1	38.2	63.4	15.5
Income from continuing operations before income taxes	347.1	343.0	1,068.5	916.6
Income tax provision	(94.9)	) (92.9)	) (290.9)	) (262.7)
Income from continuing operations, net of taxes	252.2	250.1	777.6	653.9
Income/(loss) from discontinued operations, net of taxes	(0.6)	) (1.4)	) (2.4)	) (1.9)
Net income	251.6	248.7	775.2	652.0
Net (income)/loss attributable to noncontrolling interests in consolidated entities	4.4	(20.6)	) (56.9)	) 0.9
Net income attributable to common shareholders	256.0	228.1	718.3	652.9
Earnings per share:				
Basic:				
Earnings per share from continuing operations	\$0.59	\$0.51	\$1.65	\$1.46
Earnings per share from discontinued operations	\$—	\$—	(\$0.01)) \$—
Basic earnings per share	\$0.59	\$0.51	\$1.65	\$1.46
Diluted:				

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Earnings per share from continuing operations	\$0.59	\$0.51	\$1.65	\$1.46
Earnings per share from discontinued operations	\$—	\$—	(\$0.01)	\$—
Diluted earnings per share	\$0.59	\$0.51	\$1.65	\$1.45
Dividends declared per share	\$0.2500	\$0.2250	\$0.7250	\$0.6225

See accompanying notes.

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Invesco Ltd.

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

\$ in millions	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income	251.6	248.7	775.2	652.0
Other comprehensive income/(loss), before tax:				
Currency translation differences on investments in foreign subsidiaries	(255.0)	197.0	(177.7)	(106.9)
Actuarial (loss)/gain related to employee benefit plans	5.5	(5.5)	2.9	1.3
Reclassification of amortization of prior service cost/(credit) into employee compensation expense	(0.5)	(0.5)	(1.4)	(1.5)
Reclassification of amortization of actuarial (gain)/loss into employee compensation expense	0.5	0.5	1.7	1.9
Share of other comprehensive income/(loss) of equity method investments	0.4	(3.5)	7.6	(5.1)
Unrealized (losses)/gains on available-for-sale investments	(6.2)	4.5	4.8	8.5
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net	(1.8)	(1.0)	(12.6)	(2.4)
Other comprehensive income/(loss), before tax	(257.1)	191.5	(174.7)	(104.2)
Income tax related to items of other comprehensive income/(loss):				
Tax benefit/(expense) on foreign currency translation adjustments	—	0.7	—	(0.4)
Tax on actuarial (loss)/gain related to employee benefit plans	(1.1)	(1.7)	(0.6)	(3.2)
Reclassification of tax on amortization of prior service cost/(credit) into income tax provision	0.1	0.1	0.3	0.3
Reclassification of tax on amortization of actuarial (gain)/loss into income tax provision	(0.1)	(0.1)	(0.3)	(0.4)
Tax on net unrealized (losses)/gains on available-for-sale investments	2.0	0.2	4.2	(0.4)
Reclassification of tax on net (gains)/losses realized on available-for-sale investments included in income tax provision	(0.6)	(0.3)	(4.0)	(0.6)
Total income tax benefit/(expense) related to items of other comprehensive income	0.3	(1.1)	(0.4)	(4.7)
Other comprehensive income/(loss), net of tax	(256.8)	190.4	(175.1)	(108.9)
Total comprehensive income/(loss)	(5.2)	439.1	600.1	543.1
Comprehensive loss/(income) attributable to noncontrolling interests in consolidated entities	4.1	(20.1)	(56.9)	14.1
Comprehensive income/(loss) attributable to common shareholders	(1.1)	419.0	543.2	557.2
See accompanying notes.				

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Invesco Ltd.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
\$ in millions	2014	2013
Operating activities:		
Net income	775.2	652.0
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Amortization and depreciation	67.4	66.0
Share-based compensation expense	104.3	103.0
(Gain)/loss on disposal of business, property and equipment, net	—	0.5
Other (gains)/losses, net	(21.5	) (20.8
Other (gains)/losses of CSIP, net	(15.8) —
Other (gains)/losses of CIP, net	(63.4	) (15.5
Equity in earnings of unconsolidated affiliates	(26.4	) (25.3
Dividends from unconsolidated affiliates	18.8	15.6
Changes in operating assets and liabilities:		
(Increase)/decrease in cash held by CIP	313.8	(165.1
(Increase)/decrease in cash held by CSIP	(5.4) —
(Purchase)/sale of trading investments, net	(15.9	) 2.3
(Increase)/decrease in receivables	(233.8	) (710.4
Increase/(decrease) in payables	120.1	687.6
Net cash provided by/(used in) operating activities	1,017.4	589.9
Investing activities:		
Purchase of property and equipment	(86.7	) (67.0
Purchase of available-for-sale investments	(112.0	) (30.0
Sale of available-for-sale investments	100.8	23.3
Purchase of investments by CIP	(4,228.6	) (3,496.4
Sale of investments by CIP	3,014.2	3,705.9
Purchase of investments by CSIP	(565.9	) (51.4
Sale of investments by CSIP	366.4	3.5
Purchase of other investments	(84.9	) (205.2
Sale of other investments	52.5	74.3
Returns of capital and distributions from unconsolidated partnership investments	33.8	25.3
Acquisition earn-out payments	—	(1.2
Sale of business	60.8	—
Net cash provided by/(used in) investing activities	(1,449.6	) (18.9
Financing activities:		
Proceeds from exercises of share options	8.6	13.0
Purchases of treasury shares	(219.6	) (120.5
Dividends paid	(315.7	) (279.2
Excess tax benefits from share-based compensation	21.9	19.4
Repayment of unsettled fund account	(35.7) —
Third-party capital invested into CIP	160.1	13.4
Third-party capital distributed by CIP	(131.2) (146.6

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Third-party capital invested into CSIP	157.1	—	
Third-party capital distributed by CSIP	(3.7)	—
Borrowings of debt by CIP	1,339.6		867.3
Repayments of debt by CIP	(505.3	)	(803.8)
Net borrowings/(repayments) under credit facility	—		201.5
Net cash provided by/(used in) financing activities	476.1		(235.5)
Increase/(decrease) in cash and cash equivalents	43.9		335.5
Foreign exchange movement on cash and cash equivalents	(22.5	)	3.5
Cash and cash equivalents, beginning of period	1,331.2		835.5
Cash and cash equivalents, end of period	1,352.6		1,174.5
Supplemental Cash Flow Information:			
Interest paid	(40.1)	(20.5)
Interest received	4.6		3.6
Taxes paid	(252.4)	(183.0)
See accompanying notes.			

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Invesco Ltd.

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

\$ in millions	Equity Attributable to Common Shareholders						Total Equity Attributable to Common Shareholders	Nonredeemable Noncontrolling Interests in Consolidated Entities	Total Permanent Equity	Redeemable Noncontrolling Interests in CSIP/Temporary Equity
	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in CIP	Other Comprehensive Income				
January 1, 2014	98.1	6,100.8	(1,700.4)	3,361.9	104.3	427.9	8,392.6	584.7	8,977.3	—
Net income	—	—	—	718.3	—	—	718.3	49.4	767.7	7.5
Other comprehensive income/(loss), net of tax	—	—	—	—	—	(175.0)	(175.0)	(0.1)	(175.1)	—
Net income/(loss) reclassified to appropriated retained earnings	—	—	—	—	(46.9)	—	(46.9)	46.9	—	—
Deconsolidation of CIP	—	—	—	—	(1.0)	—	(1.0)	—	(1.0)	—
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	—	34.1	34.1	150.0
Dividends	—	—	—	(315.7)	—	—	(315.7)	—	(315.7)	—
Employee share plans:										
Share-based compensation	—	104.3	—	—	—	—	104.3	—	104.3	—
Vested shares	—	(118.9)	118.9	—	—	—	—	—	—	—
Exercise of options	—	(6.4)	15.0	—	—	—	8.6	—	8.6	—
Settlement of ESPP purchases	—	2.2	2.8	—	—	—	5.0	—	5.0	—
Tax impact of share-based payment	—	21.9	—	—	—	—	21.9	—	21.9	—
Purchase of shares	—	—	(288.0)	—	—	—	(288.0)	—	(288.0)	—
September 30, 2014	98.1	6,103.9	(1,851.7)	3,764.5	56.4	252.9	8,424.1	715.0	9,139.1	157.5

See accompanying notes.

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Invesco Ltd.
Consolidated Statements of Changes in Equity (continued)
(Unaudited)

\$ in millions	Equity Attributable to Common Shareholders						Total Equity Attributable Common Shareholders	Nonredeemable Noncontrolling Interests in Consolidated Entities	Total Permanent Equity
	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in CIP	Accumulated Other Comprehensive Income			
January 1, 2013	98.1	6,141.0	(1,382.9)	2,801.3	128.8	530.5	8,316.8	732.2	9,049.0
Net income	—	—	—	652.9	—	—	652.9	(0.9)	652.0
Other comprehensive income/(loss)	—	—	—	—	—	(95.7)	(95.7)	(13.2)	(108.9)
Net income/(loss) reclassified to appropriated retained earnings	—	—	—	—	(19.4)	—	(19.4)	19.4	—
Currency translation differences on investments in foreign subsidiaries	—	—	—	—	0.5	—	0.5	(0.5)	—
reclassified to appropriated retained earnings	—	—	—	—	(3.6)	—	(3.6)	(27.7)	(31.3)
Deconsolidation of CIP	—	—	—	—	—	—	—	(120.7)	(120.7)
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	(279.2)	—	—	(279.2)	—	(279.2)
Employee share plans:									
Share-based compensation	—	103.0	—	—	—	—	103.0	—	103.0
Vested shares	—	(170.2)	170.2	—	—	—	—	—	—
Exercise of options	—	(14.2)	27.2	—	—	—	13.0	—	13.0
Settlement of ESPP purchases	—	1.1	4.0	—	—	—	5.1	—	5.1
Tax impact of share-based payment	—	19.4	—	—	—	—	19.4	—	19.4
Purchase of shares	—	—	(182.0)	—	—	—	(182.0)	—	(182.0)

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September 30, 2013	98.1	6,080.1	(1,363.5)	3,175.0	106.3	434.8	8,530.8	588.6	9,119.4
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See accompanying notes.

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Invesco Ltd.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

1. ACCOUNTING POLICIES

Corporate Information

Invesco Ltd. (Parent) and all of its consolidated entities (collectively, the company or Invesco) provide retail and institutional clients with an array of global investment management capabilities. The company operates globally and its sole business is investment management.

Certain disclosures included in the company's annual report are not required to be included on an interim basis in the company's quarterly reports on Forms 10-Q. The company has condensed or omitted the disclosures. Therefore, this Form 10-Q (Report) should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2013.

Basis of Accounting and Consolidation

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

The company provides investment management services to, and has transactions with, various private equity funds, real estate funds, fund-of-funds, collateralized loan obligations (CLOs), and other investment products sponsored by the company in the normal course of business for the investment of client assets. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of these products. Certain of these entities, typically CLOs and funds that are structured as partnership entities (such as private equity funds, real estate funds, and fund-of-funds), are considered to be variable interest entities (VIEs) if the VIE criteria are met, otherwise, they are considered to be voting interest entities (VOEs). A VIE, in the context of the company and its managed funds, is a fund that does not have sufficient equity to finance its operations without additional subordinated financial support, or in certain cases a fund for which the risks and rewards of ownership are not directly linked to voting interests.

The Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and consolidate the financial statements of the Parent and all of its controlled subsidiaries. Additionally, the Condensed Consolidated Financial Statements include the consolidation of certain managed funds that meet the definition of a VIE if the company has been deemed to be the primary beneficiary of those funds, any non-VIE general partnership or similar investments where the company is deemed to have control, and other managed investment products in which the company has a controlling financial interest. Control is deemed to be present when the Parent holds a majority voting interest or otherwise has the power to govern the financial and operating policies of the subsidiary managed fund so as to obtain the majority of the benefits from its activities. The company is generally considered to have a controlling financial interest in a managed fund when it owns a majority of the fund's outstanding shares, which may arise as a result of a seed money investment in a newly launched investment product from the time of initial launch to the time that the fund becomes majority-held by third-party investors, or in certain cases until the time that the company's investment becomes non-substantive.

Investment products that are consolidated are referred to in this Report as Consolidated Sponsored Investment Products (CSIP), which generally include consolidated sponsored investment products in which Invesco holds the majority of the voting rights or partnerships in which the company has substantive equity at risk but in which the other investors lack removal or liquidation rights, or Consolidated Investment Products (CIP), which includes consolidated nominally-held investment products. The distinction is important, as it differentiates the company's economic risk associated with each type of consolidated managed fund. The company's economic risk with respect to each investment in a CSIP and a CIP is limited to its equity ownership and any uncollected management and performance

fees. Gains and losses arising from nominally-held CIP do not have a significant impact on the company's results of operations, liquidity, or capital resources. Gains and losses arising from majority-held CSIP could have a significant impact on the company's results of operations, as the company has greater economic risk associated with its investment. See Note 12, "Consolidated Sponsored Investment Products," and Note 13, "Consolidated Investment Products," for additional information regarding the impact of consolidation of investment products.

Noncontrolling interests in consolidated entities and retained earnings appropriated for investors in CIP represent the interests in certain entities consolidated by the company either because the company has control over the entity or has determined that it is the primary beneficiary, but of which the company does not own all of the entity's equity. To the extent that noncontrolling interests represent equity which is redeemable or convertible for cash or other assets at the option of the equity

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holder, as is the case with the CSIP noncontrolling interests, these are deemed to represent temporary equity, and are classified as equity attributable to redeemable noncontrolling interests in CSIPs in the Condensed Consolidated Balance Sheets. Nonredeemable noncontrolling interests are classified as a component of permanent equity.

Use of Estimates

In preparing the Condensed Consolidated Financial Statements, management is required to make estimates and assumptions that affect reported revenues, expenses, assets, liabilities, and disclosure of contingent liabilities. The primary estimates and assumptions made relate to goodwill and intangible impairment, certain investments which are carried at fair value, and taxes. Additionally, estimation is involved when determining investment and debt valuation for certain CIP; however, changes in the fair values of these amounts are largely offset by noncontrolling interests. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Condensed Consolidated Financial Statements.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)." ASU 2013-02 amends Topic 220 to require an entity to present current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income, separately, for each component of other comprehensive income. ASU 2013-02 also requires an entity to provide information about the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income, if those amounts are required under other Topics to be reclassified to net income in their entirety in the same reporting period. The amendments to Topic 220 made by ASU 2013-02 are effective for interim and annual periods beginning on or after December 15, 2012 and are reflected in these Condensed Consolidated Financial Statements. In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers (ASU 2014-09)," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is not permitted. The company is currently evaluating the potential impact on its Consolidated Financial Statements, as well as the available transition methods.

In August 2014, the FASB issued Accounting Standard Update 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (ASU 2014-13)." ASU 2014-13 provides a measurement alternative for an entity that consolidates a collateralized financing entity (CFE) and has elected the fair value option for the financial assets and financial liabilities of such CFE. If elected, the reporting entity would measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The measurement alternative would remove any measurement difference previously recorded as net income (loss) attributable to noncontrolling interests in consolidated entities and as an adjustment to retained earnings appropriated for investors in CIP. ASU 2014-13 is effective for the company on January 1, 2016, and requires either a retrospective or a modified retrospective approach to adoption. The company is currently evaluating the potential impact on its Consolidated Financial Statements, as well as the available transition methods.

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2. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying value and fair value of financial instruments are presented in the below summary table. The fair value of financial instruments held by CSIP and CIP is presented in Note 12, "Consolidated Sponsored Investment Products" and Note 13, "Consolidated Investment Products," respectively.

\$ in millions	Footnote Reference	September 30, 2014		December 31, 2013	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents		1,352.6	1,352.6	1,331.2	1,331.2
Available-for-sale investments	3	261.0	261.0	244.1	244.1
Trading investments	3	274.5	274.5	253.0	253.0
Foreign time deposits *	3	29.6	29.6	28.8	28.8
Assets held for policyholders		1,509.2	1,509.2	1,416.0	1,416.0
Policyholder payables *		(1,509.2)	(1,509.2)	(1,416.0)	(1,416.0)
UIT-related financial instruments sold, not yet purchased		(1.5)	(1.5)	(1.7)	(1.7)
Note payable		—	—	(0.3)	(0.3)
Long-term debt *	4	(1,589.1)	(1,657.0)	(1,588.6)	(1,544.7)

These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes or most recently filed Form 10-K for additional information about the carrying and fair values of these financial instruments.

Foreign time deposits are measured at cost plus accrued interest, which approximates fair value, and are accordingly classified as Level 2 securities.

A three-level valuation hierarchy exists for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

There are three types of valuation approaches: a market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; an income approach, which uses valuation techniques to convert future amounts to a single, discounted present value amount; and a cost approach, which is based on the amount that currently would be required to replace the service capacity of an asset.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash equivalents

Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within level 1 of the valuation hierarchy.

Available-for-sale investments

Available-for-sale investments include seed money, co-investments in affiliated collateralized loan obligations (CLOs), and investments in other debt securities. Available-for-sale investments are measured at fair value. Gains or

losses arising from changes in the fair value of available-for-sale investments are recognized in accumulated other comprehensive income, net of tax, until the investment is sold or otherwise disposed of, or if the investment is determined to be other-than-temporarily impaired, at which time the cumulative gain or loss previously reported in equity is included in income. The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

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Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments. CLO assets are valued based on price quotations provided by an independent third-party pricing source or using an income approach through the use of certain observable and unobservable inputs. At September 30, 2014 and December 31, 2013, investments in CLOs were valued using third-party pricing information. Due to liquidity constraints within the market for CLO products that require the use of unobservable inputs, these investments are classified within level 3 of the valuation hierarchy. Other debt securities are valued using a cost valuation technique due to the lack of available cash flow and market data and are accordingly also classified within level 3 of the valuation hierarchy.

Trading investments

Trading investments include investments held to settle the company's deferred compensation plan liabilities, certain seed money, as well as trading and investing activities in equity and debt securities entered into in its capacity as sponsor of UITs, and other equity securities. Trading securities are securities bought and held principally for the purpose of selling them in the near term. Trading investments are measured at fair value. Gains or losses arising from changes in the fair value of trading investments are included in income.

•Investments related to deferred compensation plans

Investments related to deferred compensation plans are valued under the market approach through the use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy.

•Seed money

Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments.

•Other equity securities

Other equity securities consist of investments in publicly-traded equity securities. These securities are valued under the market approach through the use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

•UIT-related equity and debt securities

The company invests in UIT-related equity and debt securities consisting of investments in corporate stock, UITs, and U.S. state and political subdivision securities. Each is discussed more fully below.

Corporate equities

The company temporarily holds investments in corporate equities for purposes of creating a UIT. Corporate equities are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

UITs

The company may hold units of its sponsored UITs at period-end for sale in the primary market or secondary market. Equity UITs are valued under the market approach through use of quoted prices on an exchange. Fixed income UITs are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

Municipal securities

Municipal securities are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with

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yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

Assets held for policyholders

Assets held for policyholders represent investments held by one of the company's subsidiaries, which is an insurance entity that was established to facilitate retirement savings plans in the U.K. The assets held for policyholders are accounted for at fair value pursuant to ASC Topic 944, "Financial Services — Insurance," and are comprised primarily of affiliated unitized funds. The assets are measured at fair value under the market approach based on the quoted prices of the underlying funds in an active market and are classified within level 1 of the valuation hierarchy. The policyholder payables are indexed to the value of the assets held for policyholders and are therefore not included in the tables below.

