

Invesco Ltd.  
Form 10-Q  
November 06, 2013  
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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, 2013

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 98-0557567  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA 30309  
(Address of Principal Executive Offices) (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 (section 232.405 of this chapter) 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 a smaller reporting company) Smaller reporting company

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

As of October 31, 2013, the most recent practicable date, 443,280,063 of the company's common shares par value \$0.20 per share, were outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Invesco Ltd.

Condensed Consolidated Balance Sheets

(Unaudited)

| \$ in millions, except share data  | As of<br>September 30,<br>2013 | December 31,<br>2012 |
|--|--------------------------------|----------------------|
| <b>ASSETS</b>  |                                |                      |
| Cash and cash equivalents  | 1,174.5                        | 835.5                |
| Unsettled fund receivables   | 1,003.1                        | 550.1                |
| Accounts receivable  | 475.6                          | 449.4                |
| Investments  | 705.0                          | 610.7                |
| Assets of consolidated sponsored investment products (CSIP)  | 94.3                           | —                    |
| Assets of consolidated investment products (CIP):  |                                |                      |
| Cash and cash equivalents of CIP   | 445.0                          | 287.8                |
| Accounts receivable and other assets of CIP  | 62.2                           | 84.1                 |
| Investments of CIP   | 4,514.6                        | 4,550.6              |
| Assets held for policyholders  | 1,449.0                        | 1,153.6              |
| Prepaid assets   | 111.4                          | 99.9                 |
| Assets held for sale   | 106.7                          | —                    |
| Other assets   | 107.6                          | 146.8                |
| Deferred tax asset, net  | 10.9                           | 38.4                 |
| Property and equipment, net  | 336.4                          | 349.6                |
| Intangible assets, net   | 1,268.6                        | 1,287.7              |
| Goodwill   | 6,898.6                        | 7,048.2              |
| Total assets   | 18,763.5                       | 17,492.4             |
| <b>LIABILITIES</b>   |                                |                      |
| Accrued compensation and benefits  | 565.5                          | 609.8                |
| Accounts payable and accrued expenses  | 660.3                          | 626.4                |
| Liabilities of CIP:  |                                |                      |
| Debt of CIP  | 4,003.1                        | 3,899.4              |
| Other liabilities of CIP   | 251.0                          | 104.3                |
| Policyholder payables  | 1,449.0                        | 1,153.6              |
| Unsettled fund payables  | 993.8                          | 552.5                |
| Long-term debt   | 1,387.6                        | 1,186.0              |
| Deferred tax liabilities, net  | 333.8                          | 311.4                |
| Total liabilities  | 9,644.1                        | 8,443.4              |
| Commitments and Contingencies (See Note 11)  |                                |                      |
| <b>EQUITY</b>  |                                |                      |
| 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, 2013 and December 31, 2012) | 98.1                           | 98.1                 |
| Additional paid-in-capital   | 6,080.1                        | 6,141.0              |
| Treasury shares  | (1,363.5                       | ) (1,382.9           |
| Retained earnings  | 3,175.0                        | 2,801.3              |
| Retained earnings appropriated for investors in CIP  | 106.3                          | 128.8                |