UIT-related financial instruments sold, not yet purchased, and derivative instruments

The company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk. Open futures contracts are marked-to-market daily through earnings, which are recorded in the company's Condensed Consolidated Statements of Income in other revenue, along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in other assets in the company's Condensed Consolidated Balance Sheets. Fair values of derivative contracts in a liability position are included in other liabilities in the company's Condensed Consolidated Balance Sheets. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy. At September 30, 2014 there were 8 futures contracts with a notional value of \$1.0 million (December 31, 2013: 2 open futures contracts with a notional value of \$0.3 million). Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily held as trading investments, the company will hold short corporate equities, exchange-traded funds, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in accounts payable and accrued expenses in the company's Condensed Consolidated Balance Sheets. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the company's Condensed Consolidated Balance Sheet as of September 30, 2014:

\$ in millions	As of September 30, 2014			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	582.4	582.4	—	—
Investments:*				
Available-for-sale:				
Seed money	250.6	250.6	—	—
CLOs	4.1	—	—	4.1
Other debt securities	6.3	—	—	6.3
Trading investments:				
Investments related to deferred compensation plans	234.1	234.1	—	—
Seed money	10.1	10.1	—	—
Other equity securities	26.8	26.8	—	—
UIT-related equity and debt securities:				
Corporate equities	1.4	1.4	—	—
UITs	1.9	1.9	—	—
Municipal securities	0.2	—	0.2	—
Assets held for policyholders	1,509.2	1,509.2	—	—
Total	2,627.1	2,616.5	0.2	10.4
Liabilities:				
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(1.5)	(1.5)	—	—
Total	(1.5)	(1.5)	—	—

Foreign time deposits of \$29.6 million are excluded from this table. Equity method and other investments of \$315.8 million and \$5.6 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the company's Condensed Consolidated Balance Sheet as of December 31, 2013:

\$ in millions	As of December 31, 2013			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	447.8	447.8	—	—
Investments:*				
Available-for-sale:				
Seed money	233.8	233.8	—	—
CLOs	4.0	—	—	4.0
Other debt securities	6.3	—	—	6.3
Trading investments:				
Investments related to deferred compensation plans	249.7	249.7	—	—
UIT-related equity and debt securities:				
Corporate equities	2.1	2.1	—	—
UITs	1.2	1.2	—	—
Assets held for policyholders	1,416.0	1,416.0	—	—
Total	2,360.9	2,350.6	—	10.3
Liabilities:				
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(1.7	) (1.7) —	—
Note payable	(0.3	) —	—	(0.3
Total	(2.0	) (1.7	) —	(0.3

Foreign time deposits of \$28.8 million are excluded from this table. Equity method and other investments of \$308.2 million and \$5.6 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities during the three and nine months ended September 30, 2014 and September 30, 2013, which are valued using significant unobservable inputs:

\$ in millions	Three months ended September 30, 2014			Nine months ended September 30, 2014		
	CLOs	Other Debt Securities	Note Payable	CLOs	Other Debt Securities	Note Payable
Beginning balance	4.1	6.3	(0.3)	4.0	6.3	(0.3)
Returns of capital	(0.1)	—	—	(0.3)	—	—
Settlements	—	—	0.3	—	—	0.3
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)*	0.1	—	—	0.4	—	—
Ending balance	4.1	6.3	—	4.1	6.3	—

\$ in millions	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	CLOs	Other Debt Securities	Note Payable	CLOs	Other Debt Securities	Note Payable
Beginning balance	2.4	6.3	(1.2)	2.4	6.3	(3.4)
Settlements	(0.1)	—	—	(0.2)	—	1.7
Net unrealized gains and losses included in other gains and losses*	—	—	—	—	—	0.1
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)*	(0.1)	—	—	—	—	—
Foreign exchange gains/(losses)	—	—	—	—	—	0.4
Ending balance	2.2	6.3	(1.2)	2.2	6.3	(1.2)

* These unrealized gains and losses are attributable to balances still held at the respective period ends.

3. INVESTMENTS

The disclosures below include details of the company's investments. Investments held by CSIP are detailed in Note 12, "Consolidated Sponsored Investment Products." Investments held by CIP are detailed in Note 13, "Consolidated Investment Products."

\$ in millions	September 30, 2014	December 31, 2013
Available-for-sale investments:		
Seed money	250.6	233.8
CLOs	4.1	4.0
Other debt securities	6.3	6.3
Trading investments:		
Investments related to deferred compensation plans	234.1	249.7
Seed money	10.1	—
Other equity securities	26.8	—

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UIT-related equity and debt securities	3.5	3.3
Equity method investments	315.8	308.2
Foreign time deposits	29.6	28.8
Other	5.6	5.6
Total investments	886.5	839.7

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Available for sale investments

Realized gains and losses recognized in the Condensed Consolidated Statements of Income during the period from investments classified as available-for-sale are as follows:

\$ in millions	For the three months ended September 30, 2014			For the nine months ended September 30, 2014		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Seed money	25.6	1.8	—	100.5	12.8	(0.2)
CLOs	0.1	—	—	0.3	—	—
\$ in millions	For the three months ended September 30, 2013			For the nine months ended September 30, 2013		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Seed money	0.2	1.0	—	23.1	2.7	(0.3)
CLOs	0.1	—	—	0.2	—	—

Upon the sale of available-for-sale securities, net realized gains of \$1.8 million and \$12.6 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during the three and nine months ended September 30, 2014, respectively (three and nine months ended September 30, 2013: \$1.0 million and \$2.4 million, respectively). The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

Gross unrealized holding gains and losses recognized in other accumulated comprehensive income from available-for-sale investments are presented in the table below:

\$ in millions	September 30, 2014				December 31, 2013			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Seed money	240.8	12.6	(2.8)	250.6	215.7	19.0	(0.9)	233.8
CLOs	3.4	0.7	—	4.1	3.8	0.2	—	4.0
Other debt securities	6.3	—	—	6.3	6.3	—	—	6.3
	250.5	13.3	(2.8)	261.0	225.8	19.2	(0.9)	244.1

At September 30, 2014, 129 seed money funds (December 31, 2013: 149 seed money funds) included gross unrealized holding losses. The following table provides a breakdown of the unrealized losses.

\$ in millions	September 30, 2014		December 31, 2013	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Less than 12 months	57.7	(2.2)	69.0	(0.8)
12 months or greater	4.7	(0.6)	0.2	(0.1)
Total	62.4	(2.8)	69.2	(0.9)

The company has reviewed investment securities for other-than-temporary impairment (OTTI) in accordance with its accounting policy and has recognized no other-than-temporary impairment charges on available-for-sale investments during the nine months ended September 30, 2014 (nine months ended September 30, 2013: none). The company reviewed the financial condition and near-term prospects of the underlying securities in the seeded funds as well as the

severity and duration of the impairment and concluded that the gross unrealized losses on these securities did not represent other-than-temporary impairments. The securities are expected to recover their value over time and the company has the intent and ability to hold the securities until this recovery occurs. During the nine months ended September 30, 2014 and 2013, there were no charges to other comprehensive income from other-than-temporary impairment related to non-credit related factors.

At September 30, 2014, \$3.2 million available-for-sale debt securities mature in one year through five years, and \$7.2 million after five years through ten years.

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Trading investments

The portion of trading gains and losses for the three and nine months ended September 30, 2014, that relates to trading securities still held at September 30, 2014, was a \$3.1 million net loss and \$2.0 million net gain, respectively (three and nine months ended September 30, 2013: \$9.8 million net gain and \$23.8 million net gain, respectively).

4. LONG-TERM DEBT

The disclosures below include details of the company's debt. Debt of CIP is detailed in Note 13, "Consolidated Investment Products."

\$ in millions	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unsecured Senior Notes*:				
\$600 million 3.125% - due November 30, 2022	599.6	591.3	599.6	551.5
\$600 million 4.000% - due January 30, 2024	596.1	617.8	595.8	593.2
\$400 million 5.375% - due November 30, 2043	393.4	447.9	393.2	400.0
Long-term debt	1,589.1	1,657.0	1,588.6	1,544.7

* The company's senior note indentures contain certain restrictions on mergers or consolidations. Beyond these items, there are no other restrictive covenants in the indentures.

The issuer of the senior notes is an indirect 100% owned finance subsidiary of Invesco Ltd. (the Parent), and the Parent fully and unconditionally guaranteed the securities. The requirement of certain subsidiaries of ours to maintain minimum levels of capital and other similar provisions of applicable law may have the effect of limiting withdrawals of capital, repayment of intercompany loans and payment of dividends by such entities.

The fair market value of the company's senior notes was determined by market quotes provided by Bloomberg, which is considered a Level 2 valuation input. In the absence of an active market, the company relies upon the average price quoted by brokers for determining the fair market value of the debt.

At September 30, 2014, the company's outstanding debt of \$1,589.1 million matures in periods greater than five years from the balance sheet date.

At September 30, 2014, the outstanding balance on the \$1.25 billion credit facility was zero (December 31, 2013: zero). The credit facility has a maturity of December 17, 2018. Borrowings under the credit facility will bear interest at (i) LIBOR for specified interest periods or (ii) a floating base rate (based upon the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1.00%), plus, in either case, an applicable margin determined with reference to the higher of the available credit ratings of the company or its indirect subsidiary Invesco Finance PLC. Based on credit ratings as of September 30, 2014 of the company, the applicable margin for LIBOR-based loans was 1.00% and for base rate loans was 0.00%. In addition, the company is required to pay the lenders a facility fee on the aggregate commitments of the lenders (whether or not used) at a rate per annum which is based on the higher of the available credit ratings of the company or its indirect subsidiary Invesco Finance PLC. Based on credit ratings as of September 30, 2014, the annual facility fee was equal to 0.125%.

The credit agreement governing the credit facility contains customary restrictive covenants on the company and its subsidiaries. Restrictive covenants in the credit agreement include, but are not limited to: prohibitions on creating, incurring or assuming any liens; entering into merger arrangements; selling, leasing, transferring or otherwise disposing of assets; making a material change in the nature of the business; making a significant accounting policy change in certain situations; entering into transactions with affiliates; and incurring indebtedness through the subsidiaries. Many of these restrictions are subject to certain minimum thresholds and exceptions. Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA leverage ratio, as defined in the credit agreement, of not greater than 3.00:1.00, (ii) a coverage ratio (EBITDA, as defined in the credit

agreement/interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00.

The credit agreement governing the credit facility also contains customary provisions regarding events of default which could result in an acceleration or increase in amounts due, including (subject to certain materiality thresholds and grace periods) payment default, failure to comply with covenants, material inaccuracy of representation or warranty, bankruptcy or insolvency proceedings, change of control, certain judgments, ERISA matters, cross-default to other debt agreements,

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governmental action prohibiting or restricting the company or its subsidiaries in a manner that has a material adverse effect and failure of certain guaranty obligations. The company is in compliance with all regulatory minimum net capital requirements.

The lenders (and their respective affiliates) may have provided, and may in the future provide, investment banking, cash management, underwriting, lending, commercial banking, leasing, foreign exchange, trust or other advisory services to the company and its subsidiaries and affiliates. These parties may have received, and may in the future receive, customary compensation for these services.

The company maintains approximately \$39.3 million in letters of credit from a variety of banks. The letters of credit are generally one-year automatically-renewable facilities and are maintained for various commercial reasons.

5. SHARE CAPITAL

The number of common shares and common share equivalents issued are represented in the table below:

In millions	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Common shares issued	490.4	490.4
Less: Treasury shares for which dividend and voting rights do not apply	(59.6	) (47.2
Common shares outstanding	430.8	443.2

During the three and nine months ended September 30, 2014, the company repurchased 1.3 million and 6.2 million shares, respectively (three and nine months ended September 30, 2013: zero and 3.8 million, respectively) in the market at a cost of \$50.0 million and \$219.6 million, respectively (three and nine months ended September 30, 2013: zero and \$120.5 million cost, respectively). Separately, an aggregate of 2.0 million shares were withheld on vesting events during the nine months ended September 30, 2014 to meet employees' withholding tax obligations (September 30, 2013: 2.3 million). The fair value of these shares withheld at the respective withholding dates was \$68.4 million (September 30, 2013: \$61.5 million). Approximately \$1,276.8 million remained authorized under the company's share repurchase plan at September 30, 2014 (September 30, 2013: \$346.5 million).

Total treasury shares at September 30, 2014 were 68.6 million (September 30, 2013: 57.2 million), including 9.0 million unvested restricted stock awards (September 30, 2013: 10.0 million) for which dividend and voting rights apply. The market price of common shares at September 30, 2014 was \$39.48. The total market value of the company's 68.6 million treasury shares was \$2.7 billion at September 30, 2014.

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6. OTHER COMPREHENSIVE INCOME/(LOSS)

The components of accumulated other comprehensive income/(loss) were as follows:

\$ in millions	For the three months ended September 30, 2014					Total
	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments		
Other comprehensive income/(loss) before tax:						
Currency translation differences on investments in foreign subsidiaries	(255.0)	—	—	—		(255.0)
Actuarial (loss)/gain related to employee benefit plans	—	5.5	—	—		5.5
Reclassification of amortization of prior service cost/(credit) into employee compensation expenses	—	(0.5)	—	—		(0.5)
Reclassification of amortization of actuarial (gain)/loss into employee compensation expenses	—	0.5	—	—		0.5
Share of other comprehensive income/(loss) of equity method investments	—	—	0.4	—		0.4
Unrealized(losses)/gains on available-for-sale investments	—	—	—	(6.2)		(6.2)
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net	—	—	—	(1.8)		(1.8)
Other comprehensive income/(loss) before tax	(255.0)	5.5	0.4	(8.0)		(257.1)
Income tax related to items of other comprehensive income/(loss):						
Tax on actuarial (loss)/gain related to employee benefit plans	—	(1.1)	—	—		(1.1)
Reclassification of tax on amortization of prior service cost/(credit) into income tax provision	—	0.1	—	—		0.1
Reclassification of tax on amortization of actuarial (loss)/gain into income tax provision	—	(0.1)	—	—		(0.1)
Tax on net unrealized gains/(losses) on available-for-sale investments	—	—	—	2.0		2.0
Reclassification of tax on net (gains)/losses on available-for-sale investments	—	—	—	(0.6)		(0.6)
Total income tax benefit/(expense) related to items of other comprehensive income	—	(1.1)	—	1.4		0.3
Accumulated other comprehensive income/(loss), net of tax:						
Beginning balance	570.1	(79.7)	5.4	14.1		509.9
Other comprehensive income/(loss), net of tax:	(255.0)	4.4	0.4	(6.6)		(256.8)
Other comprehensive (income)/loss attributable to noncontrolling interests	(0.2)	—	—	—		(0.2)
Ending balance	314.9	(75.3)	5.8	7.5		252.9

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\$ in millions	For the nine months ended September 30, 2014				
	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments	Total
Other comprehensive income/(loss) before tax:					
Currency translation differences on investments in foreign subsidiaries	(177.7)	—	—	—	(177.7)
Actuarial (loss)/gain related to employee benefit plans	—	2.9	—	—	2.9
Reclassification of amortization of prior service cost/(credit) into employee compensation expenses	—	(1.4)	—	—	(1.4)
Reclassification of amortization of actuarial (gain)/loss into employee compensation expenses	—	1.7	—	—	1.7
Share of other comprehensive income/(loss) of equity method investments	—	—	7.6	—	7.6
Unrealized(losses)/gains on available-for-sale investments	—	—	—	4.8	4.8
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net	—	—	—	(12.6)	(12.6)
Other comprehensive income/(loss) before tax	(177.7)	3.2	7.6	(7.8)	(174.7)
Income tax related to items of other comprehensive income/(loss):					
Tax on actuarial (loss)/gain related to employee benefit plans	—	(0.6)	—	—	(0.6)
Reclassification of tax on amortization of prior service cost/(credit) into income tax provision	—	0.3	—	—	0.3
Reclassification of tax on amortization of actuarial (loss)/gain into income tax provision	—	(0.3)	—	—	(0.3)
Tax on net unrealized gains/(losses) on available-for-sale investments	—	—	—	4.2	4.2
Reclassification of tax on net (gains)/losses on available-for-sale investments	—	—	—	(4.0)	(4.0)
Total income tax benefit/(expense) related to items of other comprehensive income	—	(0.6)	—	0.2	(0.4)
Accumulated other comprehensive income/(loss), net of tax:					
Beginning balance	492.5	(77.9)	(1.8)	15.1	427.9
Other comprehensive income/(loss), net of tax:	(177.7)	2.6	7.6	(7.6)	(175.1)
Other comprehensive (income)/loss attributable to noncontrolling interests	0.1	—	—	—	0.1
Ending balance	314.9	(75.3)	5.8	7.5	252.9

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\$ in millions	For the three months ended September 30, 2013					Total
	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments		
Other comprehensive income/(loss) before tax:						
Currency translation differences on investments in foreign subsidiaries*	197.0	—	—	—		197.0
Actuarial (loss)/gain related to employee benefit plans	—	(5.5	) —	—		(5.5
Reclassification of amortization of prior service cost/(credit) into employee compensation expenses	—	(0.5	) —	—		(0.5
Reclassification of amortization of actuarial (gain)/loss into employee compensation expenses	—	0.5	—	—		0.5
Share of other comprehensive income/(loss) of equity method investments	—	—	(3.5	) —		(3.5
Unrealized(losses)/gains on available-for-sale investments	—	—	—	4.5		4.5
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net	—	—	—	(1.0	)	(1.0
Other comprehensive income/(loss) before tax	197.0	(5.5	) (3.5	) 3.5		191.5
Income tax related to items of other comprehensive income/(loss):						
Tax benefit/(expenses) on foreign currency translation differences	0.7	—	—	—		0.7
Tax on actuarial (loss)/gain related to employee benefit plans	—	(1.7	) —	—		(1.7
Reclassification of tax on amortization of prior service cost/(credit) into income tax provision	—	0.1	—	—		0.1
Reclassification of tax on amortization of actuarial (loss)/gain into income tax provision	—	(0.1	) —	—		(0.1
Tax on net unrealized gains/(losses) on available-for-sale investments	—	—	—	0.2		0.2
Reclassification of tax on net (gains)/losses on available-for-sale investments	—	—	—	(0.3	)	(0.3
Total income tax benefit/(expense) related to items of other comprehensive income	0.7	(1.7	) —	(0.1	)	(1.1
Accumulated other comprehensive income/(loss), net of tax:						
Beginning balance	309.4	(73.8	) 0.5	7.8		243.9
Other comprehensive income/(loss), net of tax:	197.7	(7.2	) (3.5	) 3.4		190.4
Other comprehensive (income)/loss attributable to noncontrolling interests	0.5	—	—	—		0.5
Ending balance	507.6	(81.0	) (3.0	) 11.2		434.8

*

Included in this amount are net losses of \$0.5 million for the three months ended September 30, 2013 related to foreign currency translation adjustments attributable to CIP. Of this amount gains of \$0.5 million are reclassified from accumulated other comprehensive income into retained earnings appropriated for investors in CIP for the three months ended September 30, 2013.

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\$ in millions	For the nine months ended September 30, 2013				
	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments	Total
Other comprehensive income/(loss) before tax:					
Currency translation differences on investments in foreign subsidiaries*	(106.9)	—	—	—	(106.9)
Actuarial (loss)/gain related to employee benefit plans	—	1.3	—	—	1.3
Reclassification of amortization of prior service cost/(credit) into employee compensation expenses	—	(1.5)	—	—	(1.5)
Reclassification of amortization of actuarial (gain)/loss into employee compensation expenses	—	1.9	—	—	1.9
Share of other comprehensive income/(loss) of equity method investments	—	—	(5.1)	—	(5.1)
Unrealized(losses)/gains on available-for-sale investments	—	—	—	8.5	8.5
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net	—	—	—	(2.4)	(2.4)
Other comprehensive income/(loss) before tax	(106.9)	1.7	(5.1)	6.1	(104.2)
Income tax related to items of other comprehensive income/(loss):					
Tax benefit/(expenses) on foreign currency translation differences	(0.4)	—	—	—	(0.4)
Tax on actuarial (loss)/gain related to employee benefit plans	—	(3.2)	—	—	(3.2)
Reclassification of tax on amortization of prior service cost/(credit) into income tax provision	—	0.3	—	—	0.3
Reclassification of tax on amortization of actuarial (loss)/gain into income tax provision	—	(0.4)	—	—	(0.4)
Tax on net unrealized gains/(losses) on available-for-sale investments	—	—	—	(0.4)	(0.4)
Reclassification of tax on net (gains)/losses on available-for-sale investments	—	—	—	(0.6)	(0.6)
Total income tax benefit/(expense) related to items of other comprehensive income	(0.4)	(3.3)	—	(1.0)	(4.7)
Accumulated other comprehensive income/(loss), net of tax:					
Beginning balance	601.7	(79.4)	2.1	6.1	530.5
Other comprehensive income/(loss), net of tax:	(107.3)	(1.6)	(5.1)	5.1	(108.9)
Other comprehensive (income)/loss attributable to noncontrolling interests	13.2	—	—	—	13.2
Ending balance	507.6	(81.0)	(3.0)	11.2	434.8

*

Included in this amount are net losses of \$13.2 million for the nine months ended September 30, 2013 related to foreign currency translation adjustments attributable to CIP. Of this amount gains of \$0.5 million are reclassified from accumulated other comprehensive income into retained earnings appropriated for investors in CIP for the nine months ended September 30, 2013.

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7. SHARE-BASED COMPENSATION

The company recognized total expenses of \$104.3 million and \$103.0 million related to equity-settled share-based payment transactions in the nine months ended September 30, 2014 and September 30, 2013, respectively.

Cash received from exercise of share options granted under share-based compensation arrangements was \$8.6 million in the nine months ended September 30, 2014 (nine months ended September 30, 2013: \$13.0 million).

Share Awards

Share awards are broadly classified into two categories: time-vested and performance-vested. Share awards are measured at fair value at the date of grant and are expensed, based on the company's estimate of shares that will eventually vest, on a straight-line or accelerated basis over the vesting period.

Time-vested awards vest ratably over a period of continued employee service. Performance-vested awards cliff-vest at the end of or vest ratably over a defined vesting period of continued employee service upon the company's attainment of certain performance criteria. Time-vested and performance-vested share awards are granted in the form of restricted share awards (RSAs) or restricted share units (RSUs). Performance-vested awards are tied to the achievement of specified levels of adjusted diluted earnings per share and adjusted operating margin. In the event that either targeted financial measure is achieved at or above a vesting threshold for a particular performance measurement period, the portion of the performance-vested award subject to targeted financial measures will vest proportionately between 0% and 100% based upon the higher achieved level for that year.

With respect to time-vested awards, dividends accrue directly to the employee holder of RSAs, and cash payments in lieu of dividends are made to employee holders of certain RSUs. With respect to performance-vested awards, dividends and cash payments in lieu of dividends are deferred and are paid at the same rate as on our shares if and to the extent the award vests.

In May 2011, the company's shareholders approved the 2011 Global Equity Incentive Plan, which authorized the issuance of up to 28 million shares under this plan. In May 2010, the board approved the 2010 Global Equity Incentive Plan (ST), which authorized the issuance of up to 3 million shares under this plan. Under the terms of the 2010 Global Equity Incentive Plan (ST), shares are issued only as employment inducement awards in connection with a strategic transaction and, as a result, do not require shareholder approval under the rules of the New York Stock Exchange or otherwise.

Movements on share awards priced in U.S. dollars during the periods ended September 30, are detailed below:

Millions of shares, except fair values	For the nine months ended September 30, 2014			For the nine months ended September 30, 2013	
	Time-Vested	Performance-Vested	Weighted Average Grant Date Fair Value (\$)	Time-Vested	Performance-Vested
Unvested at the beginning of period	13.9	0.4	25.00	16.5	0.3
Granted during the period	4.3	0.2	34.33	5.2	0.2
Forfeited during the period	(1.1)	) —	23.83	(0.4)) —
Vested and distributed during the period	(5.4)	) (0.1)	) 24.16	(6.6)	) (0.1)
Unvested at the end of the period	11.7	0.5	28.88	14.7	0.4

In December 2007, in connection with the redomicile of the company from the U.K. to Bermuda, the company's primary share listing moved from the London Stock Exchange to the New York Stock Exchange. Movements on share awards priced in Pounds Sterling, which were awarded prior to the move of the company's primary share listing to the New York Stock Exchange, during the nine months ended September 30, are detailed below:

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Millions of shares, except fair values	For the nine months ended September 30, 2014		For the nine months ended September 30, 2013	
	Time-Vested	Weighted Average Grant Date Fair Value (£ Sterling)	Time-Vested	
Unvested at the beginning of period	0.1	12.90	0.3	
Vested and distributed during the period	(0.1) 12.90	(0.2)
Unvested at the end of the period	—	—	0.1	

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All share awards outstanding at September 30, 2014, had a weighted average remaining contractual life of 1.46 years. The total fair value of shares that vested during the nine months ended September 30, 2014 was \$191.5 million (nine months ended September 30, 2013: \$185.0 million). The weighted average grant date fair value of the U.S. dollar share awards that were granted during the nine months ended September 30, 2014 was \$34.33 (nine months ended September 30, 2013: \$26.86).

At September 30, 2014, there was \$271.5 million of total unrecognized compensation cost related to non-vested share awards; that cost is expected to be recognized over a weighted average period of 2.71 years.

Share Options

The company has not granted share option awards since 2005. All share options awards, therefore, were granted prior to the December 2007 redomicile from the United Kingdom to Bermuda and re-listing from the London Stock Exchange (where the predecessor company's ordinary shares traded in Pounds Sterling) to the New York Stock Exchange (where the company's common shares now trade in U.S. Dollars). At the time of their grants, the exercise prices of the share options were denominated in the company's trading currency, which was the Pound Sterling. The company did not change the accounting for share options at the redomicile/re-listing date, because the share options were not modified at that date. The exercise price remains in Pounds Sterling and was not changed to U.S. Dollars. Therefore, upon exercise of the share options, the Pound Sterling exercise price will be converted into U.S. Dollars using the spot foreign exchange rate in effect on the exercise date. Upon the exercise of share options, the company either issues new shares or can utilize shares held in treasury (see Note 5, "Share Capital") to satisfy the exercise.

Changes in outstanding share option awards are as follows:

Millions of shares, except prices	For the nine months ended September 30, 2014		For the nine months ended September 30, 2013	
	Options	Weighted Average Exercise Price (£ Sterling)	Options	Weighted Average Exercise Price (£ Sterling)
Outstanding at the beginning of period	1.1	7.32	2.6	7.31
Exercised during the period	(0.7	) 6.84	(1.0	) 7.38
Outstanding at the end of the period	0.4	8.02	1.6	7.26
Exercisable at the end of the period	0.4	8.02	1.6	7.26

Employee Stock Purchase Plan (ESPP)

For the nine months ended September 30, 2014, the company recognized \$0.6 million in compensation expense related to the ESPP (September 30, 2013: \$0.7 million).

Table of Contents**8. RETIREMENT BENEFIT PLANS****Defined Contribution Plans**

The company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the company in funds under the control of trustees. When employees leave the plans prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total amounts charged to the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 of \$13.3 million and \$43.0 million, respectively (three and nine months ended September 30, 2013: \$11.3 million and \$39.4 million, respectively) represent contributions paid or payable to these plans by the company at rates specified in the rules of the plans. As of September 30, 2014, accrued contributions of \$18.4 million (December 31, 2013: \$21.8 million) for the current year will be paid to the plans.

Defined Benefit Plans

The company maintains legacy defined benefit pension plans for qualifying employees of its subsidiaries in the U.K., Ireland, Germany and Taiwan. All defined benefit plans are closed to new participants. The company also maintains a postretirement medical plan in the U.S., which was closed to new participants in 2005. In 2006, the plan was amended to eliminate benefits for all participants who did not meet retirement eligibility by 2008. The assets of all defined benefit schemes are held in separate trustee-administered funds. Under the plans, the employees are generally entitled to retirement benefits based on final salary at retirement.

The components of net periodic benefit cost in respect of these defined benefit plans are as follows:

	Retirement Plans				Medical Plan			
	For the three months ended September 30, 2014		For the nine months ended September 30, 2014		For the three months ended September 30, 2014		For the nine months ended September 30, 2014	
\$ in millions	2014	2013	2014	2013	2014	2013	2014	2013
Service cost	(1.1)	(1.2)	(3.3)	(3.4)	(0.1)	—	(0.2)	(0.2)
Interest cost	(4.8)	(4.9)	(14.3)	(14.7)	(0.4)	(0.6)	(1.4)	(1.6)
Expected return on plan assets	4.6	4.3	13.9	13.1	0.2	0.2	0.5	0.4
Amortization of prior service cost/(credit)	—	—	(0.1)	—	0.5	0.5	1.5	1.5
Amortization of net actuarial gain/(loss)	(0.5)	(0.5)	(1.5)	(1.7)	—	—	(0.2)	(0.2)
Net periodic benefit cost	(1.8)	(2.3)	(5.3)	(6.7)	0.2	0.1	0.2	(0.1)

The estimated amounts of contributions expected to be paid to the plans during 2014 are \$15.9 million for retirement plans and \$2.2 million for the medical plan. Payments made to the plans during the nine months ended September 30, 2014 were \$11.9 million to the retirement plan and \$1.7 million to the medical plan.

9. TAXATION

At September 30, 2014, the total amount of gross unrecognized tax benefits was \$5.6 million as compared to the December 31, 2013 total of \$16.8 million. During the nine months ended September 30, 2014, gross unrecognized tax benefits of \$11.4 million were recognized as a result of favorable tax settlements and expiration of statute of limitations. Including interest and penalties, income tax expense decreased by \$6.9 million, net of federal tax effects.

The company and its subsidiaries file annual income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and in numerous foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which the company has unrecognized tax benefits, is finally resolved. To the extent that the company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other reasons, such liabilities, as well as the related interest and penalty, would be reversed as a reduction of income tax expense (net of federal tax effects, if applicable) in the period such determination is made.

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10. EARNINGS PER SHARE

The calculation of earnings per share is as follows:

In millions, except per share data	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Income from continuing operations, net of taxes	\$252.2	\$250.1	\$777.6	\$653.9
Net (income)/loss attributable to noncontrolling interests in consolidated entities	4.4	(20.6)	(56.9)	0.9
Income from continuing operations attributable to Invesco Ltd. for basic and diluted EPS calculations	256.6	229.5	720.7	654.8
Income/(loss) from discontinued operations, net of taxes	(0.6)	(1.4)	(2.4)	(1.9)
Net income attributable to common shareholders	\$256.0	\$228.1	\$718.3	\$652.9
Weighted average shares outstanding - basic	434.3	447.9	435.6	448.3
Dilutive effect of share-based awards	0.5	0.9	0.6	1.1
Weighted average shares outstanding - diluted	434.8	448.8	436.2	449.4

Basic earnings per share:

Earnings per share from continuing operations	\$0.59	\$0.51	\$1.65	\$1.46
Earnings per share from discontinued operations	\$—	\$—	(\$0.01)	\$—
Basic earnings per share	\$0.59	\$0.51	\$1.65	\$1.46

Diluted earnings per share:

Earnings per share from continuing operations	\$0.59	\$0.51	\$1.65	\$1.46
Earnings per share from discontinued operations	\$—	\$—	(\$0.01)	\$—
Diluted earnings per share	\$0.59	\$0.51	\$1.65	\$1.45

See Note 7, "Share-Based Compensation," for a summary of share awards outstanding under the company's share-based payment programs. These programs could result in the issuance of common shares that would affect the measurement of basic and diluted earnings per share.

There were no antidilutive options excluded from the computation of diluted earnings per share in the nine months ended September 30, 2014 (nine months ended September 30, 2013: none). Antidilutive options are those where the options' exercise prices are greater than the average market price of the shares.

There were no time-vested share awards that were excluded from the computation of diluted earnings per share during the nine months ended September 30, 2014 and 2013, due to their inclusion being anti-dilutive. There were 0.3 million contingently issuable shares excluded from the diluted earnings per share computation during the nine months ended September 30, 2014 (nine months ended September 30, 2013: 0.3 million), because the necessary performance conditions for the shares to be issuable had not yet been satisfied at the end of the respective period.

11. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies may arise in the ordinary course of business.

Off Balance Sheet Commitments

The company has transactions with various private equity, real estate and other investment entities sponsored by the company for the investment of client assets in the normal course of business. Many of the company's investment products are structured as limited partnerships. The company's investment may take the form of the general partner or a limited partner. The entities are structured such that each partner makes capital commitments that are to be drawn down over the life of the partnership as investment opportunities are identified. At September 30, 2014, the company's undrawn capital commitments were \$99.9 million (December 31, 2013: \$152.5 million).

The Parent and various company subsidiaries have entered into agreements with financial institutions to guarantee certain obligations of other company subsidiaries. The company would be required to perform under these guarantees in the event of

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certain defaults. The company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Legal Contingencies

In July 2010, various closed-end funds formerly advised by Van Kampen Investments or Morgan Stanley Investment Management had complaints filed against them in New York State Court commencing derivative lawsuits purportedly brought on behalf of the common shareholders of those funds. The funds are nominal defendants in these derivative lawsuits and the defendants also include Van Kampen Investments (acquired by Invesco on June 1, 2010), Morgan Stanley Investment Management and certain officers and trustees of the funds who are or were employees of those firms. Invesco has certain obligations under the applicable acquisition agreement regarding the defense costs and any damages associated with this litigation. The plaintiffs allege breaches of fiduciary duties owed by the non-fund defendants to the funds' common shareholders related to the funds' redemption in prior periods of Auction Rate Preferred Securities (ARPS) theretofore issued by the funds. The complaints are similar to other complaints filed against investment advisers, officers and trustees of closed-end funds in other fund complexes which issued and redeemed ARPS. The complaints allege that the advisers, distributors and certain officers and trustees of those funds breached their fiduciary duty by redeeming ARPS at their liquidation value when there was no obligation to do so and when the value of ARPS in the secondary marketplace were significantly below their liquidation value. The complaints also allege that the ARPS redemptions were principally motivated by the fund sponsors' interests to preserve distribution relationships with brokers and other financial intermediaries who held ARPS after having repurchased them from their own clients. The complaints do not specify alleged damages. Certain other funds included in the acquired business have received demand letters expressing similar allegations. Such demand letters could be precursors to additional similar lawsuits being commenced against those other funds. The Boards of Trustees of the funds established special committees of independent trustees to conduct an inquiry regarding the allegations set forth in the complaints and demand letters. The Boards of Trustees of the funds accepted the recommendation of their special litigation committees to (i) reject the demands contained in the demand letters and (ii) to seek dismissal of the related lawsuits. Motions to dismiss were filed on October 4, 2011. The court granted the motions to dismiss, with prejudice, on October 22, 2014. The plaintiffs have 30 days in which they may file an appeal.

Invesco believes the cases and other claims identified above should be dismissed or otherwise will terminate, although there can be no assurance of that result. Invesco intends to defend vigorously any cases which may survive beyond initial motions to dismiss. The company cannot predict with certainty, however, the eventual outcome of such cases and other claims, nor whether they will have a material negative impact on the company. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company. There are many reasons that the company cannot make these assessments, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported, unexplained or uncertain; the claimant is seeking relief other than compensatory damages; the matter presents novel legal claims or other meaningful legal uncertainties; discovery has not started or is not complete; there are significant facts in dispute; and there are other parties who may share in any ultimate liability.

The company is from time to time involved in litigation relating to other claims arising in the ordinary course of its business. In management's opinion, adequate accrual has been made as of September 30, 2014 to provide for any such losses that may arise from matters for which the company could reasonably estimate an amount. Management is of the opinion that the ultimate resolution of such claims will not materially affect the company's business, financial position, results of operation or liquidity. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to other litigation contingencies.

The investment management industry also is subject to extensive levels of ongoing regulatory oversight and examination. In the United States, United Kingdom, and other jurisdictions in which the company operates, governmental authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable laws and regulations. Additional lawsuits or regulatory enforcement

actions arising out of these inquiries may in the future be filed against the company and related entities and individuals in the United States, United Kingdom, and other jurisdictions in which the company and its affiliates operate. Any material loss of investor and/or client confidence as a result of such inquiries and/or litigation could result in a significant decline in assets under management, which would have an adverse effect on the company's future financial results and its ability to grow its business.

In a separate matter, a Canadian subsidiary of the company has received assessments related to various prior taxation periods for goods and services tax on revenue to which management fee rebates had been applied in those periods. The assessments, related interest, and penalty amounts are approximately \$21.1 million. The trial between Invesco Canada Ltd. and the Canada Revenue Agency, argued in the Tax Court of Canada, concluded in May 2014, and the company is waiting for the Tax Court decision. Management believes Canada Revenue Agency's claims are unfounded and that these assessments are unlikely to stand, and accordingly no provision has been recorded in the Condensed Consolidated Financial Statements.

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12. CONSOLIDATED SPONSORED INVESTMENT PRODUCTS

The following table presents the balances related to CSIP that are included on the Condensed Consolidated Balance Sheets as well as Invesco's net interests in CSIP for each period presented.

\$ in millions	September 30, 2014	December 31, 2013
Investments of CSIP	305.8	93.2
Cash and cash equivalents of CSIP	18.1	12.7
Accounts receivable and other assets of CSIP	10.6	2.6
Assets of CSIP	334.5	108.5
Other liabilities of CSIP	(7.8)	(4.7)
Equity attributable to redeemable noncontrolling interests	(157.5)	—
Equity attributable to nonredeemable noncontrolling interests	(19.2)	(12.0)
Invesco's net interests in CSIP	150.0	91.8
Invesco's net economic interests as a percentage of investments of CSIP	49.1	% 98.5

The carrying value of investments held by CSIP is also their fair value. The following tables present the fair value hierarchy levels of investments held by CSIP, which are measured at fair value as of September 30, 2014, and December 31, 2013:

\$ in millions	As of September 30, 2014			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income securities	191.8	67.0	124.8	—
Equity securities	30.5	30.5	—	—
Investments in fixed income funds*	56.3	56.3	—	—
Investments in other private equity funds*	27.2	—	—	27.2
Total investments at fair value	305.8	153.8	124.8	27.2
\$ in millions	As of December 31, 2013			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income securities	43.2	—	43.2	—
Equity securities	27.8	27.8	—	—
Investments in fixed income funds*	6.0	6.0	—	—
Investments in other private equity funds*	16.2	—	—	16.2
Total investments at fair value	93.2	33.8	43.2	16.2

*Investments in fixed income funds and other private equity funds are valued using the net asset value (NAV) as a practical expedient. The NAVs that have been provided are derived from the fair values of the underlying

investments as of the consolidation date. Refer to Note 13, "Consolidated Investment Products," for additional discussion regarding the fair value of private equity funds.