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|  |          |          |
|--|----------|----------|
| Accumulated other comprehensive income, net of tax                                     | 434.8    | 530.5    |
| Total equity attributable to common shareholders                                       | 8,530.8  | 8,316.8  |
| Equity attributable to nonredeemable noncontrolling interests in consolidated entities | 588.6    | 732.2    |
| Total equity   | 9,119.4  | 9,049.0  |
| Total liabilities and equity   | 18,763.5 | 17,492.4 |
| 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,<br>2013 | 2012     | September 30,<br>2013 | 2012     |
| Operating revenues:   |                       |          |                       |          |
| Investment management fees  | 914.4                 | 790.6    | 2,644.5               | 2,309.6  |
| Service and distribution fees   | 220.7                 | 196.0    | 642.7                 | 572.1    |
| Performance fees  | 5.1                   | 3.0      | 47.2                  | 39.0     |
| Other   | 31.6                  | 24.3     | 85.1                  | 83.0     |
| Total operating revenues  | 1,171.8               | 1,013.9  | 3,419.5               | 3,003.7  |
| Operating expenses:   |                       |          |                       |          |
| Employee compensation   | 330.3                 | 315.2    | 995.9                 | 906.0    |
| Third-party distribution, service and advisory                                      | 380.9                 | 326.2    | 1,093.0               | 958.2    |
| Marketing   | 22.6                  | 26.3     | 68.6                  | 79.1     |
| Property, office and technology   | 71.9                  | 66.1     | 207.0                 | 195.0    |
| General and administrative  | 80.1                  | 66.2     | 224.9                 | 222.7    |
| Transaction and integration   | —                     | 3.0      | 3.2                   | 5.6      |
| Total operating expenses  | 885.8                 | 803.0    | 2,592.6               | 2,366.6  |
| Operating income  | 286.0                 | 210.9    | 826.9                 | 637.1    |
| Other income/(expense):   |                       |          |                       |          |
| Equity in earnings of unconsolidated affiliates                                     | 10.3                  | 5.2      | 25.3                  | 21.8     |
| Interest and dividend income  | 2.5                   | 2.5      | 6.8                   | 7.1      |
| Interest expense  | (9.7)                 | (12.6)   | (29.4)                | (39.6)   |
| Other gains and losses, net   | 2.7                   | 18.4     | 20.8                  | 29.3     |
| CIP:  |                       |          |                       |          |
| Interest and dividend income of CIP   | 46.5                  | 68.7     | 147.5                 | 206.4    |
| Interest expense of CIP   | (33.5)                | (41.9)   | (96.8)                | (134.4)  |
| Other gains/(losses) of CIP, net  | 38.2                  | (25.2)   | 15.5                  | (69.9)   |
| Income from continuing operations before income taxes                               | 343.0                 | 226.0    | 916.6                 | 657.8    |
| Income tax provision  | (92.9)                | (72.3)   | (262.7)               | (205.8)  |
| Income from continuing operations, net of taxes                                     | 250.1                 | 153.7    | 653.9                 | 452.0    |
| Income/(loss) from discontinued operations, net of taxes                            | (1.4)                 | 3.2      | (1.9)                 | 7.3      |
| Net income  | 248.7                 | 156.9    | 652.0                 | 459.3    |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities | (20.6)                | 13.7     | 0.9                   | 59.1     |
| Net income attributable to common shareholders                                      | 228.1                 | 170.6    | 652.9                 | 518.4    |
| Earnings per share:   |                       |          |                       |          |
| Basic:  |                       |          |                       |          |
| Earnings per share from continuing operations                                       | \$0.51                | \$0.37   | \$1.46                | \$1.13   |
| Earnings per share from discontinued operations                                     | —                     | \$0.01   | —                     | \$0.02   |
| Basic earnings per share  | \$0.51                | \$0.38   | \$1.46                | \$1.14   |
| Diluted:  |                       |          |                       |          |
| Earnings per share from continuing operations                                       | \$0.51                | \$0.37   | \$1.46                | \$1.12   |
| Earnings per share from discontinued operations                                     | —                     | \$0.01   | —                     | \$0.02   |
| Diluted earnings per share  | \$0.51                | \$0.38   | \$1.45                | \$1.14   |
| Dividends declared per share  | \$0.2250              | \$0.1725 | \$0.6225              | \$0.4675 |
| 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, |        |
|---|----------------------------------|---------|---------------------------------|--------|
|   | 2013                             | 2012    | 2013                            | 2012   |
| Net income  | 248.7                            | 156.9   | 652.0                           | 459.3  |
| Other comprehensive income/(loss), before tax:  |                                  |         |                                 |        |
| Currency translation differences on investments in foreign subsidiaries   | 202.7                            | 171.3   | (94.2 )                         | 155.2  |
| Actuarial (loss)/gain related to employee benefit plans   | (5.5 )                           | (2.7 )  | 1.3                             | (1.6 ) |
| Reclassification of amortization of prior service costs/(credit) into employee compensation expense                       | (0.5 )                           | (0.5 )  | (1.5 )                          | (1.5 ) |
| Reclassification of amortization of actuarial (gains)/losses into employee compensation expense                           | 0.5                              | 0.4     | 1.9                             | 1.2    |
| Share of other comprehensive income/(loss) of equity method investments   | (3.5 )                           | 1.6     | (5.1 )                          | 4.6    |
| Unrealized (losses)/gains on available-for-sale investments   | 4.5                              | 6.2     | 8.5                             | 10.0   |
| Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net | (1.0 )                           | (1.3 )  | (2.4 )                          | (1.7 ) |
| Other comprehensive income/(loss), before tax   | 197.2                            | 175.0   | (91.5 )                         | 166.2  |
| Income tax related to items of other comprehensive income/(loss):   |                                  |         |                                 |        |
| Tax benefit/(expense) on foreign currency translation adjustments   | 0.7                              | 0.1     | (0.4 )                          | 0.9    |
| Tax on actuarial (loss)/gain related to employee benefit plans  | (1.7 )                           | (1.8 )  | (3.2 )                          | (1.9 ) |
| Reclassification of tax on amortization of prior service costs/(credit) into income tax provision                         | 0.1                              | 0.2     | 0.3                             | 0.3    |
| Reclassification of tax on amortization of actuarial (gains)/losses into income tax provision                             | (0.1 )                           | (0.1 )  | (0.4 )                          | (0.3 ) |
| Tax on net unrealized (losses)/gains on available-for-sale investments  | 0.2                              | 2.5     | (0.4 )                          | 2.7    |
| Reclassification of tax on net (gains)/losses realized on available-for-sale investments included in income tax provision | (0.3 )                           | (2.9 )  | (0.6 )                          | (2.9 ) |
| Total income tax benefit (expense) related to items of other comprehensive income   | (1.1 )                           | (2.0 )  | (4.7 )                          | (1.2 ) |
| Other comprehensive income/(loss), net of tax   | 196.1                            | 173.0   | (96.2 )                         | 165.0  |
| Total comprehensive income/(loss)   | 444.8                            | 329.9   | 555.8                           | 624.3  |
| Comprehensive loss/(income) attributable to noncontrolling interests in consolidated entities                             | (25.8 )                          | (11.0 ) | 1.4                             | 59.0   |
| Comprehensive income attributable to common shareholders  | 419.0                            | 318.9   | 557.2                           | 683.3  |
| See accompanying notes.   |                                  |         |                                 |        |