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The tables below summarize as of September 30, 2014 and December 31, 2013, the nature of investments that are valued using the NAV as a practical expedient and any related liquidation restrictions or other factors which may impact the ultimate value realized:

	As of September 30, 2014				
	Fair Value (\$ in millions)	Total Unfunded Commitments (\$ in millions)	Weighted Average Remaining Term (⁽¹⁾)	Redemption Frequency	Redemption Notice Period
Fixed income funds	56.3	—	n/a	Monthly	10 days
Private equity fund of funds	27.2	29.0	7.3 years	n/a ⁽²⁾	n/a ⁽²⁾
	As of December 31, 2013				
	Fair Value (\$ in millions)	Total Unfunded Commitments (\$ in millions)	Weighted Average Remaining Term (⁽¹⁾)	Redemption Frequency	Redemption Notice Period
Fixed income funds	6.0	—	n/a	Monthly	10 days
Private equity fund of funds	16.2	35.6	8.5 years	n/a ⁽²⁾	n/a ⁽²⁾

(1) These investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over the weighted average periods indicated.

(2) These investments are not subject to redemption; however, for certain funds, the investors may sell or transfer their interest, which may require approval by the general partner of the underlying funds.

Equity securities are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

Fixed income securities are fair valued using an evaluated quote provided by an independent pricing service.

Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

The following tables show a reconciliation of the beginning and ending fair value measurements for level 3 assets using significant unobservable inputs:

\$ in millions	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Beginning balance	24.1	—	16.2	—
Consolidation of CSIP	—	13.2	—	13.2
Purchases	3.0	—	7.0	—
Sales	(0.2)	—	(0.5)	—
Gains and losses included in the Condensed Consolidated Statements of Income*	0.3	—	4.5	—
Ending balance	27.2	13.2	27.2	13.2

*Included in other income/(loss) of CSIP, net, in the Consolidated Statement of Income for the three and nine months ended September 30, 2014 are \$0.3 million and \$4.5 million in net unrealized gains attributable to investments still

held at September 30, 2014 (three and nine months ended September 30, 2013: none).

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13. CONSOLIDATED INVESTMENT PRODUCTS

The following table presents the balances related to CIP that are included on the Condensed Consolidated Balance Sheets as well as Invesco's net interest in the CIP for each period presented.

\$ in millions	As of	
	September 30, 2014	December 31, 2013
Cash and cash equivalents of CIP	238.6	583.6
Investments of CIP	5,555.9	4,734.7
Accounts receivable and other assets of CIP	118.1	58.3
Less: Debt of CIP	(4,710.3	) (4,181.7
Less: Other liabilities of CIP	(349.2	) (461.8
Less: Retained earnings ⁽¹⁾	(18.1	) (12.5
Less: Retained earnings appropriated for investors in CIP	(56.4	) (104.3
Less: Accumulated other comprehensive income, net of tax ⁽¹⁾	18.0	12.7
Less: Equity attributable to nonredeemable noncontrolling interests	(693.8	) (570.3
Invesco's net interests in CIP	102.8	58.7
Invesco's net economic interests as a percentage of investments of CIP	1.9	% 1.2

These amounts reflect the reclassification of the company's gain or loss (representing the changes in the market (1) value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses upon consolidation.

The company's risk with respect to each investment in CIP is limited to its equity ownership and any uncollected management and performance fees. Therefore, the gains or losses of CIP have not had a significant impact on the company's net income attributable to common shareholders, liquidity or capital resources. The company has no right to the benefits from, nor does it bear the risks associated with, these investments, beyond the company's minimal direct investments in, and management and performance fees generated from, the investment products. If the company were to liquidate, these investments would not be available to the general creditors of the company, and as a result, the company does not consider investments held by CIP to be company assets. Additionally, the collateral assets of consolidated collateralized loan obligations (CLOs) are held solely to satisfy the obligations of the CLOs, and the investors in the consolidated CLOs have no recourse to the general credit of the company for the notes issued by the CLOs.

At September 30, 2014, the company's maximum risk of loss in significant VIEs in which the company is not the primary beneficiary is presented in the table below.

\$ in millions	Footnote Reference	Carrying Value	Company's Maximum Risk of Loss
CLO investments	3	4.1	4.1
Partnership and trust investments		16.7	16.7
Investments in Invesco Mortgage Capital Inc.		30.1	30.1
Total			50.9

During the nine months ended September 30, 2014, the company invested in and consolidated five new VIEs and one VOE. The table below illustrates the summary balance sheet amounts related to these products before consolidation into the company. The balances below are reflective of the balances existing at the consolidation date after the initial funding of the investments by the company and unrelated third-party investors. The current period activity for the consolidated funds, including the initial funding and subsequent investment of initial cash balances into underlying investments of CIP, is reflected in the company's Condensed Consolidated Financial Statements.

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Balance Sheet information - newly consolidated VIEs/VOEs

\$ in millions	For the nine months ended September 30, 2014	
	VIEs	VOEs
Cash and cash equivalents of CIP	657.3	—
Accounts receivable and other assets of CIP	5.7	9.0
Investments of CIP	1,219.8	40.1
Total assets	1,882.8	49.1
Debt of CIP	1,339.0	—
Other liabilities of CIP	553.4	11.8
Total liabilities	1,892.4	11.8
Total equity	(9.6	) 37.3
Total liabilities and equity	1,882.8	49.1

During the nine months ended September 30, 2014, the company determined that it was no longer the primary beneficiary of a CLO due to a change in the rights held by others. The amounts deconsolidated from the Condensed Consolidated Balance Sheet are illustrated in the table below. There was no net impact to the Condensed Consolidated Statement of Income from the deconsolidation of this CLO.

Balance Sheet	Deconsolidated-CLOs-VIEs
\$ in millions	
Cash and cash equivalents of CIP	30.5
Accounts receivable and other assets of CIP	17.6
Investments of CIP	346.5
Total assets	394.6
Debt of CIP	347.9
Other liabilities of CIP	45.7
Total liabilities	393.6
Equity	1.0
Total liabilities and equity	394.6

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The following tables reflect the impact of consolidation of investment products into the Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, and the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013.

Summary of Balance Sheet Impact of CIP

\$ in millions	As of September 30, 2014				Impact of CIP
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	
Accounts receivable	—	—	—	(2.9)	(2.9)
Investments	—	—	—	(99.9)	(99.9)
Cash and cash equivalents of CIP	201.9	7.0	29.7	—	238.6
Accounts receivable of CIP	114.2	—	3.9	—	118.1
Investments of CIP	4,903.4	44.2	674.5	(66.2)	5,555.9
Total assets	5,219.5	51.2	708.1	(169.0)	5,809.8
Debt of CIP	4,849.2	—	—	(138.9)	4,710.3
Other liabilities of CIP	313.8	0.4	37.9	(2.9)	349.2
Total liabilities	5,163.0	0.4	37.9	(141.8)	5,059.5
Retained earnings	18.1	—	—	—	18.1
Retained earnings appropriated for investors in CIP	56.4	—	—	—	56.4
Accumulated other comprehensive income, net of tax	(18.0)	—	—	—	(18.0)
Equity attributable to nonredeemable noncontrolling interests in consolidated entities	—	50.8	670.2	(27.2)	693.8
Total liabilities and equity	5,219.5	51.2	708.1	(169.0)	5,809.8

Adjustments include the elimination of intercompany transactions between the company and its CIP, primarily the (1) elimination of the company's equity at risk recorded as investments by the company (before consolidation) against either equity (private equity funds) or subordinated debt (CLOs) of the funds.

\$ in millions	As of December 31, 2013				Impact of CIP
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	
Accounts receivable	—	—	—	(3.4)	(3.4)
Investments	—	—	—	(55.3)	(55.3)
Cash and cash equivalents of CIP	542.3	5.6	35.7	—	583.6
Accounts receivable of CIP	56.3	0.2	1.8	—	58.3
Investments of CIP	4,237.3	40.4	512.2	(55.2)	4,734.7
Total assets	4,835.9	46.2	549.7	(113.9)	5,317.9
Debt of CIP	4,270.4	—	—	(88.7)	4,181.7
Other liabilities of CIP	461.4	0.9	3.0	(3.5)	461.8
Total liabilities	4,731.8	0.9	3.0	(92.2)	4,643.5
Retained earnings	12.5	—	—	—	12.5
Retained earnings appropriated for investors in CIP	104.3	—	—	—	104.3
Accumulated other comprehensive income, net of tax	(12.7)	—	—	—	(12.7)
Equity attributable to nonredeemable noncontrolling interests in consolidated entities	—	45.3	546.7	(21.7)	570.3
Total liabilities and equity	4,835.9	46.2	549.7	(113.9)	5,317.9

Adjustments include the elimination of intercompany transactions between the company and its CIP, primarily the (1) elimination of the company's equity at risk recorded as investments by the company (before consolidation) against either equity (private equity and real estate partnership funds) or subordinated debt (CLOs) of the funds.

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Summary of Income Statement Impact of CIP

\$ in millions	Three months ended September 30, 2014				
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	Impact of CIP
Total operating revenues	—	0.1	—	(8.7)	(8.6)
Total operating expenses	17.6	0.3	2.1	(8.7)	11.3
Operating income	(17.6)	(0.2)	(2.1)	—	(19.9)
Equity in earnings of unconsolidated affiliates	—	—	—	(0.7)	(0.7)
Interest and dividend income	—	—	—	(0.7)	(0.7)
Other gains and losses, net	—	—	—	—	—
Interest and dividend income of CIP	57.9	—	—	(4.5)	53.4
Interest expense of CIP	(42.7)	—	—	5.2	(37.5)
Other gains/(losses) of CIP, net	(4.4)	0.8	1.4	2.3	0.1
Income from continuing operations before income taxes	(6.8)	0.6	(0.7)	1.6	(5.3)
Income tax provision	—	—	—	—	—
Income from continuing operations, net of income taxes	(6.8)	0.6	(0.7)	1.6	(5.3)
Income from discontinued operations, net of income taxes	—	—	—	—	—
Net income	(6.8)	0.6	(0.7)	1.6	(5.3)
Net (income)/loss attributable to noncontrolling interests in consolidated entities	6.9	(0.5)	1.3	—	7.7
Net income attributable to common shareholders	0.1	0.1	0.6	1.6	2.4
\$ in millions	Three months ended September 30, 2013				
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	Impact of CIP
Total operating revenues	—	—	—	(12.0)	(12.0)
Total operating expenses	23.4	0.3	1.3	(12.0)	13.0
Operating income	(23.4)	(0.3)	(1.3)	—	(25.0)
Equity in earnings of unconsolidated affiliates	—	—	—	(2.2)	(2.2)
Interest and dividend income	—	—	—	(1.0)	(1.0)
Other gains and losses, net	—	—	—	(11.8)	(11.8)
Interest and dividend income of CIP	48.8	—	—	(2.3)	46.5
Interest expense of CIP	(36.8)	—	—	3.3	(33.5)
Other gains/ (losses) of CIP, net	23.4	1.1	11.3	2.4	38.2
Income from continuing operations before income taxes	12.0	0.8	10.0	(11.6)	11.2
Income tax provision	—	—	—	—	—
Income from continuing operations, net of income taxes	12.0	0.8	10.0	(11.6)	11.2
Income from discontinued operations, net of income taxes	—	—	—	—	—
Net income	12.0	0.8	10.0	(11.6)	11.2
Net (income)/loss attributable to noncontrolling interests in consolidated entities	(11.9)	(0.8)	(7.9)	—	(20.6)
Net income attributable to common shareholders	0.1	—	2.1	(11.6)	(9.4)

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\$ in millions	Nine months ended September 30, 2014				
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	Impact of CIP
Total operating revenues	—	0.2	—	(25.8	) (25.6)
Total operating expenses	44.4	0.8	6.2	(25.8	) 25.6
Operating income	(44.4	) (0.6)	(6.2)	—	(51.2)
Equity in earnings of unconsolidated affiliates	—	—	—	(4.1	) (4.1)
Interest and dividend income	—	—	—	(2.2	) (2.2)
Other gains and losses, net	—	—	—	(4.7	) (4.7)
Interest and dividend income of CIP	159.9	—	—	(10.2	) 149.7
Interest expense of CIP	(110.6	) —	—	12.5	(98.1)
Other gains/(losses) of CIP, net	(51.6	) (0.5)	105.3	10.2	63.4
Income from continuing operations before income taxes	(46.7	) (1.1)	99.1	1.5	52.8
Income tax provision	—	—	—	—	—
Income from continuing operations, net of income taxes	(46.7	) (1.1)	99.1	1.5	52.8
Income from discontinued operations, net of income taxes	—	—	—	—	—
Net income	(46.7	) (1.1)	99.1	1.5	52.8
Net (income)/loss attributable to noncontrolling interests in consolidated entities	46.9	1.2	(95.2)	—	(47.1)
Net income attributable to common shareholders	0.2	0.1	3.9	1.5	5.7
\$ in millions	Nine months ended September 30, 2013				
	CLOs - VIEs	Other VIEs	VOEs	Adjustments ⁽¹⁾	Impact of CIP
Total operating revenues	—	—	0.4	(30.2	) (29.8)
Total operating expenses	48.9	0.8	5.3	(30.2	) 24.8
Operating income	(48.9	) (0.8)	(4.9)	—	(54.6)
Equity in earnings of unconsolidated affiliates	—	—	—	(3.4	) (3.4)
Interest and dividend income	—	—	—	(4.7	) (4.7)
Other gains and losses, net	—	—	—	(11.8	) (11.8)
Interest and dividend income of CIP	155.5	—	—	(8.0	) 147.5
Interest expense of CIP	(109.5	) —	—	12.7	(96.8)
Other gains/ (losses) of CIP, net	(15.8	) 1.3	28.6	1.4	15.5
Income from continuing operations before income taxes	(18.7	) 0.5	23.7	(13.8	) (8.3)
Income tax provision	—	—	—	—	—
Income from continuing operations, net of income taxes	(18.7	) 0.5	23.7	(13.8	) (8.3)
Income from discontinued operations, net of income taxes	—	—	—	—	—
Net income	(18.7	) 0.5	23.7	(13.8	) (8.3)
Net (income)/loss attributable to noncontrolling interests in consolidated entities	18.9	(0.5)	(19.9)	—	(1.5)
Net income attributable to common shareholders	0.2	—	3.8	(13.8	) (9.8)

Adjustments include the elimination of intercompany transactions between the company and its CIP, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) (1) by the company. These also include the reclassification of the company's gain or loss (representing the changes in the market value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses upon consolidation.

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The carrying values of investments held and notes issued by CIP are also their fair values. The following tables present the fair value hierarchy levels of investments held and notes issued by CIP, which are measured at fair value as of September 30, 2014 and December 31, 2013:

\$ in millions	As of September 30, 2014			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
CLO collateral assets:				
Bank loans	4,724.2	—	4,724.2	—
Bonds	102.4	—	102.4	—
Equity securities	10.5	—	10.5	—
Private equity fund assets:				
Equity securities	281.6	16.2	—	265.4
Debt securities	12.0	—	—	12.0
Investments in other private equity funds	425.2	—	—	425.2
Total assets at fair value	5,555.9	16.2	4,837.1	702.6
Liabilities:				
CLO notes	(4,710.3)	—	—	(4,710.3)
Total liabilities at fair value	(4,710.3)	—	—	(4,710.3)
\$ in millions	As of December 31, 2013			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
CLO collateral assets:				
Bank loans	4,035.8	—	4,035.8	—
Bonds	133.1	—	133.1	—
Equity securities	14.1	—	14.1	—
Private equity fund assets:				
Equity securities	106.0	47.3	—	58.7
Investments in other private equity funds	442.2	—	—	442.2
Debt securities issued by the U.S. Treasury	3.5	3.5	—	—
Total assets at fair value	4,734.7	50.8	4,183.0	500.9
Liabilities:				
CLO notes	(4,181.7)	—	—	(4,181.7)
Total liabilities at fair value	(4,181.7)	—	—	(4,181.7)

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The following tables show a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities using significant unobservable inputs:

\$ in millions	Three months ended September 30, 2014		Nine months ended September 30, 2014	
	Level 3 Assets	Level 3 Liabilities	Level 3 Assets	Level 3 Liabilities
Beginning balance	691.1	(4,301.5)	500.9	(4,181.7)
Purchases	58.9	—	198.4	—
Sales	(53.7)	—	(104.1)	—
Issuances	—	(624.8)	1.8	(1,338.9)
Settlements	—	212.5	—	510.2
Deconsolidation of CIP	—	—	—	339.0
Gains and losses included in the Condensed Consolidated Statements of Income*	6.3	3.5	105.6	(38.9)
Ending balance	702.6	(4,710.3)	702.6	(4,710.3)

\$ in millions	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	Level 3 Assets	Level 3 Liabilities	Level 3 Assets	Level 3 Liabilities
Beginning balance	508.3	(4,044.3)	602.9	(3,899.4)
Purchases	8.3	—	21.6	—
Sales	(24.5)	—	(115.7)	—
Issuances	—	(408.1)	3.8	(813.1)
Settlements	—	410.9	—	768.2
Deconsolidation of CIP	—	—	(18.4)	—
Gains and losses included in the Condensed Consolidated Statements of Income*	14.7	43.7	19.2	(54.8)
Transfers to Level 2**	—	—	(6.1)	—
Foreign exchange	—	(5.3)	(0.5)	(4.0)
Ending balance	506.8	(4,003.1)	506.8	(4,003.1)

Included in gains/(losses) of CIP, net in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 are \$26.4 million in net unrealized losses and \$55.8 million in net unrealized *gains attributable to investments still held at September 30, 2014 by CIP (three and nine months ended September 30, 2013: \$ 6.0 million in net unrealized gains and \$8.0 million net unrealized losses attributable to investments still held at September 30, 2013).

During the nine months ended September 30, 2013, \$6.1 million of equity securities held by consolidated private ** equity funds were transferred from Level 3 to Level 2 due to the public offering of securities in the underlying companies with legal lock-up restrictions in place. For transfers to public offerings, the company's policy is to use the fair value of the transferred security on the offering date.

Unforeseen events might occur that would subsequently change the fair values of the investments and debt of CIP, but such changes would be inconsequential to the company due to its minimal investments in these products. Any gains or losses resulting from valuation changes in the investments and debt of CIP are substantially offset by resulting changes in gains and losses attributable to noncontrolling interests in consolidated entities and therefore do not have a material effect on the financial condition, operating results (including earnings per share), liquidity or capital

resources of the company's common shareholders.

Fair value of consolidated CLOs

The company elected the fair value option for collateral assets held and notes issued by its consolidated CLOs to eliminate the measurement and recognition inconsistency that would otherwise arise from measuring assets and liabilities and recognizing the related gains and losses on different accounting bases.

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The collateral assets held by consolidated CLOs are primarily invested in senior secured bank loans, bonds, and equity securities. Bank loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans from a variety of industries, including but not limited to the aerospace and defense, broadcasting, technology, utilities, household products, healthcare, oil and gas, and finance industries. Bank loan investments mature at various dates between 2015 and 2022, pay interest at Libor plus a spread of up to 15.0%, and typically range in S&P credit rating categories from BBB down to unrated. Interest income on bank loans and bonds is recognized based on the unpaid principal balance and stated interest rate of these investments on an accrual basis. At September 30, 2014, the unpaid principal balance exceeds the fair value of the senior secured bank loans and bonds by approximately \$15.0 million (December 31, 2013: the unpaid principal balance exceeded the fair value of the senior secured bank loans and bonds by approximately \$6.3 million). Approximately 0.1% of the collateral assets are in default as of September 30, 2014 (December 31, 2013: 0.8% of the collateral assets were in default). CLO investments are valued based on price quotations provided by third party pricing sources. These third party sources aggregate indicative price quotations daily to provide the company with a price for the CLO investments. The company has developed internal controls to review the reasonableness and completeness of these price quotations on a daily basis. If necessary, price quotations are challenged through the third-party pricing source price challenge process. For the nine months ended September 30, 2014 and the year ended December 31, 2013, there were no price quotation challenges by the company.

In addition, the company's internal valuation committee conducts an annual due diligence review of all independent third-party pricing sources to review the provider's valuation methodology as well as ensure internal controls exist over the valuation of the CLO investments. In the event that the third-party pricing source is unable to price an investment, other relevant factors, data and information are considered, including: i) information relating to the market for the investment, including price quotations for and trading in the investment and interests in similar investments, the market environment, and investor attitudes towards the investment and interests in similar investments; ii) the characteristics of and fundamental analytical data relating to the investment, including, for senior secured corporate loans, the cost, size, current interest rate, period until next interest rate reset, maturity and base lending rate, the terms and conditions of the senior secured corporate loan and any related agreements, and the position of the senior secured corporate loan in the borrower's debt structure; iii) the nature, adequacy and value of the senior secured corporate loan's collateral, including the CLO's rights, remedies and interests with respect to the collateral; iv) for senior secured corporate loans, the creditworthiness of the borrower, based on an evaluation of its financial condition, financial statements and information about the business, cash flows, capital structure and future prospects; v) the reputation and financial condition of the agent and any intermediate participants in the senior secured corporate loan; and vi) general economic and market conditions affecting the fair value of the senior secured corporate loan.

Notes issued by consolidated CLOs mature at various dates between 2020 and 2026 and have a weighted average maturity of 9.6 years. The notes are issued in various tranches with different risk profiles. The interest rates are generally variable rates based on Libor plus a pre-defined spread, which varies from 0.21% for the more senior tranches to 6.10% for the more subordinated tranches. At September 30, 2014, the outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately \$0.2 billion (December 31, 2013: \$0.2 billion excess). The investors in this debt are not affiliated with the company and have no recourse to the general credit of the company for this debt. Notes issued by CLOs are recorded at fair value using an income approach, driven by cash flows expected to be received from the portfolio collateral assets. Fair value is determined using current information, notably market yields and projected cash flows of collateral assets based on forecasted default and recovery rates that a market participant would use in determining the current fair value of the notes, taking into account the overall credit quality of the issuers and the company's past experience in managing similar securities. Market yields, default rates and recovery rates used in the company's estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising market yields, default rates and lower debt recovery rates, the fair value, and therefore the carrying value, of the notes may be adversely affected. The current liquidity constraints within

the market for CLO products require the use of certain unobservable inputs for CLO valuation. Once the undiscounted cash flows of the collateral assets have been determined, the company applies appropriate discount rates that a market participant would use to determine the discounted cash flow valuation of the notes.

Fair value of consolidated private equity funds

Consolidated private equity funds are generally structured as partnerships. Generally, the investment strategy of underlying holdings in these partnerships is to seek capital appreciation through direct investments in public or private companies with compelling business models or ideas or through investments in partnership investments that also invest in similar private or public companies. Various strategies may be used. Companies targeted could be distressed organizations, targets of leveraged buyouts or fledgling companies in need of venture capital. Investors generally may not redeem their investment until the partnership liquidates. Generally, the partnerships have a life that ranges from seven to twelve years unless dissolved earlier. The general partner may extend the partnership term up to a specified period of time as stated in the Partnership Agreement. Some partnerships allow the limited partners to cause an earlier termination upon the occurrence of certain events as specified in the Partnership Agreement.

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For private equity partnerships, fair value is determined by reviewing each investment for the sale of additional securities of an issuer to sophisticated investors or for investee financial conditions and fundamentals. Publicly traded portfolio investments are carried at market value as determined by their most recent quoted sale, or if there is no recent sale, at their most recent bid price. For these investments held by CIP, level 1 classification indicates that fair values have been determined using unadjusted quoted prices in active markets for identical assets that the partnership has the ability to access. Level 2 classification may indicate that fair values have been determined using quoted prices in active markets but give effect to certain lock-up restrictions surrounding the holding period of the underlying investments.

The fair value of level 3 investments held are derived from inputs that are unobservable and which reflect the limited partnerships' own determinations about the assumptions that market participants would use in pricing the investments, including assumptions about risk. These inputs are developed based on the partnership's own data, which is adjusted if information indicates that market participants would use different assumptions. The partnerships which invest directly into private equity portfolio companies (direct private equity funds) take into account various market conditions, subsequent rounds of financing, liquidity, financial condition, purchase multiples paid in other comparable third-party transactions, the price of securities of other companies comparable to the portfolio company, and operating results and other financial data of the portfolio company, as applicable.

The partnerships which invest into other private equity funds take into account information received from those underlying funds, including their reported net asset values and evidence as to their fair value approach, including consistency of their fair value application. These investments do not trade in active markets and represent illiquid long-term investments that generally require future capital commitments. The partnerships' reported share of the underlying net asset values of the underlying funds is used as a practical expedient, as allowed by ASC Topic 820, in arriving at fair value.

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Quantitative Information about Level 3 Fair Value Measurements

The following tables show significant unobservable inputs used in the fair value measurement of level 3 assets and liabilities at September 30, 2014 and December 31, 2013:

Assets and Liabilities *	Fair Value at September 30, 2014 (\$ in millions)	Valuation Technique	Unobservable Inputs	Range	Weighted Average (by fair value)
Private Equity Funds --Equity Securities	38.6	Market Comparable	Revenue Multiple Discount	1 - 5x 25% - 36%	3.0x 30.9%
CLO Debt	(4,710.3)	Discounted Cash Flow- USD	Assumed Default Rate*** Spread over Libor **	0.8% - 2% 93 - 754bps	<1yr: 0.8% >1yr: 2.0% 206 bps
Assets and Liabilities *	Fair Value at December 31, 2013 (\$ in millions)	Valuation Technique	Unobservable Inputs	Range	Weighted Average (by fair value)
Private Equity Funds --Equity Securities	58.7	Market Comparable	Revenue Multiple Discount	1 - 5x n/a	3.0x 24.0%
CLO Debt	(4,181.7)	Discounted Cash Flow- USD	Assumed Default Rate*** Spread over Libor **	1% - 2% 123 - 864bps	<1yr: 1.4% >1yr: 2.0% 208 bps

Excluded from the table above are certain equity securities held by consolidated private equity funds valued using recent private market transactions (September 30, 2014: \$54.3 million; December 31, 2013: \$5.8 million) and third party appraisals (September 30, 2014: \$5.8 million; December 31, 2013: none). At September 30, 2014, certain * tranches of the consolidated CLOs are valued using third party pricing information. Quantitative unobservable inputs for such valuations were not developed or adjusted by the company. Investments in equity securities and other private equity funds as of September 30, 2014 of \$603.9 million (as of December 31, 2013: \$442.2 million) are also excluded from the table above as they are valued using the NAV practical expedient. The NAVs that have been provided are derived from the fair values of the underlying investments as of the consolidation date.

** Lower spreads relate to the more senior tranches in the CLO note structure; higher spreads relate to the less senior tranches.

*** Assumed default rates listed in the table above apply to CLOs established prior to 2012. A default rate of 1.4% was assumed for CLOs established after January 1, 2012.

The table below summarizes as of September 30, 2014 and December 31, 2013, the nature of investments that are valued using the NAV as a practical expedient and any related liquidation restrictions or other factors which may impact the ultimate value realized:

in millions, except term data	September 30, 2014			December 31, 2013		
	Fair Value	Total Unfunded Commitments	Weighted Average Remaining Term ⁽²⁾	Fair Value	Total Unfunded Commitments	Weighted Average Remaining Term ⁽²⁾

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Private equity fund of funds (1)	\$425.2	\$191.2	2.4 years	\$426.3	\$71.6	2.6 years
Private equity funds (1)	\$178.7	\$707.8	9.0 years	\$15.9	\$80.6	8.5 years

(1) These investments are not subject to redemption; however, for certain funds, the investors may sell or transfer their interest, which may require approval by the general partner of the underlying funds.

(2) These investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over the weighted average periods indicated.

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The following narrative will indicate the sensitivity of inputs illustrating the impact of significant increases to the inputs. An opposite impact would result for significant decreases in these inputs:

For investments held by consolidated private equity funds, significant increases in discounts in isolation would result in significantly lower fair value measurements, while significant increases in revenue multiple assumptions in isolation would result in significantly higher fair value measurements. An increase in discount assumptions would result in a directionally opposite change in the assumptions for revenue multiple resulting in lower fair value measurements.

For CLO notes, a change in the assumption used for spreads is generally accompanied by a directionally similar change in default rate. Significant increases in any of these inputs in isolation would result in significantly lower fair value measurements.

14. RELATED PARTIES

Certain managed funds are deemed to be affiliated entities under the related party definition in ASC 850, "Related Party Disclosures." Additionally, related parties include those defined in the company's proxy statement.

\$ in millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Affiliated operating revenues:				
Investment management fees	935.7	811.3	2,714.6	2,343.1
Service and distribution fees	218.8	216.7	665.5	630.0
Performance fees	5.4	3.6	33.5	37.6
Other	29.9	26.1	91.3	78.9
Total affiliated operating revenues	1,189.8	1,057.7	3,504.9	3,089.6
\$ in millions			September 30,	December 31,
			2014	2013
Affiliated asset balances:				
Cash and cash equivalents			582.4	447.8
Unsettled fund receivables			337.4	315.5
Accounts receivable			312.1	298.5
Investments			848.8	789.8
Assets held for policyholders			1,508.8	1,415.7
Other assets			2.5	5.4
Total affiliated asset balances			3,592.0	3,272.7
Affiliated liability balances:				
Accrued compensation and benefits			124.3	151.6
Accounts payable and accrued expenses			18.0	19.5
Unsettled fund payables			399.6	389.9
Total affiliated liability balances			541.9	561.0

15. DISCONTINUED OPERATIONS

On December 31, 2013, the company completed the sale of Atlantic Trust Private Wealth Management business ("Atlantic Trust") to the Canadian Imperial Bank of Commerce ("CIBC") for a base purchase price of \$210 million less certain working capital and cash funding requirements. The results of Atlantic Trust, together with expenses and the gain associated with the sale, are reflected as discontinued operations in the Condensed Consolidated Statements of Income and are therefore excluded from the continuing operations of Invesco. Comparative periods shown in the Condensed Consolidated Statements of Income have been adjusted to conform with this presentation.

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The components of income from discontinued operations, net of tax, were as follows for the three and nine months ended September 30, 2014 and 2013, respectively.

\$ in millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Income (loss) from discontinued operations before income taxes	(1.0	) (2.2	) (3.8	) (3.0
Income tax (provision) benefit	0.4	0.8	1.4	1.1
Income (loss) from discontinued operations, net of taxes	(0.6	) (1.4	) (2.4	) (1.9

16. SUBSEQUENT EVENTS

On October 30, 2014, the company declared a second quarter 2014 dividend of 25.0 cents per share, payable on December 5, 2014, to shareholders of record at the close of business on November 18, 2014 with an ex-dividend date of November 14, 2014.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes thereto, which appear elsewhere in this Report. Except for the historical financial information, this Report may include statements that constitute "forward-looking statements" under the United States securities laws. Forward-looking statements include information concerning future results of our operations, expenses, earnings, liquidity, cash flow and capital expenditures, industry or market conditions, assets under management, acquisitions and divestitures, debt and our ability to obtain additional financing or make payments, regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," "forecasts," and future or conditional verbs such as "will," "could," "should," and "would" as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in this Report and our most recent Form 10-K filed with the Securities and Exchange Commission ("SEC").

You may obtain these reports from the SEC's website at www.sec.gov. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

References

In this Report, unless otherwise specified, the terms "we," "our," "us," "company," "Invesco," and "Invesco Ltd." refer to Invesco Ltd., a company incorporated in Bermuda, and its subsidiaries.

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 Condensed Consolidated Financial Statements of Invesco Ltd. and its subsidiaries (collectively, the "company" or "Invesco") and the notes thereto contained elsewhere in this Report. During the three months ended September 30, 2014, returns from global equity markets were mixed as volatility returned to global financial markets. The U.S. and Japanese equity markets increased during the quarter as evidenced by gains in the S&P 500 index, which was up 0.6%, and the Nikkei 225 index up 6.7%. The U.K. markets and wider emerging markets experienced declines of 1.8% and 4.3%, respectively. After hitting all-time highs intra-quarter, the combination of geopolitical worries and softer economic data in certain developed markets resulted in global equity markets selling off in the last month of the quarter. The sell-off in risk assets in September supported bonds as investors sought U.S. Treasuries for their relative safety and value, pushing the Barclays U.S. Aggregate Bond Index up 0.2% for the period.

The table below summarizes returns based on price appreciation/(depreciation) of several major market indices in local currencies for the three- and nine-month periods ended September 30, 2014 and 2013:

	Three months ended		Nine months ended September		
	September 30,		30,		
Equity Index	2014	2013	2014	2013	
S&P 500	0.6	% 4.7	% 6.7	% 17.9	%
FTSE 100	(1.8)% 4.0	% (1.9)% 9.6	%
Nikkei 225	6.7	% 5.7	% (0.7)% 39.1	%
MSCI Emerging Markets	(4.3)% 5.0	% 0.3	% (6.4)%
Bond Index					

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Barclays U.S. Aggregate Bond 0.2 % 0.6 % 4.1 % (1.9)%

A significant portion of our business and assets under management (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, Yen and Euro, will impact our reported revenues and expenses from period to period. 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

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outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

Invesco benefits from the long-term efforts to ensure a diversified base of AUM. 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 mitigates the impact on Invesco of different market cycles and enables the company to take advantage of growth opportunities in various markets and channels.

During the third quarter of 2014, Standard & Poor's Ratings Services upgraded the company's senior unsecured debt rating to A/Stable from A-/Positive. On October 14, 2014, Moody's Investors Service upgraded their rating of the company's debt to A2/Stable from A3/Stable. The upgrade reflected Moody's view that Invesco has broken into the top tier of scale-enabled asset managers. The Moody's announcement commented that the company's growing market presence, broad investment capabilities, multi-faceted distribution channels, and financial flexibility all support this conclusion.

On July 23, 2014, the SEC voted to approve new rules to require institutional prime money market funds and institutional municipal money market funds to maintain a floating net asset value (FNAV) for sales and redemptions based on the current market value of the securities in their portfolio. The requirement will result in the daily share price of these money market funds fluctuating along with changes in the market-based value of the funds' investments. Our initial evaluation of these new rules suggests that they will apply to approximately \$30 billion of our AUM. The changes will need to be implemented by October 2016.

Retaining highly skilled technical and management personnel is important to our ability to attract and retain clients and retail shareholder accounts. Our policy has been to provide our investment management professionals with a supportive professional working environment and compensation and benefits that we believe are competitive with other leading investment management firms. However, we may not be successful in retaining our key personnel, and the loss of key individuals or significant investment management personnel can reduce the attractiveness of our products to potential and current clients. On April 29, 2014, the former head of U.K. Equities, Neil Woodford, left the company. The company executed its succession planning strategy, and effective March 6, 2014, Mark Barnett became the named lead manager for the Invesco Perpetual High Income Fund and the Invesco Perpetual Income Fund, previously managed by Mr. Woodford.

Between the announcement of Mr. Woodford's departure on October 15, 2013 and April 29, 2014, U.K. equity income AUM experienced net outflows of \$15.5 billion. U.K. equity income AUM net outflows reduced to \$1.9 billion during the third quarter of 2014, a significant improvement when compared to the first half of the year.

Invesco introduced a single Fund Management Fee (FMF) during the second quarter of 2014 for U.K. retail funds, replacing the separate annual management fee and registration fee. This simplified fee structure is a proactive response to the regulatory promotion of providing clients with a clear disclosure of product charges. Invesco's U.K. business has taken the lead in the industry in moving to this single FMF. The U.K. business' move to the single FMF and the change to distribution fees are not expected to have a significant impact on net revenues as investors move into these offerings. In the U.S., the SEC has previously proposed and may repropose significant changes to Rule 12b-1. Other countries have announced similar distribution fee reviews.

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.

Investment products that are consolidated are referred to in this Report as either Consolidated Sponsored Investment Products (CSIP), which generally includes consolidated sponsored investment products in which Invesco holds the

majority of the voting rights or partnerships in which the company has substantive equity at risk but in which the other investors lack removal or liquidation rights, or Consolidated Investment Products (CIP), which includes consolidated nominally-held investment products. This distinction is important, as it differentiates the company's economic risk associated with each type of consolidated managed fund. The company's economic risk with respect to each investment in a CSIP and a CIP is limited to its equity ownership and any uncollected management and performance fees. Gains and losses arising from nominally-held CIP do not have a significant impact on the company's results of operations, liquidity, or capital resources. Gains and losses arising from majority-held CSIP could have a significant impact on the company's results of operations, as the company has greater economic risk associated with its investment. See Part I, Item 1, Financial Statements, - Note 1 "Accounting Policies," Note 12,

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"Consolidated Sponsored Investment Products," and Note 13, "Consolidated Investment Products," for additional information regarding the impact of the consolidation of managed funds.

The majority of the company's CIP 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. Likewise, 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 CIP is so significant to the presentation of the company's Condensed Consolidated 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 (U.S. GAAP) with the company's non-GAAP presentation. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains four distinct sections, which follow after the Assets Under Management discussion:

• Results of Operations (three and nine months ended September 30, 2014 compared to three and nine months ended September 30, 2013);

• Schedule of Non-GAAP Information;

• Balance Sheet Discussion; and

• Liquidity and Capital Resources.

Each of the Condensed Consolidated Financial Statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of CIP 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 CIP. For example, the impact of CIP on operating revenues for the three and nine months ended September 30, 2014 was a reduction of \$8.6 million and a reduction of \$25.6 million, respectively. This indicates that their consolidation 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 in each of these sections separately provides discussion of the underlying financial statement activity for the company, before consolidation of CIP, as well as of the financial statement activity of CIP. 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 other income and expenses (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.

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Summary Operating Information

Summary operating information is presented in the table below:

\$ in millions, other than per share amounts, operating margins, ratios and AUM	Three months ended		Nine months ended		
	September 30,		September 30,		
U.S. GAAP Financial Measures Summary ⁽¹⁾	2014	2013	2014	2013	
Operating revenues	1,311.0	1,171.8	3,870.4	3,419.5	
Operating income	329.6	286.0	928.7	826.9	
Operating margin	25.1	% 24.4	% 24.0	% 24.2	%
Net income attributable to common shareholders	256.0	228.1	718.3	652.9	
Diluted EPS	0.59	0.51	1.65	1.45	
Debt/equity ratio including CIP (%)	68.9	% 59.1	% 68.9	% 59.1	%
Non-GAAP Financial Measures Summary					
Net revenues ⁽²⁾	913.7	816.4	2,702.5	2,394.7	
Adjusted operating income ⁽³⁾	381.9	328.1	1,121.9	944.9	
Adjusted operating margin ⁽³⁾	41.8	% 40.2	% 41.5	% 39.5	%
Adjusted net income attributable to common shareholders ⁽⁴⁾	278.2	246.0	822.2	695.2	
Adjusted diluted EPS ⁽⁴⁾	0.64	0.55	1.88	1.55	
Debt/equity ratio excluding CIP (%) ⁽⁵⁾	18.9	% 16.5	% 18.9	% 16.5	%
Assets Under Management ⁽¹⁾					
Ending AUM (billions)	789.6	745.5	789.6	745.5	
Average AUM (billions)	801.7	729.4	790.5	713.6	

(1) On December 31, 2013, the company completed the sale of Atlantic Trust. The company has adopted a discontinued operations presentation for the disposed business. Amounts presented represent continuing operations and exclude Atlantic Trust, with the exception of net income attributable to common shareholders and diluted earnings per share.