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Invesco Ltd.

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| \$ in millions  | Nine months ended     |            |
|---|-----------------------|------------|
|   | September 30,<br>2013 | 2012       |
| Operating activities:   |                       |            |
| Net income  | 652.0                 | 459.3      |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: |                       |            |
| Amortization and depreciation   | 66.0                  | 72.5       |
| Share-based compensation expense  | 103.0                 | 102.9      |
| (Gains)/losses on disposal of property and equipment, net                                   | 0.5                   | (0.5 )     |
| Purchase of trading investments   | (10,952.4 )           | (7,573.2 ) |
| Sale of trading investments   | 10,954.7              | 7,564.6    |
| Other gains and losses, net   | (20.8 )               | (29.3 )    |
| Other (gains)/losses of CIP, net  | (15.5 )               | 69.9       |
| Tax benefit from share-based compensation   | 62.8                  | 47.7       |
| Excess tax benefits from share-based compensation   | (19.4 )               | (13.7 )    |
| Equity in earnings of unconsolidated affiliates   | (25.3 )               | (21.8 )    |
| Dividends from unconsolidated affiliates  | 15.6                  | 14.7       |
| Changes in operating assets and liabilities:  |                       |            |
| (Increase)/decrease in cash held by CIP   | (165.1 )              | (296.0 )   |
| (Increase)/decrease in receivables  | (710.4 )              | 151.9      |
| Increase/(decrease) in payables   | 644.2                 | (231.3 )   |
| Net cash provided by/(used in) operating activities   | 589.9                 | 317.7      |
| Investing activities:   |                       |            |
| Purchase of property and equipment  | (67.0 )               | (68.4 )    |
| Disposal of property and equipment  | —                     | 0.6        |
| Purchase of available-for-sale investments  | (30.0 )               | (73.9 )    |
| Sale of available-for-sale investments  | 23.3                  | 32.9       |
| Purchase of investments by CIP  | (3,496.4 )            | (2,338.9 ) |
| Sale of investments by CIP  | 3,705.9               | 2,484.5    |
| Purchase of investments by CSIP   | (51.4 )               | —          |
| Sale of investments by CSIP   | 3.5                   | —          |
| Purchase of other investments   | (205.2 )              | (87.7 )    |
| Sale of other investments   | 74.3                  | 63.4       |
| Returns of capital and distributions from unconsolidated partnership investments            | 25.3                  | 12.2       |
| Acquisition earn-out payments   | (1.2 )                | (5.6 )     |
| Sale of management contracts  | —                     | 16.4       |
| Net cash provided by/(used in) investing activities   | (18.9 )               | 35.5       |
| Financing activities:   |                       |            |
| Proceeds from exercises of share options  | 13.0                  | 17.2       |
| Purchases of treasury shares  | (120.5 )              | (190.0 )   |
| Dividends paid  | (279.2 )              | (211.5 )   |
| Excess tax benefits from share-based compensation   | 19.4                  | 13.7       |
| Capital invested into CIP   | 13.4                  | 19.4       |
| Capital distributed by CIP  | (146.6 )              | (122.0 )   |
| Net borrowings/(repayments) of debt of CIP  | 63.5                  | 255.4      |



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|  |         |          |   |
|--|---------|----------|---|
| Net borrowings/(repayments) under credit facility      | 201.5   | 215.5    |   |
| Repayments of senior notes                             | —       | (215.1   | ) |
| Net cash provided by/(used in) financing activities    | (235.5  | ) (217.4 | ) |
| Increase/(decrease) in cash and cash equivalents       | 335.5   | 135.8    |   |
| Foreign exchange movement on cash and cash equivalents | 3.5     | 16.9     |   |
| Cash and cash equivalents, beginning of period         | 835.5   | 727.4    |   |
| Cash and cash equivalents, end of period               | 1,174.5 | 880.1    |   |
| Supplemental Cash Flow Information:                    |         |          |   |
| Interest paid  | (20.5   | ) (39.0  | ) |
| Interest received                                      | 3.6     | 3.5      |   |
| Taxes paid   | (183.0  | ) (154.4 | ) |
| See accompanying notes.                                |         |          |   |

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

| \$ in millions   | Equity Attributable to Common Shareholders |                               |                    |                      |   |   |   |          | Nonredeemable<br>Noncontrolling<br>Interests in<br>Consolidated<br>Entities | Total<br>Equity |
|--|--|-------------------------------|--------------------|----------------------|---|---|---|----------|---|-----------------|
|  | Common<br>Shares                           | Additional<br>Paid-in-Capital | Treasury<br>Shares | Retained<br>Earnings | Retained<br>Earnings<br>Appropriated<br>for<br>Investors<br>in<br>CIP | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Equity<br>Attributable<br>to<br>Common<br>Shareholders |          |   |                 |
| December 31, 2012  | 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<br>comprehensive<br>income (loss)  | —  | —                             | —                  | —                    | —   | (95.7 )   | (95.7 )   | (0.5 )   | (96.2 )   |                 |
| Total<br>comprehensive<br>income (loss)  | —  | —                             | —                  | —                    | —   | —   | 557.2   | (1.4 )   | 555.8   |                 |
| Net income<br>(loss) reclassified to<br>appropriated<br>retained earnings  | —  | —                             | —                  | —                    | (19.4 )   | —   | (19.4 )   | 19.4     | —   |                 |
| Currency translation<br>differences on<br>investments in<br>foreign subsidiaries<br>reclassified to<br>appropriated<br>retained earnings | —  | —                             | —                  | —                    | 0.5   | —   | 0.5   | (0.5 )   | —   |                 |
| Deconsolidation of<br>CIP  | —  | —                             | —                  | —                    | (3.6 )  | —   | (3.6 )  | (27.7 )  | (31.3 )   |                 |
| Change in<br>noncontrolling<br>interests in<br>consolidated<br>entities, net   | —  | —                             | —                  | —                    | —   | —   | —   | (133.4 ) | (133.4 )  |                 |
| Dividends  | —  | —                             | —                  | (279.2 )             | —   | —   | (279.2 )  | —        | (279.2 )  |                 |
| Employee share<br>plans:   |  |                               |                    |                      |   |   |   |          |   |                 |
| Share-based<br>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<br>purchases  | —  | 1.1                           | 4.0                | —                    | —   | —   | 5.1   | —        | 5.1   |                 |
|  | —  | 19.4                          | —                  | —                    | —   | —   | 19.4  | —        | 19.4  |                 |

Tax impact of  
share-based  
payment

|                         |      |         |           |         |       |       |          |       |          |
|-------------------------|------|---------|-----------|---------|-------|-------|----------|-------|----------|
| Purchase of shares      | —    | —       | (182.0 )  | —       | —     | —     | (182.0 ) | —     | (182.0 ) |
| 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  |
| See accompanying notes. |      |         |           |         |       |       |          |       |          |

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Invesco Ltd.