(2) Net revenues is a non-GAAP financial measure. Net revenues are operating revenues plus our proportional share of the net revenues of our joint venture investments, less third-party distribution, service and advisory expenses, plus management and performance fees earned from CIP, less other revenue recorded by CIP, plus other reconciling items. See "Schedule of Non-GAAP Information," for the reconciliation of operating revenues to net revenues. Adjusted operating income and adjusted operating margin are non-GAAP financial measures. Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the net operating income of our joint venture investments, the operating

(3) income impact of the consolidation of investment products, acquisition/disposition-related adjustments, compensation expense related to market valuation changes in deferred compensation plans, and other reconciling items. See "Schedule of Non-GAAP Information," for the reconciliation of operating income to adjusted operating income.

(4) Adjusted net income attributable to common shareholders and adjusted diluted EPS are non-GAAP financial measures. Adjusted net income attributable to common shareholders is net income attributable to common shareholders adjusted to exclude the net income of CIP, add back acquisition/disposition related adjustments, the net income impact of deferred compensation plans and other reconciling items. Adjustments made to net income attributable to common shareholders are tax-effected in arriving at adjusted net income attributable to common shareholders. By calculation, adjusted diluted EPS is adjusted net income attributable to common shareholders divided by the weighted average number of shares outstanding (for diluted EPS). See "Schedule of Non-GAAP

Information," for the reconciliation of net income attributable to common shareholders to adjusted net income attributable to common shareholders.

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

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Investment Capabilities Performance Overview

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. The table below presents the one-, three- and five-year performance of our actively managed investment products measured by the percentage of AUM ahead of benchmark and AUM in the top half of peer group.⁽¹⁾

	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	48	%45	%49	% 54	%34	%40	%
U.S. Growth	82	%32	%28	% 96	%32	%74	%
U.S. Value	55	%57	%54	% 79	%79	%55	%
Sector Funds	98	%80	%68	% 37	%13	%13	%
U.K.	100	%100	%100	% 90	%98	%98	%
Canadian	32	%100	%100	% 14	%100	%100	%
Asian	70	%87	%85	% 43	%72	%65	%
European	96	%98	%100	% 85	%89	%99	%
Global	39	%64	%91	% 62	%88	%91	%
Global Ex U.S. and Emerging Markets	83	%96	%99	% 83	%96	%99	%
Fixed Income							
Money Market	65	%66	%34	% 96	%96	%97	%
U.S. Fixed Income	89	%82	%90	% 76	%78	%95	%
Global Fixed Income	63	%91	%98	% 51	%82	%48	%
Stable Value	100	%100	%100	% 100	%100	%100	%
Other							
Alternatives	41	%41	%49	% 66	%64	%67	%
Balanced	47	%54	%72	% 65	%92	%96	%

AUM measured in the one-, three-, and five-year peer group rankings represents 61%, 60%, and 60% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 72%, 70%, and 69% of total Invesco AUM, respectively, as of September 30, 2014. 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, Value Research) and are 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 Global Investment Performance Standard (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 CDOs. 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.

As of September 30, 2014, 76%, 81% and 81% of ranked actively managed assets performed in the top half of peer groups on a one-year, three-year and five-year basis respectively. The U.K., Canadian, Asian, European and Global Ex U.S. and Emerging Markets equities have had strong relative performance, with 85% or more of assets beating

their benchmark over three- and five-year periods. Additionally, the U.K., Canadian, European and Global Ex U.S. and Emerging Markets reflect strong performance with 98% or more of assets beating 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 benchmark and in the top half on a one-, three- and five-year basis.

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Assets Under Management movements for the three months ended September 30, 2014 compared with the three months ended September 30, 2013

The following presentation and discussion of AUM includes Passive and Active AUM. Passive AUM include ETFs, UITs, leveraged fund balances upon which we do not earn a fee, and other passive mandates. Active AUM are total AUM less Passive AUM.

The AUM tables and the discussion below refer to AUM as long-term and short-term. Short-term AUM include institutional money market and Invesco PowerShares QQQ AUM. Long-term AUM are total AUM less short-term AUM.

Changes in AUM were as follows:

\$ in billions	For the three months ended September 30,					
	2014			2013		
	Total AUM	Active	Passive	Total AUM	Active	Passive
June 30	802.4	656.6	145.8	705.6	581.9	123.7
Long-term inflows	44.4	36.2	8.2	41.8	33.1	8.7
Long-term outflows	(38.4)	(30.2)	(8.2)	(36.8)	(28.3)	(8.5)
Long-term net flows	6.0	6.0	—	5.0	4.8	0.2
Net flows in Invesco Powershares QQQ fund	(3.2)	—	(3.2)	0.8	—	0.8
Net flows in institutional money market funds	(0.8)	(0.8)	—	3.3	3.3	—
Total net flows	2.0	5.2	(3.2)	9.1	8.1	1.0
Market gains and losses/reinvestment	(5.1)	(4.8)	(0.3)	22.4	17.5	4.9
Foreign currency translation	(9.7)	(9.5)	(0.2)	8.4	8.4	—
September 30	789.6	647.5	142.1	745.5	615.9	129.6
Average AUM						
Average long-term AUM	683.4	582.5	100.9	616.2	526.6	89.6
Average short-term AUM	118.3	72.5	45.8	113.2	76.1	37.1
Average AUM	801.7	655.0	146.7	729.4	602.7	126.7
Revenue yield						
Gross revenue yield on AUM ⁽¹⁾	65.8	77.8	13.0	64.6	75.8	11.8
Gross revenue yield on AUM before performance fees ⁽¹⁾	65.4	77.3	13.0	64.3	75.4	11.8
Net revenue yield on AUM ⁽²⁾	45.6	52.9	13.0	44.8	51.7	11.8
Net revenue yield on AUM before performance fees ⁽²⁾	45.1	52.3	13.0	44.3	51.1	11.8

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 the three months ended September 30, 2014 for our JVs in China was \$5.1 billion (three months ended September 30, 2013: \$4.0 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 net income of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income. Additionally, the numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from CIP; 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.

⁽¹⁾ Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See “Schedule of ⁽²⁾ Non-GAAP Information” for a reconciliation of operating revenues to net revenues.

Flows

AUM at September 30, 2014 were \$789.6 billion (September 30, 2013: \$745.5 billion). During the three months ended September 30, 2014, we experienced long-term net inflows of \$6.0 billion. We also experienced net outflows in Invesco PowerShares QQQ fund of \$3.2 billion, along with net outflows in institutional money market funds of \$0.8 billion during the three months ended September 30, 2014. Net inflows during the three months ended September 30, 2014 of \$6.0 billion were all in active AUM. Net inflows were split between our retail distribution channel of \$4.8 billion and our institutional channel of

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\$1.2 billion. On a client domicile basis, long-term net inflows of \$4.3 billion and \$2.3 billion were experienced in Continental Europe and Asia respectively, during the three months ended September 30, 2014.

During the three months ended September 30, 2013, we experienced total net inflows of \$9.1 billion and long-term net inflows of \$5.0 billion. Invesco PowerShares QQQ fund and institutional money market funds also reflected net inflows of \$0.8 billion and \$3.3 billion, respectively, during the three months ended September 30, 2013. Long-term net inflows during the three months ended September 30, 2013 were primarily active AUM, with inflows of \$4.8 billion, while passive AUM had \$0.2 billion inflows. Long-term net flows in the three months ended September 30, 2013 were driven by net inflows of \$6.5 billion into our retail distribution channel, offset by net outflows from our institutional channel of \$1.5 billion. We experienced net long-term inflows in our equity, alternatives and balanced asset classes, partially offset by net outflows in our fixed income and money market AUM.

Average AUM during the three months ended September 30, 2014 were \$801.7 billion, compared to \$729.4 billion for the three months ended September 30, 2013.

Market Returns

During the three months ended September 30, 2014, negative market movement decreased AUM by \$5.1 billion, with the losses spread across the alternatives asset class of \$2.1 billion, balanced asset class of \$1.4 billion, equity asset class of \$1.2 billion and fixed income asset class of \$0.5 billion. During the three months ended September 30, 2013, market gains increased AUM by \$22.4 billion and included increases in the market value of our equity assets of \$20.7 billion, balanced fund assets of \$2.3 billion and money market assets of \$0.2 billion. These market valuation gains were partly offset by a decrease of \$0.7 billion in the value of our fixed income asset class, with the alternative asset classes also experiencing market losses of \$0.1 billion.

Foreign Exchange Rates

The table below illustrates the spot foreign exchange rates used for translation of non-U.S. Dollar denominated AUM into U.S. Dollars:

Foreign Exchange Rates	September 30, 2014	June 30, 2014	September 30, 2013	June 30, 2013
Pound Sterling (\$ per £)	1.622	1.710	1.619	1.518
Canadian Dollar (CAD per \$)	1.118	1.066	1.029	1.054
Japan (¥ per \$)	109.680	101.310	98.120	99.320
Euro (\$ per Euro)	1.262	1.369	1.353	1.300

During the three months ended September 30, 2014, we experienced decreases in AUM of \$9.7 billion due to changes in foreign exchange rates. Changes in foreign exchange rates in the three months ended September 30, 2014 were driven primarily by the weakening 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 Canadian Dollar, Japanese Yen and Euro also weakened relative to the U.S. Dollar, which was reflected in the translation of our Canadian Dollar-based, Japanese Yen-based and Euro-based AUM into U.S. Dollars, respectively.

The impact of the change in foreign exchange rates in the three months ended September 30, 2013 was driven primarily by the strengthening of the Pound Sterling relative to the U.S. Dollar, which was reflected in the translation of our Sterling-based AUM into U.S. Dollars.

Revenue Yield

Net revenue yield on AUM increased 0.8 basis points to 45.6 basis points in the three months ended September 30, 2014 when compared to the three months ended September 30, 2013 yield of 44.8 basis points. Excluding performance fees, the net revenue yield increased 0.8 basis points to 45.1 basis points in the three months ended September 30, 2014 (three months ended September 30, 2013: 44.3 basis points).

Changes in our AUM mix significantly impact our net revenue yield. For example, on an asset class basis, our equity and balanced AUM generally earn a higher net revenue rate than money market and fixed income AUM. The combination of average equity and average balanced AUM increased to 55.8% in the three months ended

September 30, 2014 from 54.0% of total average AUM in the three months ended September 30, 2013. This resulted in a lower proportion of average assets in money market and fixed income AUM in the three months ended September 30, 2014 when compared to the three months ended September 30, 2013. This change in asset class mix correlates with the increase in net revenue yield on AUM before

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performance fees in the three months ended September 30, 2014 when compared to the three months ended September 30, 2013.

Changes in the geographic mix of our AUM have also factored into the improved revenue yield. Sales have been strong in our Continental European business during recent quarters. As of September 30, 2014, the AUM attributable to clients domiciled in Continental Europe accounts for 9.0% of total AUM compared to 6.9% as of September 30, 2013. On average, the AUM in Continental Europe earn a higher fee rate than the company's average fee rate for existing total AUM.

The tables that follow analyze AUM into active and passive style. Passive AUM generally earn a lower effective fee rate than active asset classes. At September 30, 2014, passive AUM were \$142.1 billion, representing 18.0% of total AUM at that date; whereas at September 30, 2013, passive AUM were \$129.6 billion, representing 17.4% of our total AUM at that date. In the three months ended September 30, 2014, the net revenue yield on passive AUM was 13.0 basis points compared to 11.8 basis points in the three months ended September 30, 2013, an increase of 1.2 basis points, due to changes in mix of passive AUM.

The increase in passive AUM includes the movements in the Powershares QQQ Nasdaq-100 index tracking fund. The Powershares QQQ fund AUM increased to \$42.9 billion at September 30, 2014 compared to \$38.5 billion at September 30, 2013. 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-over-year yield changes.

Gross revenue yield on AUM increased 1.2 basis points to 65.8 basis points in the three months ended September 30, 2014 from the three months ended September 30, 2013 level of 64.6 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 for the reasons outlined in footnote 1 to the Changes in AUM table above. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in our AUM by channel, asset class, and client domicile, and average AUM by asset class, are presented below:

Total AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional
June 30, 2014 AUM	802.4	544.8	257.6
Long-term inflows	44.4	34.8	9.6
Long-term outflows	(38.4)	(30.0)	(8.4)
Long-term net flows	6.0	4.8	1.2
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—
Net flows in institutional money market funds	(0.8)	—	(0.8)
Total net flows	2.0	1.6	0.4
Market gains and losses/reinvestment	(5.1)	(7.0)	1.9
Foreign currency translation	(9.7)	(7.2)	(2.5)
September 30, 2014 AUM	789.6	532.2	257.4
June 30, 2013 AUM	705.6	457.7	247.9
Long-term inflows	41.8	35.5	6.3
Long-term outflows	(36.8)	(29.0)	(7.8)
Long-term net flows	5.0	6.5	(1.5)
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—
Net flows in institutional money market funds	3.3	—	3.3
Total net flows	9.1	7.3	1.8
Market gains and losses/reinvestment	22.4	19.6	2.8

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Foreign currency translation	8.4	7.4	1.0
September 30, 2013 AUM	745.5	492.0	253.5

See accompanying notes immediately following these AUM tables.

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Table of ContentsPassive AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional
June 30, 2014 AUM	145.8	123.9	21.9
Long-term inflows	8.2	6.5	1.7
Long-term outflows	(8.2)	(5.7)	(2.5)
Long-term net flows	—	0.8	(0.8)
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—
Net flows in institutional money market funds	—	—	—
Total net flows	(3.2)	(2.4)	(0.8)
Market gains and losses/reinvestment	(0.3)	(0.4)	0.1
Foreign currency translation	(0.2)	—	(0.2)
September 30, 2014 AUM	142.1	121.1	21.0
June 30, 2013 AUM	123.7	100.0	23.7
Long-term inflows	8.7	8.7	—
Long-term outflows	(8.5)	(6.0)	(2.5)
Long-term net flows	0.2	2.7	(2.5)
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—
Net flows in institutional money market funds	—	—	—
Total net flows	1.0	3.5	(2.5)
Market gains and losses/reinvestment	4.9	4.8	0.1
Foreign currency translation	—	—	—
September 30, 2013 AUM	129.6	108.3	21.3

See accompanying notes immediately following these AUM tables.

Table of ContentsTotal AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
June 30, 2014 AUM	802.4	394.2	181.9	52.6	77.1	96.6
Long-term inflows	44.4	22.1	8.3	4.6	1.1	8.3
Long-term outflows	(38.4)	(19.8)	(9.0)	(3.0)	(0.9)	(5.7)
Long-term net flows	6.0	2.3	(0.7)	1.6	0.2	2.6
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—	—	—	—
Net flows in institutional money market funds	(0.8)	—	—	—	(0.8)	—
Total net flows	2.0	(0.9)	(0.7)	1.6	(0.6)	2.6
Market gains and losses/reinvestment	(5.1)	(1.2)	(0.5)	(1.4)	0.1	(2.1)
Foreign currency translation	(9.7)	(5.8)	(1.5)	(1.3)	—	(1.1)
September 30, 2014 AUM	789.6	386.3	179.2	51.5	76.6	⁽⁴⁾ 96.0
Average AUM	801.7	395.1	180.1	52.3	77.0	97.2
% of total average AUM	100.0 %	49.3 %	22.5 %	6.5 %	9.6 %	12.1 %
June 30, 2013 AUM	705.6	321.4	173.1	49.7	77.8	83.6
Long-term inflows	41.8	22.8	8.4	3.7	1.0	5.9
Long-term outflows	(36.8)	(18.2)	(9.5)	(3.5)	(1.1)	(4.5)
Long-term net flows	5.0	4.6	(1.1)	0.2	(0.1)	1.4
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—	—	—	—
Net flows in institutional money market funds	3.3	—	—	—	3.3	—
Total net flows	9.1	5.4	(1.1)	0.2	3.2	1.4
Market gains and losses/reinvestment	22.4	20.7	(0.7)	2.3	0.2	(0.1)
Foreign currency translation	8.4	5.7	1.1	1.3	(0.1)	0.4
September 30, 2013 AUM	745.5	353.2	172.4	53.5	81.1	85.3
Average AUM	729.4	341.0	171.6	52.2	80.4	84.2
% of total average AUM	100.0 %	46.8 %	23.5 %	7.2 %	11.0 %	11.5 %

See accompanying notes immediately following these AUM tables.

Table of ContentsPassive AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
June 30, 2014 AUM	145.8	89.0	42.0	—	—	14.8
Long-term inflows	8.2	4.9	2.4	—	—	0.9
Long-term outflows	(8.2)	(3.5)	(3.5)	—	—	(1.2)
Long-term net flows	—	1.4	(1.1)	—	—	(0.3)
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	(3.2)	(1.8)	(1.1)	—	—	(0.3)
Market gains and losses/reinvestment	(0.3)	0.8	(0.1)	—	—	(1.0)
Foreign currency translation	(0.2)	—	—	—	—	(0.2)
September 30, 2014 AUM	142.1	88.0	40.8	—	—	13.3
Average AUM	146.7	91.3	41.1	—	—	14.3
% of total average AUM	100.0	% 62.2	% 28.0	% —	% —	% 9.7
June 30, 2013 AUM	123.7	65.7	42.5	—	—	15.5
Long-term inflows	8.7	6.0	1.6	—	—	1.1
Long-term outflows	(8.5)	(3.6)	(3.9)	—	—	(1.0)
Long-term net flows	0.2	2.4	(2.3)	—	—	0.1
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	1.0	3.2	(2.3)	—	—	0.1
Market gains and losses/reinvestment	4.9	5.2	(0.6)	—	—	0.3
Foreign currency translation	—	—	—	—	—	—
September 30, 2013 AUM	129.6	74.1	39.6	—	—	15.9
Average AUM	126.7	71.2	40.2	—	—	15.3
% of total average AUM	100.0	% 56.2	% 31.7	% —	% —	% 12.1

See accompanying notes immediately following these AUM tables.

Table of ContentsTotal AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
June 30, 2014 AUM	802.4	537.5	28.7	107.6	70.4	58.2
Long-term inflows	44.4	23.1	1.0	4.0	9.9	6.4
Long-term outflows	(38.4)	(22.5)	(1.1)	(5.1)	(5.6)	(4.1)
Long-term net flows	6.0	0.6	(0.1)	(1.1)	4.3	2.3
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—	—	—	—
Net flows in institutional money market funds	(0.8)	(0.7)	(0.1)	0.1	(0.1)	—
Total net flows	2.0	(3.3)	(0.2)	(1.0)	4.2	2.3
Market gains and losses/reinvestment	(5.1)	(2.0)	(0.2)	0.1	(2.3)	(0.7)
Foreign currency translation	(9.7)	(0.1)	(1.5)	(5.2)	(1.4)	(1.5)
September 30, 2014 AUM	789.6	532.1	26.8	101.5	70.9	58.3
June 30, 2013 AUM	705.6	481.5	24.8	104.3	46.4	48.6
Long-term inflows	41.8	25.7	0.8	4.0	6.4	4.9
Long-term outflows	(36.8)	(23.7)	(1.0)	(4.3)	(4.2)	(3.6)
Long-term net flows	5.0	2.0	(0.2)	(0.3)	2.2	1.3
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—	—	—	—
Net flows in institutional money market funds	3.3	3.4	0.1	(0.2)	—	—
Total net flows	9.1	6.2	(0.1)	(0.5)	2.2	1.3
Market gains and losses/reinvestment	22.4	14.7	1.1	2.7	2.5	1.4
Foreign currency translation	8.4	0.1	0.6	6.6	0.5	0.6
September 30, 2013 AUM	745.5	502.5	26.4	113.1	51.6	51.9

See accompanying notes immediately following these AUM tables.