Condensed Consolidated Statements of Changes in Equity (continued)

(Unaudited)

| \$ in millions   | Equity Attributable to Common Shareholders |                               |                    |                      |   |   | Total<br>Equity<br>Attributable<br>to<br>Common<br>Shareholders | Nonredeemable<br>Noncontrolling<br>Interests in<br>Consolidated<br>Entities | Total<br>Equity |
|--|--|-------------------------------|--------------------|----------------------|---|---|---|---|-----------------|
|  | Common<br>Shares                           | Additional<br>Paid-in-Capital | Treasury<br>Shares | Retained<br>Earnings | Retained<br>Earnings<br>Appropriated<br>for<br>Investors<br>in<br>CIP | Accumulated<br>Other<br>Comprehensive<br>Income |   |   |                 |
| December 31,<br>2011   | 98.1                                       | 6,180.6                       | (1,280.4)          | 2,413.2              | 334.3   | 373.3   | 8,119.1   | 1,018.5   | 9,137.6         |
| Net income   | —  | —                             | —                  | 518.4                | —   | —   | 518.4   | (59.1 )   | 459.3           |
| Other<br>comprehensive<br>income   | —  | —                             | —                  | —                    | —   | 164.9   | 164.9   | 0.1   | 165.0           |
| Total<br>comprehensive<br>income   |  |                               |                    |                      |   |   | 683.3   | (59.0 )   | 624.3           |
| Net income (loss)<br>reclassified to<br>appropriated<br>retained earnings  | —  | —                             | —                  | —                    | (51.3 )   | —   | (51.3 )   | 51.3  | —               |
| Currency<br>translation<br>differences on<br>investments in<br>foreign<br>subsidiaries<br>reclassified to<br>appropriated<br>retained earnings | —  | —                             | —                  | —                    | (7.0 )  | —   | (7.0 )  | 7.0   | —               |
| Deconsolidation of<br>CIP  | —  | —                             | —                  | —                    | (116.9 )  | —   | (116.9 )  | —   | (116.9 )        |
| Change in<br>noncontrolling<br>interests in<br>consolidated<br>entities, net   | —  | —                             | —                  | —                    | —   | —   | —   | (135.5 )  | (135.5 )        |
| Dividends  | —  | —                             | —                  | (211.5 )             | —   | —   | (211.5 )  | —   | (211.5 )        |
| Employee share<br>plans:<br>Share-based<br>compensation  | —  | 102.9                         | —                  | —                    | —   | —   | 102.9   | —   | 102.9           |

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|                                   |      |          |           |         |       |       |          |       |          |
|-----------------------------------|------|----------|-----------|---------|-------|-------|----------|-------|----------|
| Vested shares                     | —    | (156.9 ) | 156.9     | —       | —     | —     | —        | —     | —        |
| Exercise of options               | —    | (17.7 )  | 34.9      | —       | —     | —     | 17.2     | —     | 17.2     |
| Tax impact of share-based payment | —    | 13.7     | —         | —       | —     | —     | 13.7     | —     | 13.7     |
| Purchase of shares                | —    | —        | (234.4 )  | —       | —     | —     | (234.4 ) | —     | (234.4 ) |
| September 30, 2012                | 98.1 | 6,122.6  | (1,323.0) | 2,720.1 | 159.1 | 538.2 | 8,315.1  | 882.3 | 9,197.4  |
| 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 clients with an array of global investment management capabilities. The company's sole business is investment management. In the opinion of management, the 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 interim periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated in consolidation.

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 these 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, 2012. The company has, however, provided enhanced disclosures of its accounting policies for investments and consolidation in this Report.

Use of Estimates

In preparing the financial statements, company management is required to make estimates and assumptions that affect reported revenues, expenses, assets, liabilities and disclosure of contingent liabilities. The primary estimates relate to investment valuation, goodwill and intangible impairment, and taxes. 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 financial statements.

Basis of Presentation

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

As discussed in Note 15, "Discontinued Operations," the results of Atlantic Trust Private Wealth Management (Atlantic Trust) have been presented as a discontinued operation in the Condensed Consolidated Statements of Income for all periods presented. As a result of this change, certain previously reported amounts in the Condensed Consolidated Financial Statements and notes have been reclassified to conform to the current period presentation.

Investments

The majority of the company's investment balances relate to balances held in affiliated funds. In the normal course of business, the company invests in various types of affiliated investment products, either as "seed money" or as longer-term investments alongside third-party investors, typically referred to as "co-investments." Seed money investments are investments held in open-ended Invesco managed funds with the purpose of providing capital to the funds during their development periods to allow the funds to achieve critical mass, establish their track records, and obtain third-party investments. Seed money may also be held for regulatory purposes in certain jurisdictions. Co-investments are often required of the asset manager by third-party investors in closed-ended funds to demonstrate an alignment of the asset manager's interests with those of the third-party investors. The company also invests in affiliated funds in connection with its deferred compensation plans, whereby certain employees defer portions of their annual bonus into funds.

Investments are categorized in this Report as available-for-sale, trading, equity method, foreign time deposits, and other investments. See Note 3, "Investments" for additional details.

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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 until 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.

Trading investments include investments held to settle the company's deferred compensation plan liabilities, sponsored UIT product-related equity and debt securities, and other equity securities. Trading investments 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.

Equity method investments include investments over which the company is deemed to have significant influence, including corporate joint ventures and non-controlled subsidiaries in which the company's ownership is between 20 and 50 percent, and co-investments in certain managed funds generally structured as partnerships or similar vehicles. Investments in joint ventures are investments jointly controlled by the company and external parties. Co-investments in managed funds structured as partnerships or similar vehicles include private equity, real estate, and fund-of-funds. The equity method of accounting requires that the investment is initially recorded at cost. The carrying amount of the investment is increased or decreased to recognize the company's share of the after-tax profit or loss of the investee after the date of acquisition. The proportionate share of income or loss is included in equity in earnings of unconsolidated affiliates in the Condensed Consolidated Statements of Income, and the proportionate share of other comprehensive income or loss is included in accumulated other comprehensive income in the Condensed Consolidated Balance Sheets.

Seed money and co-investments in managed funds are required to be consolidated by the company if certain criteria are met. Upon consolidation of material balances, the company's seed money or co-investment balance is eliminated, and the underlying securities of the managed fund are reflected on the company's Condensed Consolidated Balance Sheets at fair value. These underlying securities are presented in the company's financial statements as either Consolidated Sponsored Investment Products (CSIP) or Consolidated Investment Products (CIP). See the "Basis of Accounting and Consolidation" below for additional information regarding the consolidation criteria as well as the basis for the distinction between the CSIP and CIP classifications. If the company subsequently determines that it no longer controls the managed funds in which it has invested, the company will deconsolidate the funds. Any remaining holding in the managed funds is then accounted for on the bases described above as available-for-sale or equity method investments, as appropriate.

### Basis of Accounting and Consolidation

The company provides investment management services to, and has transactions with, various private equity funds, real estate funds, fund-of-funds, 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. 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 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 investments where the company is deemed to have control, and other sponsored 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 or 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.

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

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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.

**Consolidation Accounting.** The U.S. GAAP consolidation model in Accounting Standards Codification (ASC) Topic 810, "Consolidation," differs for entities that are considered to be VIEs versus those that do not meet the VIE criteria (and are thus referred to as voting interest entities, or VOEs). Additionally, the consolidation criteria for VIEs differs depending on the structure of the VIE as a result of Accounting Standards Update (ASU) No. 2010-10, "Amendments for Certain Investment Funds." The consolidation models are summarized below:

- For all VIE investment products except CLOs, if the company is deemed to have the majority of rewards/risks of ownership associated with these funds, then the company is deemed to be their primary beneficiary and is required to consolidate these funds. For those private equity funds, real estate funds and fund-of-funds that are determined to be VIEs, the company evaluates the structure of each partnership to determine if it is the primary beneficiary of the fund. This evaluation includes assessing the rights of the limited partners to transfer their economic interests in the investment product. If the limited partners' lack rights to manage their economic interests, they are considered to be *de facto* agents of the company, resulting in the company determining that it is the primary beneficiary of the investment product.