Table of ContentsPassive AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
June 30, 2014 AUM	145.8	141.7	0.1	—	1.8	2.2
Long-term inflows	8.2	8.0	0.1	—	—	0.1
Long-term outflows	(8.2)	(8.0)	—	—	(0.1)	(0.1)
Long-term net flows	—	—	0.1	—	(0.1)	—
Net flows in Invesco PowerShares QQQ fund	(3.2)	(3.2)	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	(3.2)	(3.2)	0.1	—	(0.1)	—
Market gains and losses/reinvestment	(0.3)	(0.3)	—	—	—	—
Foreign currency translation	(0.2)	—	—	—	—	(0.2)
September 30, 2014 AUM	142.1	138.2	0.2	—	1.7	2.0
June 30, 2013 AUM	123.7	119.7	0.1	—	1.3	2.6
Long-term inflows	8.7	8.6	—	—	0.1	—
Long-term outflows	(8.5)	(8.4)	—	—	(0.1)	—
Long-term net flows	0.2	0.2	—	—	—	—
Net flows in Invesco PowerShares QQQ fund	0.8	0.8	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	1.0	1.0	—	—	—	—
Market gains and losses/reinvestment	4.9	4.7	—	—	0.1	0.1
Foreign currency translation	—	—	—	—	—	—
September 30, 2013 AUM	129.6	125.4	0.1	—	1.4	2.7

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. This aggregation is viewed as a proxy for presenting AUM in the retail and institutional markets in which the company operates.

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

(3) There have been no significant changes to the managed objectives under the Alternatives asset class, which are disclosed in our most recent Form 10-K for the year ended December 31, 2013.

(4) Ending Money Market AUM includes \$72.4 billion in institutional money market AUM and \$4.2 billion in retail money market AUM.

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

Results of Operations for the three months ended September 30, 2014 compared to the three months ended September 30, 2013

To assist in the comparisons, the discussion that follows will separate the impact of CIP from the overall consolidated results of operations. The impact is illustrated in the tables immediately below by a column which shows the dollar-value change in the consolidated figures, as caused by the consolidation of CIP. For example, the impact of CIP on total operating revenues for the three months ended September 30, 2014 was a reduction of \$8.6 million. This indicates that the consolidation of CIP reduced consolidated revenues by \$8.6 million, primarily reflecting the elimination upon consolidation of the revenues earned by Invesco for managing these investment products. The discussion below 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.

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Summary of Income Statement Impact of CIP

\$ in millions	Three months ended September 30,			
	2014	2013	2014	2013
	Impact of CIP	Invesco Ltd. Consolidated	Impact of CIP	Invesco Ltd. Consolidated
Total operating revenues	(8.6)	1,311.0	(12.0)	1,171.8
Total operating expenses	11.3	981.4	13.0	885.8
Operating income	(19.9)	329.6	(25.0)	286.0
Equity in earnings of unconsolidated affiliates	(0.7)	10.9	(2.2)	10.3
Interest and dividend income	(0.7)	2.6	(1.0)	2.5
Interest expense	—	(18.1)	—	(9.7)
Other gains and losses, net	—	(1.3)	(11.8)	2.7
Other income/(loss) of CSIP, net	—	7.4	—	—
Interest and dividend income of CIP	53.4	53.4	46.5	46.5
Interest expense of CIP	(37.5)	(37.5)	(33.5)	(33.5)
Other gains/(losses) of CIP, net	0.1	0.1	38.2	38.2
Income from continuing operations before taxes	(5.3)	347.1	11.2	343.0
Income tax provision	—	(94.9)	—	(92.9)
Income from continuing operations, net of taxes	(5.3)	252.2	11.2	250.1
Income/(loss) from discontinued operations, net of taxes	—	(0.6)	—	(1.4)
Net income	(5.3)	251.6	11.2	248.7
Net (income)/loss attributable to noncontrolling interests in consolidated entities	7.7	4.4	(20.6)	(20.6)
Net income attributable to common shareholders	2.4	256.0	(9.4)	228.1

Operating Revenues and Net Revenues

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

\$ in millions	Three months ended		Variance		
	September 30, 2014	September 30, 2013	2014 vs 2013		
			\$ Change	% Change	
Investment management fees	1,047.3	914.4	132.9	14.5	%
Service and distribution fees	222.1	220.7	1.4	0.6	%
Performance fees	8.2	5.1	3.1	60.8	%
Other	33.4	31.6	1.8	5.7	%
Total operating revenues	1,311.0	1,171.8	139.2	11.9	%
Third-party distribution, service and advisory expenses	(420.2)	(380.9)	(39.3)	10.3	%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	14.3	13.5	0.8	5.9	%
CIP	8.6	12.0	(3.4)	(28.3)	%
Net revenues	913.7	816.4	97.3	11.9	%

Operating revenues increased by 11.9% in the three months ended September 30, 2014 to \$1,311.0 million (three months ended September 30, 2013: \$1,171.8 million). Net revenues increased by 11.9% in the three months ended September 30, 2014 to \$913.7 million (three months ended September 30, 2013: \$816.4 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management and performance fees earned from, less other revenues

recorded by, CIP, plus other reconciling items. See “Schedule of Non-GAAP Information” for additional important disclosures regarding the use of net revenues.

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

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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 increased operating revenues by \$10.7 million, equivalent to 0.8% of total operating revenues, during the three months ended September 30, 2014 when compared to the three months ended September 30, 2013. 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. As discussed in the Executive Overview, returns from capital markets were mixed in the three months ended September 30, 2014.

Investment Management Fees

Investment management fees increased by \$132.9 million (14.5%) in the three months ended September 30, 2014, to \$1,047.3 million (three months ended September 30, 2013: \$914.4 million). In April 2014, our UK Invesco Perpetual business introduced a single Fund Management Fee (FMF) for their retail funds to replace the separate annual management fee and registration fee. This resulted in an increase in investment management fees of \$29.9 million and a corresponding reduction in service and distribution fees during the three months ended September 30, 2014 as compared to the same period in 2013. After adjusting for the introduction of the single FMF, the increase is equivalent to 11.5%. This compares to a 9.9% increase in average AUM and a 10.9% increase in average long-term AUM. As discussed above, the net revenue yield is higher in the three months ended September 30, 2014 when compared to the three months ended September 30, 2013, reflecting the change in AUM weighting to higher fee-earning asset classes. See the company's disclosures regarding the changes in AUM and revenue yields during the three months ended September 30, 2014 in the "Assets Under Management" section above for additional information regarding the movements in AUM. The impact of foreign exchange rate movements increased investment management fees by \$11.3 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Service and Distribution Fees

In the three months ended September 30, 2014, service and distribution fees increased by \$1.4 million (0.6%) to \$222.1 million (three months ended September 30, 2013: \$220.7 million). The increase is driven by the increases in average AUM and revenue yields, as well as a new recurring asset-based service fee that began in 2014. The increase is offset by the introduction of a single FMF for several UK funds as noted above, which reduced service and distribution fees by \$29.9 million in 2014 as compared to 2013. The impact of foreign exchange rate movements decreased service and distribution fees by \$0.5 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Performance Fees

Of our \$789.6 billion in AUM at September 30, 2014, approximately \$47.3 billion or 6.0%, could potentially earn performance fees, including carried interests and performance fees related to partnership investments and separate accounts. Cash receipt of performance fees generally occurs after the contractual measurement date; however, the company may receive, from time-to-time, cash distributions of carried interest before the measurement date. The company does not recognize performance fee revenues if there are any future performance contingencies associated with them. As such, these fees are generally not recorded as revenue until the likelihood of claw-back is mathematically improbable. At such point, the associated revenues are considered earned.

In the three months ended September 30, 2014, performance fees increased by \$3.1 million (60.8%) to \$8.2 million when compared to the performance fees in three months ended September 30, 2013 of \$5.1 million. The impact of foreign exchange rate movements increased performance fees by \$0.1 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Other Revenues

In the three months ended September 30, 2014, other revenues increased by \$1.8 million (5.7%) to \$33.4 million (three months ended September 30, 2013: \$31.6 million). The impact of foreign exchange rate movements decreased other revenues \$0.2 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. After allowing for foreign exchange rate changes, the increase in other revenues was \$2.0 million. The increase in other revenues during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 includes increases in UIT revenues of \$2.8 million, mutual fund front end fees of \$1.7 million and other revenues of \$1.7 million. These increases were partially offset by decreases in real estate acquisition and disposition fees of \$3.7 million, and transaction commissions of \$0.4 million.

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Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses increased by \$39.3 million (10.3%) in the three months ended September 30, 2014 to \$420.2 million (three months ended September 30, 2013: \$380.9 million). The impact of foreign exchange rate movements increased third-party distribution, service and advisory expenses by \$3.4 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. After allowing for foreign exchange rate changes, the increase in third-party distribution, service and advisory expenses was \$35.9 million, which includes increases in distribution fees of \$21.5 million, renewal commissions of \$6.8 million, transfer agent fees of \$3.9 million, external commissions of \$3.3 million and administration fees of \$0.3 million. The overall increase is reflective of the higher related retail management fees.

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 increased by \$0.8 million (5.9%) to \$14.3 million for the three months ended September 30, 2014 (three months ended September 30, 2013: \$13.5 million). Our share of the Invesco Great Wall joint venture's average AUM for the three months ended September 30, 2014 was \$5.1 billion compared to \$4.0 billion for the three months ended September 30, 2013. The increase in our share of net revenue is proportionately smaller than the increase in AUM due to the mix of AUM, and also due to higher third-party fees in 2014 as compared to 2013.

Management, performance and other fees earned from CIP

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 CIP 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.

The elimination of management and performance fees earned from CIP was \$8.7 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$12.0 million), while other revenues from CIP were \$0.1 million (three months ended September 30, 2013: none). The decrease is primarily due to a decrease in performance fees related to consolidated CLO notes, as well as the impact of funds deconsolidated after September 30, 2013, partially offset by the impact of newly consolidated funds.

Operating Expenses

The main categories of operating expenses, and the dollar and percentage changes between periods, are as follows:

	Three months ended September 30,		Variance		
			2014 vs 2013		
\$ in millions	2014	2013	\$ Change	% Change	
Employee compensation	343.8	330.3	13.5	4.1	%
Third-party distribution, service and advisory	420.2	380.9	39.3	10.3	%
Marketing	26.6	22.6	4.0	17.7	%

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Property, office and technology	76.4	71.9	4.5	6.3	%
General and administrative	114.4	80.1	34.3	42.8	%
Total operating expenses	981.4	885.8	95.6	10.8	%

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The table below sets forth these expense categories as a percentage of total operating expenses and operating revenues, which we believe provides useful information as to the relative significance of each type of expense.

\$ in millions	Three months ended September 30, 2014			Three months ended September 30, 2013		
		% of Total Operating Expenses	% of Operating Revenues		% of Total Operating Expenses	% of Operating Revenues
Employee compensation	343.8	35.0	% 26.2	% 330.3	37.3	% 28.2
Third-party distribution, service and advisory	420.2	42.8	% 32.1	% 380.9	43.0	% 32.5
Marketing	26.6	2.7	% 2.0	% 22.6	2.6	% 1.9
Property, office and technology	76.4	7.8	% 5.8	% 71.9	8.1	% 6.1
General and administrative	114.4	11.7	% 8.7	% 80.1	9.0	% 6.8
Total operating expenses	981.4	100.0	% 74.9	% 885.8	100.0	% 75.5

During the three months ended September 30, 2014, operating expenses increased by \$95.6 million (10.8%) to \$981.4 million (three months ended September 30, 2013: \$885.8 million). The impact of foreign exchange rate movements increased operating expenses by \$5.8 million, or 0.6% of total operating expenses, during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Employee Compensation

Employee compensation increased \$13.5 million (4.1%) to \$343.8 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$330.3 million). The impact of foreign exchange rate movements increased employee compensation by \$1.2 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. After allowing for foreign exchange rate changes, the increase in employee compensation was \$12.3 million.

Direct compensation increased \$6.8 million, primarily due to improved company performance and increased headcount. The increase includes higher base salaries and incentive compensation expenses of \$13.4 million. The increases were partially offset by decreases in deferred and share based compensation of \$4.0 million and commissions and other compensation costs of \$2.6 million during the three months ended September 30, 2014 when compared to the three months ended September 30, 2013.

Headcount at September 30, 2014 was 6,155 (at September 30, 2013, on a continuing operations basis: 5,864).

Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses are discussed above in the operating and net revenues section.

Marketing

Marketing expenses increased by \$4.0 million (17.7%) in the three months ended September 30, 2014 to \$26.6 million (three months ended September 30, 2013: \$22.6 million). There was no impact of foreign exchange rate movements in marketing expenses during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. The increase during the three months ended September 30, 2014 includes increases in client event expenses of \$2.0 million, advertising expenses of \$1.0 million and travel expenses of \$1.0 million primarily in the U.S. and EMEA.

Property, Office and Technology

Property, office and technology costs increased by \$4.5 million (6.3%) to \$76.4 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$71.9 million). The impact of foreign exchange rate movements increased property, office and technology expenses by \$0.5 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. After allowing for foreign exchange rate movements, the increase was \$4.0 million.

Property and office costs are generally trending upwards, due to market conditions. However, the business optimization initiative undertaken in the first quarter of 2014 has partially mitigated the increases in the current period such that property and office costs increased \$1.0 million (3.3%) compared to the same period in 2013. The decrease in rent and property tax expense of \$0.7 million was offset by increases in property management fees of \$0.6 million and other property costs of \$1.0 million.

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Technology and communications expenses increased \$3.5 million over the comparable 2013 period primarily due to increases in depreciation and maintenance of \$1.8 million and increased outsourced administration and other costs of \$1.4 million driven by activity in EMEA.

General and Administrative

General and administrative expenses increased by \$34.3 million (42.8%) to \$114.4 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$80.1 million). The impact of foreign exchange rate movements increased general and administrative expenses by \$0.7 million during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. After allowing for foreign exchange rate movements, general and administrative costs decreased \$33.6 million compared to the same period in 2013. General and administrative expenses for the three months ended September 30, 2014 include an expense of \$24.2 million in respect of a multi-year fund reimbursement expense associated with historical private equity management fees. The charge resulted primarily from using a more appropriate methodology regarding the calculation of offsets to management fees. General and administrative expenses also increased \$4.2 million related to higher fund launch costs of our consolidated investment products, \$2.4 million of higher contractor expenses associated with the ongoing development of global technology platforms, \$1.7 million of higher irrecoverable indirect taxes, \$1.6 million of higher information services expenses and \$1.5 million of higher travel expenses in the three months ended September 30, 2014 compared to the prior year. These increases were partially offset by decreases in amortization of intangible assets of \$1.1 million, professional insurance expenses of \$0.6 million and legal expenses of \$0.4 million compared to the same period in 2013.

Operating Income, Adjusted Operating Income, Operating Margin and Adjusted Operating Margin

Operating income increased by \$43.6 million (15.2%) to \$329.6 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$286.0 million). Operating margin (operating income divided by operating revenues), increased to 25.1% in the three months ended September 30, 2014 from 24.4% in the three months ended September 30, 2013. The increase in operating income and margin resulted from a higher relative increase in operating revenues (11.9%) than in operating expenses (10.8%) during the period. Adjusted operating income increased by \$53.8 million (16.4%) to \$381.9 million in the three months ended September 30, 2014 from \$328.1 million in the three months ended September 30, 2013. Adjusted operating margin increased to 41.8% in the three months ended September 30, 2014 from 40.2% in the three months ended September 30, 2013. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues to net revenues, a reconciliation of operating income to adjusted operating income and additional important disclosures regarding net revenues, adjusted operating income and adjusted operating margin.

Other Income and Expenses

The main categories of other income and expenses, and the dollar and percentage changes between periods are as follows:

\$ in millions	Three months ended		Variance		
	September 30,		2014 vs 2013		
	2014	2013	\$ Change	% Change	
Equity in earnings of unconsolidated affiliates	10.9	10.3	0.6	5.8	%
Interest and dividend income	2.6	2.5	0.1	4.0	%
Interest expense	(18.1	) (9.7	) (8.4	) 86.6	%
Other gains and losses, net	(1.3	) 2.7	(4.0	) N/A	
Other income/(loss) of CSIP, net	7.4	—	7.4	N/A	
Other income and expenses of CIP:					
Interest and dividend income of CIP	53.4	46.5	6.9	14.8	%
Interest expense of CIP	(37.5) (33.5) (4.0) 11.9	%

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Other gains/(losses) of CIP, net	0.1	38.2	(38.1) (99.7)%
Total other income and expenses	17.5	57.0	(39.5) (69.3)%

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Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates increased by \$0.6 million (5.8%) to \$10.9 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$10.3 million). The increase is comprised of a \$2.1 million increase in earnings from our real estate partnership investments and certain other partnership investments along with an increase of \$1.2 million in earnings from certain joint ventures and affiliates. The increase is partially offset by a \$0.6 million reduction in earnings from our investment in Invesco Mortgage Capital Inc., a \$1.6 million net decrease in earnings from our private equity partnership investments and a \$0.5 million decrease in earnings from our joint venture investments in China.

Interest and dividend income and interest expense

Interest and dividend income decreased by \$0.1 million (4.0%) to \$2.6 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$2.5 million).

Interest expense increased by \$8.4 million (86.6%) to \$18.1 million in the three months ended September 30, 2014 (three months ended September 30, 2013: \$9.7 million) primarily due to the changes in long-term financing arrangements made during the fourth quarter of 2013 which increased the overall borrowing costs versus the comparative period.

Other gains and losses, net

Other gains and losses, net were a loss of \$1.3 million in the three months ended September 30, 2014 as compared to a net gain of \$2.7 million in the three months ended September 30, 2013. Included within other gains and losses, net in the three months ended September 30, 2014 is a net realized gain from available-for-sale and other investments of \$1.8 million (three months ended September 30, 2013: \$1.0 million net gain), a net loss of \$3.2 million resulting from the depreciation of investments held for our deferred compensation plans (three months ended September 30, 2013: \$9.2 million net gain), and \$0.1 million of unrealized gains from other trading investments (three months ended September 30, 2013: none). The three months ended September 30, 2013 also included a net loss of \$6.6 million on the liquidation of a co-investment and sale of other securities and a net loss of \$1.1 million related to the mark-to-market of foreign exchange put option contracts intended to provide protection against the impact of a significant decline in the Pound Sterling/U.S Dollar foreign exchange rate.

Other income/(loss) of CSIP

In the three months ended September 30, 2014, other income/(loss) of CSIP, net totaled income of \$7.4 million (three months ended September 30, 2013: none) and consists of \$3.1 million of interest and dividend income and other gains of \$4.3 million on investment holdings. See Part I, Item 1, Financial Statements - Notes 1, "Accounting Policies" and 12, "Consolidated Sponsored Investment Products," for additional details.

Non-operating income and expense of CIP

In the three months ended September 30, 2014, interest and dividend income of CIP increased by \$6.9 million (14.8%) to \$53.4 million (three months ended September 30, 2013: \$46.5 million). Interest expense of CIP increased by \$4.0 million (11.9%) to \$37.5 million (three months ended September 30, 2013: \$33.5 million). The increase in interest income and interest expense of CIP in the 2014 period is primarily due to the impact of consolidation of CLO notes issued after September 30, 2013, exceeding the impact of deconsolidation and paydowns of CLO notes. Included in other gains/(losses) of CIP, net, are realized and unrealized gains and losses on the underlying investments and debt of CIP. In the three months ended September 30, 2014, other gains and losses of CIP were a net gain of \$0.1 million, as compared to a net gain of \$38.2 million in the three months ended September 30, 2013. The net gain in the 2013 period is primarily due to gains associated with the decrease in market value of the long-term debt of CLOs and gains associated with the increase in market value of private equity investments exceeding losses associated with CLO investments.

Net impact of CIP and related noncontrolling interests in consolidated entities

As illustrated in the Summary of Income Statement Impact of CIP table at the beginning of this Results of Operations section, the consolidation of investment products during the three months ended September 30, 2014 resulted in a

decrease to net income of \$5.3 million before attribution to noncontrolling interests. Invesco invests in only a portion of these products, and as a result this net gain is offset by noncontrolling interests of \$7.7 million, resulting in a net increase in net income of the company of \$2.4 million.

The consolidation of investment products during the three months ended September 30, 2013 resulted in an increase to net income of \$11.2 million before attribution to noncontrolling interests. The addition of noncontrolling interest losses of \$20.6 million, resulted in a total net decrease in net income of the company of \$9.4 million.

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Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in CIP. Movements in amounts attributable to noncontrolling interests in consolidated entities on the company's Condensed Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of CIP.

Additionally, CIP represent less than 1% of the company's AUM. Therefore, the net gains or losses of CIP are not indicative of the performance of the company's aggregate assets under management.

CIP are taxed at the investor level and not at the product level; therefore, there is no tax provision reflected in the net impact of CIP.

Income Tax Expense

The company's subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, the blended average statutory tax rate will vary from year to year depending on the mix of the profits and losses of the company's subsidiaries.

Our effective tax rate increased to 27.3% for the three months ended September 30, 2014 (three months ended September 30, 2013: 27.1%). The inclusion of income from non-controlling interests in consolidated entities increased our effective tax rate by 0.3% in 2014 and decreased our rate by 1.7% in 2013. 2014 included a 1.1% rate decrease as a result of the fund reimbursement expense (referenced above). 2014 included the recognition of previously unrecognized tax benefits which decreased our rate by 0.6%. See Part I, Item 1, Financial Statements - Note 9 "Taxation" for additional information. The remainder of the rate movement was primarily due to changes in the mix of pre-tax income.

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Assets Under Management movements for the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013

The following presentation and discussion of AUM includes Passive and Active AUM. Passive AUM include ETFs, UITs, leveraged fund balances upon which we do not earn a fee, and other passive mandates. Active AUM are total AUM less Passive AUM.

The AUM tables and the discussion below refer to AUM as long-term and short-term. Short-term AUM include institutional money market and Invesco PowerShares QQQ AUM. Long-term AUM are total AUM less short-term AUM.

Changes in AUM were as follows:

\$ in billions	For the nine months ended September 30,					
	2014			2013		
	Total AUM	Active	Passive	Total AUM	Active	Passive
January 1	778.7	639.0	139.7	667.4	553.4	114.0
Long-term inflows	137.1	113.9	23.2	133.8	99.8	34.0
Long-term outflows	(131.5)	(112.7)	(18.8)	(113.1)	(87.0)	(26.1)
Long-term net flows	5.6	1.2	4.4	20.7	12.8	7.9
Net flows in Invesco Powershares QQQ fund	(7.5)	—	(7.5)	1.1	—	1.1
Net flows in institutional money market funds	(5.8)	(5.8)	—	7.4	7.4	—
Total net flows	(7.7)	(4.6)	(3.1)	29.2	20.2	9.0
Market gains and losses/reinvestment	24.2	18.5	5.7	51.6	44.3	7.3
Foreign currency translation	(5.6)	(5.4)	(0.2)	(2.7)	(2.0)	(0.7)
September 30	789.6	647.5	142.1	745.5	615.9	129.6
Average AUM						
Average long-term AUM	672.6	574.0	98.6	603.7	514.0	89.7
Average short-term AUM	117.9	73.4	44.5	109.9	75.4	34.5
Average AUM	790.5	647.4	143.1	713.6	589.4	124.2
Revenue yield						
Gross revenue yield on AUM ⁽¹⁾	65.7	77.4	13.0	64.2	75.4	11.4
Gross revenue yield on AUM before performance fees ⁽¹⁾	64.9	76.5	13.0	63.3	74.4	11.4
Net revenue yield on AUM ⁽²⁾	45.6	52.8	13.0	44.7	51.8	11.4
Net revenue yield on AUM before performance fees ⁽²⁾	44.7	51.7	13.0	43.7	50.5	11.4

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 the nine months ended September 30, 2014 for our JVs in China was \$5.0 billion (September 30, 2013: \$3.7 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 (1) not presented in our operating revenues. Under U.S. GAAP, our share of the net income of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income. Additionally, the numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from CIP; 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.

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

Flows

AUM at September 30, 2014 were \$789.6 billion (September 30, 2013: \$745.5 billion). During the nine months ended September 30, 2014, long-term net inflows increased AUM by \$5.6 billion, which was offset by net outflows in institutional money market funds of \$5.8 billion and net outflows in the Invesco PowerShares QQQ fund of \$7.5 billion. During the nine months ended September 30, 2013, net long-term inflows increased AUM by \$20.7 billion. We also experienced net inflows in institutional money market funds of \$7.4 billion and net inflows of the Invesco PowerShares QQQ fund of \$1.1 billion during the nine months ended September 30, 2013.

Net inflows during the nine months ended September 30, 2014 included active net long-term inflows of \$1.2 billion, along with net long-term inflows of passive AUM of \$4.4 billion. Net inflows were comprised of net inflows from our retail

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distribution channel of \$4.2 billion, along with net inflows into our institutional channel of \$1.4 billion. Long-term net inflows included \$14.2 billion and \$4.1 billion from clients domicile in Continental Europe and Asia respectively. These long-term inflows were largely offset by long-term net outflows of \$16.7 billion from clients domiciled in the U.K. The U.K. outflows were closely associated with the departure of the former head of U.K. Equities, as described in the Executive Overview above.

Long-term net inflows during the nine months ended September 30, 2013 were \$20.7 billion, and included net long-term active inflows of \$12.8 billion and passive inflows of \$7.9 billion. Long-term net flows in 2013 were driven by net inflows of \$21.7 billion into our retail distribution channel, primarily in the fixed income and balanced asset classes.

Average AUM during the nine months ended September 30, 2014 were \$790.5 billion, compared to \$713.6 billion for the nine months ended September 30, 2013.

Market Returns

During the nine months ended September 30, 2014, positive market movement increased AUM by \$24.2 billion, with \$18.2 billion attributed to our equity asset class. Our fixed income, alternatives and balanced asset classes were also positively impacted by the change in market valuations during the period, with market returns of 3.9 billion, 1.4 billion and 0.9 billion, respectively. During the nine months ended September 30, 2013, market gains increased AUM by \$51.6 billion and included \$52.3 billion in positive market movement of our equity asset class, which was partially offset by losses of \$3.1 billion in our fixed income asset class.

Foreign Exchange Rates

The table below illustrates the spot foreign exchange rates used for translation of non-U.S. Dollar denominated AUM into U.S. Dollars:

Foreign Exchange Rates	September 30, 2014	December 31, 2013	September 30, 2013	December 31, 2012
Pound Sterling (\$ per £)	1.622	1.655	1.619	1.625
Canadian Dollar (CAD per \$)	1.118	1.063	1.029	0.996
Japan (¥ per \$)	109.680	105.080	98.120	86.520
Euro (\$ per Euro)	1.262	1.378	1.353	1.319

During the nine months ended September 30, 2014, we experienced decreases in AUM of \$5.6 billion due to changes in foreign exchange rates. Changes in foreign exchange rates in the nine months ended September 30, 2014 were driven primarily by the weakening 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 Canadian Dollar, Euro and Japanese Yen also weakened relative to the U.S. Dollar, which was reflected in the translation of our Canadian Dollar-based, Euro-based and Yen-based AUM into U.S. Dollars, respectively.

In the nine months ended September 30, 2013, AUM decreased by \$2.7 billion due to foreign exchange rate changes primarily impacted by the weakening of the Japanese Yen and Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Japanese Yen-based and Canadian Dollar-based AUM into U.S. Dollars. This was offset by the strengthening of the Euro and the Pound Sterling, which was reflected in the translation of our Euro-based and Pound Sterling-based AUM into U.S. Dollars.

Revenue Yield

Net revenue yield on AUM increased 0.9 basis points to 45.6 basis points in the nine months ended September 30, 2014 as compared to the same period in 2013 (nine months ended September 30, 2013: 44.7 basis points). Excluding performance fees, the net revenue yield increased 1.0 basis points to 44.7 basis points in the nine months ended September 30, 2014 from the nine months ended September 30, 2013 level of 43.7 basis points.

Changes in our AUM mix significantly impact our net revenue yield. For example, on an asset class basis, our equity and balanced AUM generally earn a higher net revenue rate than money market and fixed income AUM. The combination of average equity and average balanced AUM increased from 52.6% in the nine months ended

September 30, 2013 to 55.8% of total average AUM in the nine months ended September 30, 2014. This resulted in a lower proportion of average assets in money market and fixed income AUM in the nine months ended September 30, 2014 when compared to the nine months ended September 30, 2013. This change in asset class mix correlates with the increase in net revenue yield on AUM before performance fees in the nine months ended September 30, 2014 when compared to the nine months ended September 30, 2013.

Changes in the geographic mix of our AUM have also factored into the improved revenue yield. Sales have been strong in our Continental European business during recent quarters. As of September 30, 2014, the AUM attributable to clients

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domiciled in Continental Europe accounts for 9.0% of total AUM compared to 6.9% as of September 30, 2013. On average, the AUM in Continental Europe earn a higher fee rate than the company's average fee rate for existing total AUM.

The tables that follow analyze AUM into active and passive style. Passive AUM generally earn a lower effective fee rate than active asset classes. At September 30, 2014, passive AUM were \$142.1 billion, representing 18.0% of total AUM at that date; whereas at September 30, 2013, passive AUM were \$129.6 billion, representing 17.4% of our total AUM at that date. In the nine months ended September 30, 2014, the net revenue yield on passive AUM was 13.0 basis points compared to 11.4 basis points in the nine months ended September 30, 2013, an increase of 1.6 basis points, due to changes in mix of passive AUM.

The increase in passive AUM includes the movements in the Powershares QQQ Nasdaq-100 index tracking fund. The Powershares QQQ fund AUM increased to \$42.9 billion at September 30, 2014 compared to \$38.5 billion at September 30, 2013. 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-over-year yield changes.

Gross revenue yield on AUM increased 1.5 basis points to 65.7 basis points in the nine months ended September 30, 2014 from the nine months ended September 30, 2013 level of 64.2 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 for the reasons outlined in footnote 1 to the Changes in AUM table above. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in our AUM by channel, asset class, and client domicile, and average AUM by asset class, are presented below:

Total AUM by Channel ⁽¹⁾

\$ in billions	Total	Retail	Institutional
December 31, 2013 AUM	778.7	519.6	259.1
Long-term inflows	137.1	110.7	26.4
Long-term outflows	(131.5)	(106.5)	(25.0)
Long-term net flows	5.6	4.2	1.4
Net flows in Invesco PowerShares QQQ fund	(7.5)	(7.5)	—
Net flows in institutional money market funds	(5.8)	—	(5.8)
Total net flows	(7.7)	(3.3)	(4.4)
Market gains and losses/reinvestment	24.2	19.5	4.7
Foreign currency translation	(5.6)	(3.6)	(2.0)
September 30, 2014 AUM	789.6	532.2	257.4
December 31, 2012 AUM	667.4	425.8	241.6
Long-term inflows	133.8	109.4	24.4
Long-term outflows	(113.1)	(87.7)	(25.4)
Long-term net flows	20.7	21.7	(1.0)
Net flows in Invesco PowerShares QQQ fund	1.1	1.1	—
Net flows in institutional money market funds	7.4	—	7.4
Total net flows	29.2	22.8	6.4
Market gains and losses/reinvestment	51.6	44.1	7.5
Foreign currency translation	(2.7)	(0.7)	(2.0)
September 30, 2013 AUM	745.5	492.0	253.5

See accompanying notes immediately following these AUM tables.

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\$ in billions	Total	Retail	Institutional
December 31, 2013 AUM	139.7	118.2	21.5
Long-term inflows	23.2	20.0	3.2
Long-term outflows	(18.8)	(15.2)	(3.6)
Long-term net flows	4.4	4.8	(0.4)
Net flows in Invesco PowerShares QQQ fund	(7.5)	(7.5)	—
Net flows in institutional money market funds	—	—	—
Total net flows	(3.1)	(2.7)	(0.4)
Market gains and losses/reinvestment	5.7	5.6	0.1
Foreign currency translation	(0.2)	—	(0.2)
September 30, 2014 AUM	142.1	121.1	21.0
December 31, 2012 AUM	114.0	91.2	22.8
Long-term inflows	34.0	29.1	4.9
Long-term outflows	(26.1)	(19.9)	(6.2)
Long-term net flows	7.9	9.2	(1.3)
Net flows in Invesco PowerShares QQQ fund	1.1	1.1	—
Net flows in institutional money market funds	—	—	—
Total net flows	9.0	10.3	(1.3)
Market gains and losses/reinvestment	7.3	6.8	0.5
Foreign currency translation	(0.7)	—	(0.7)
September 30, 2013 AUM	129.6	108.3	21.3

See accompanying notes immediately following these AUM tables.

Table of ContentsTotal AUM by Asset Class ⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
December 31, 2013 AUM	778.7	383.1	171.7	53.3	82.7	87.9
Long-term inflows	137.1	70.9	26.3	13.9	2.5	23.5
Long-term outflows	(131.5)	(75.3)	(21.9)	(15.8)	(2.6)	(15.9)
Long-term net flows	5.6	(4.4)	4.4	(1.9)	(0.1)	7.6
Net flows in Invesco PowerShares QQQ fund	(7.5)	(7.5)	—	—	—	—
Net flows in institutional money market funds	(5.8)	—	—	—	(5.8)	—
Total net flows	(7.7)	(11.9)	4.4	(1.9)	(5.9)	7.6
Market gains and losses/reinvestment	24.2	18.2	3.9	0.9	(0.2)	1.4
Foreign currency translation	(5.6)	(3.1)	(0.8)	(0.8)	—	(0.9)
September 30, 2014 AUM	789.6	386.3	179.2	51.5	76.6	⁽⁴⁾ 96.0
Average AUM	790.5	388.1	178.1	52.7	77.8	93.8
% of total average AUM	100.0 %	49.1 %	22.5 %	6.7 %	9.8 %	11.9 %
December 31, 2012 AUM	667.4	295.6	171.9	43.6	73.3	83.0
Long-term inflows	133.8	62.3	32.1	16.3	2.9	20.2
Long-term outflows	(113.1)	(56.8)	(28.1)	(9.0)	(2.6)	(16.6)
Long-term net flows	20.7	5.5	4.0	7.3	0.3	3.6
Net flows in Invesco PowerShares QQQ fund	1.1	1.1	—	—	—	—
Net flows in institutional money market funds	7.4	—	—	—	7.4	—
Total net flows	29.2	6.6	4.0	7.3	7.7	3.6
Market gains and losses/reinvestment	51.6	52.3	(3.1)	2.7	0.2	(0.5)
Foreign currency translation	(2.7)	(1.3)	(0.4)	(0.1)	(0.1)	(0.8)
September 30, 2013 AUM	745.5	353.2	172.4	53.5	81.1	85.3
Average AUM	713.6	325.2	174.3	50.2	79.5	84.4
% of total average AUM	100.0 %	45.6 %	24.4 %	7.0 %	11.1 %	11.8 %

See accompanying notes immediately following these AUM tables.

Table of ContentsPassive AUM by Asset Class ⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
December 31, 2013 AUM	139.7	85.6	39.5	—	—	14.6
Long-term inflows	23.2	14.6	6.0	—	—	2.6
Long-term outflows	(18.8)	(10.3)	(5.3)	—	—	(3.2)
Long-term net flows	4.4	4.3	0.7	—	—	(0.6)
Net flows in Invesco PowerShares QQQ fund	(7.5)	(7.5)	—	—	—	—
Total net flows	(3.1)	(3.2)	0.7	—	—	(0.6)
Market gains and losses/reinvestment	5.7	5.6	0.6	—	—	(0.5)
Foreign currency translation	(0.2)	—	—	—	—	(0.2)
September 30, 2014 AUM	142.1	88.0	40.8	—	—	13.3
Average AUM	143.1	87.7	41.0	—	—	14.4
% of total average AUM	100.0 %	61.3 %	28.7 %	— %	— %	10.1 %
December 31, 2012 AUM	114.0	55.5	39.0	—	—	19.5
Long-term inflows	34.0	19.1	11.3	—	—	3.6
Long-term outflows	(26.1)	(11.6)	(8.5)	—	—	(6.0)
Long-term net flows	7.9	7.5	2.8	—	—	(2.4)
Net flows in Invesco PowerShares QQQ fund	1.1	1.1	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	9.0	8.6	2.8	—	—	(2.4)
Market gains and losses/reinvestment	7.3	10.0	(2.2)	—	—	(0.5)
Foreign currency translation	(0.7)	—	—	—	—	(0.7)
September 30, 2013 AUM	129.6	74.1	39.6	—	—	15.9
Average AUM	124.2	65.5	41.9	—	—	16.8
% of total average AUM	100.0 %	52.7 %	33.7 %	— %	— %	13.5 %

See accompanying notes immediately following these AUM tables.

Table of ContentsTotal AUM by Client Domicile ⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
December 31, 2013 AUM	778.7	521.3	27.1	114.8	60.9	54.6
Long-term inflows	137.1	67.5	3.0	15.2	31.6	19.8
Long-term outflows	(131.5)	(63.1)	(3.4)	(31.9)	(17.4)	(15.7)
Long-term net flows	5.6	4.4	(0.4)	(16.7)	14.2	4.1
Net flows in Invesco PowerShares QQQ fund	(7.5)	(7.5)	—	—	—	—
Net flows in institutional money market funds	(5.8)	(4.8)	(0.1)	2.1	(3.1)	0.1
Total net flows	(7.7)	(7.9)	(0.5)	(14.6)	11.1	4.2
Market gains and losses/reinvestment	24.2	18.8	1.7	3.0	0.3	0.4
Foreign currency translation	(5.6)	(0.1)	(1.5)	(1.7)	(1.4)	(0.9)
September 30, 2014 AUM	789.6	532.1	26.8	101.5	70.9	58.3
December 31, 2012 AUM	667.4	452.5	25.2	101.9	38.8	49.0
Long-term inflows	133.8	81.4	2.9	12.1	22.8	14.6
Long-term outflows	(113.1)	(69.7)	(3.6)	(13.6)	(13.1)	(13.1)
Long-term net flows	20.7	11.7	(0.7)	(1.5)	9.7	1.5
Net flows in Invesco PowerShares QQQ fund	1.1	1.1	—	—	—	—
Net flows in institutional money market funds	7.4	7.6	0.1	0.1	(0.1)	(0.3)
Total net flows	29.2	20.4	(0.6)	(1.4)	9.6	1.2
Market gains and losses/reinvestment	51.6	29.4	2.7	12.5	3.0	4.0
Foreign currency translation	(2.7)	0.2	(0.9)	0.1	0.2	(2.3)
September 30, 2013 AUM	745.5	502.5	26.4	113.1	51.6	51.9

See accompanying notes immediately following these AUM tables.

Table of ContentsPassive AUM by Client Domicile ⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
December 31, 2013 AUM	139.7	135.2	0.1	—	1.8	2.6
Long-term inflows	23.2	22.8	0.1	—	0.2	0.1
Long-term outflows	(18.8)	(17.9)	—	—		