- For VIE CLOs, if the company is deemed to have the power to direct the activities of the CLO that most significantly impact the CLO's economic performance, and the obligation to absorb losses/right to receive benefits from the CLO that could potentially be significant to the CLO, then the company is deemed to be the CLO's primary beneficiary and is required to consolidate the CLO.

- Non-VIE general partnership investments are deemed to be controlled by the company and are consolidated under a VOE model, unless the limited partners have the substantive ability to remove the general partner without cause based upon a simple majority vote or can otherwise dissolve the partnership, or unless the limited partners have substantive participating rights over decision-making. The company also consolidates certain non-VIE sponsored investment products in which the company has a controlling interest under a VOE model, which, as discussed above, may arise as a result of a seed investment in a newly launched investment product.

**Consolidation Analysis.** The company inventories its funds by vehicle type on a quarterly basis. The company assesses modifications to existing funds on an ongoing basis to determine if a significant reconsideration event has occurred. All newly created funds are evaluated for consolidation based upon a variety of factors, including the legal form of the investment vehicle, the management/performance fee structure, and any investment the company may have in the fund. Certain fund vehicle-types, such as CLOs and partnerships are more susceptible to consolidation due to the combination of these factors. The consolidation analysis for these structures includes a detailed review of the terms of the fund's governing documents and a comparison of the significant terms against the consolidation criteria in ASC 810, including a determination of whether the fund is a VIE or a VOE. Seed money and co-investments in managed funds in which the company has determined that it is the primary beneficiary or in which the company has a controlling financial interest are consolidated if the impact of doing so is deemed material. Otherwise, these investments are accounted for as described in the "Investments" accounting policy above.

**Consolidation of CLOs.** The company has elected the fair value option under ASC Topic 825-10-25 to measure the assets and liabilities of all consolidated CLOs at fair value, as the company has determined that measurement of the notes issued by consolidated CLOs at fair value better correlates with the value of the assets held by consolidated CLOs, which are held to provide the cash flows for the note obligations.

Upon consolidation of the CLOs, the company's and the CLOs' accounting policies are effectively aligned, resulting in 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. The company's gain on its investment in the CLOs (before consolidation) eliminates with the company's share of the offsetting loss on the CLOs' debt. The net income/loss impact during the period of consolidation of these CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through

consolidation. The Condensed Consolidated Balance Sheets reflect the consolidation of assets held and debt issued by these CLOs, despite the fact that the assets cannot be used by the company, nor is the company obligated for the debt. The surplus of consolidated CLO assets over consolidated CLO liabilities is reflected in the company's Condensed Consolidated Balance Sheets as retained earnings appropriated for investors in CIP. Current period gains/(losses) attributable to investors in consolidated CLOs are included in (gains)/losses attributable to noncontrolling interests in consolidated entities in the Condensed Consolidated Statements of Income and in the retained earnings appropriated

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for investors in CIP in the Condensed Consolidated Balance Sheets, as they are considered noncontrolling interests of the company. Interest income and expense of consolidated CLOs are presented as other income/(expense) in the company's Consolidated Income Statements. See Note 13, "Consolidated Investment Products," for additional details. In addition, the company's Consolidated Cash Flow Statement reflects the cash flows of these CLOs.

**Consolidation of Private Equity, Real Estate, and Fund-of-Funds.** The company also consolidates certain private equity and real estate funds that are structured as partnerships in which the company is the general partner receiving a management and/or performance fee. Private equity investments made by the underlying funds consist of direct investments in, or fund investments in other private equity funds that hold direct investments in, equity or debt securities in operating companies that are generally not initially publicly traded. Private equity funds are considered investment companies and are therefore accounted for under ASC Topic 946, "Financial Services - Investment Companies." The company has retained the specialized industry accounting principles of these investment products in its Consolidated Financial Statements. See Note 13, "Consolidated Investment Products," for additional details.

**Consolidation basis.** The financial statements have been prepared primarily on the historical cost basis; however, certain items are presented using other bases such as fair value, where such treatment is required or voluntarily elected. The financial statements of subsidiaries, with the exception of certain consolidated managed funds as discussed above, are prepared for the same reporting period as the Parent and use consistent accounting policies, which, where applicable, have been adjusted to U.S. GAAP from local generally accepted accounting principles or reporting regulations. The financial information of the CSIP and CIP is included in the company's consolidated financial statements on a one-month or a one-quarter lag based upon the availability of fund financial information. 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.

**Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements**

In February 2013, the FASB issued Accounting Standards Update 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 financial statements.

Table of Contents**2. FAIR VALUE OF ASSETS AND LIABILITIES**

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

| \$ in millions  | September 30, 2013 |                | December 31, 2012 |                |            |
|---|--------------------|----------------|-------------------|----------------|------------|
|   | Footnote Reference | Carrying Value | Fair Value        | Carrying Value | Fair Value |
| Cash and cash equivalents                                 |                    | 1,174.5        | 1,174.5           | 835.5          | 835.5      |
| Available-for-sale investments                            | 3                  | 134.3          | 134.3             | 122.1          | 122.1      |
| Trading investments                                       | 3                  | 242.5          | 242.5             | 218.7          | 218.7      |
| Foreign time deposits*                                    | 3                  | 29.6           | 29.6              | 31.3           | 31.3       |
| Assets held for policyholders                             |                    | 1,449.0        | 1,449.0           | 1,153.6        | 1,153.6    |
| Support agreements*                                       | 11                 | —              | —                 | (1.0 )         | (1.0 )     |
| Policyholder payables                                     |                    | (1,449.0 )     | (1,449.0 )        | (1,153.6 )     | (1,153.6 ) |
| Put option contracts                                      |                    | —              | —                 | —              | —          |
| UIT-related financial instruments sold, not yet purchased |                    | (2.0 )         | (2.0 )            | (1.5 )         | (1.5 )     |
| Note payable  |                    | (1.2 )         | (1.2 )            | (3.4 )         | (3.4 )     |
| Long-term debt*   | 4                  | (1,387.6 )     | (1,343.1 )        | (1,186.0 )     | (1,204.8 ) |

These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes 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 equivalents include cash investments in money market funds and time deposits. 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.



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## Available-for-sale investments

Available-for-sale investments include amounts seeded into affiliated investment products, investments in affiliated CLOs, and investments in other debt securities. Seed money investments are investments held in Invesco managed funds with the purpose of providing capital to the funds during their development periods. 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. Investments in CLOs are valued using an income approach through the use of certain observable and unobservable inputs and 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.

## Assets held for policyholders and policyholder payables

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.

## Put option contracts

The company has purchased several put option contracts to hedge economically foreign currency risk on the translation of a portion of its pound sterling-denominated earnings into U.S. dollars (purchases of none and \$1.8 million in the three and nine months ended September 30, 2013, respectively; purchases of none and \$2.5 million in the three and nine months ended September 30, 2012). These were the only contracts entered into during the period to hedge economically foreign currency risk. These contracts provide coverage through March 25, 2014. The economic hedge is predominantly triggered upon the impact of a significant decline in the pound sterling/U.S. dollar foreign exchange rate, which could arise as a result of European economic uncertainty. Open put option contracts are marked-to-market through earnings, which are recorded in the company's Condensed Consolidated Statements of Income in other gains and losses. These derivative contracts are valued using option valuation models and are included in other assets in the company's Condensed Consolidated Balance Sheets. The significant inputs in these models (volatility, forward points and swap curves) are readily available in public markets or can be derived from observable market transactions for substantially the full terms of the contracts and are classified within level 2 of the valuation hierarchy. The company recognized a loss of \$1.1 million and \$1.8 million in the three and nine months ended September 30, 2013 related to the change in market value of these put option contracts (three and nine months ended September 30, 2012: \$1.2 million and \$2.4 million, respectively).

## Trading investments

Trading investments include investments held to hedge economically against costs the company incurs in connection with certain deferred compensation plans in which the company participates, as well as trading and investing activities in equity and debt securities entered into in its capacity as sponsor of unit investment trusts (UITs).

## Investments related to deferred compensation plans

Investments related to deferred compensation plans are primarily invested in affiliated funds that are held to hedge economically deferred compensation liabilities. 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.

## UIT-related equity and debt securities

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

## Corporate stock

The company temporarily holds investments in corporate stock for purposes of creating a UIT. Corporate stocks 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.

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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 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.

**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, 2013, there were 4 open futures contracts with a notional value of \$0.5 million (December 31, 2012: 10 open futures contracts with a notional value of \$1.4 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 stock, exchange-traded fund, 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.

**Note payable**

The note payable represents a payable associated with Invesco's acquired ownership interest in two consolidated real estate funds. As the underlying assets in the funds are carried at fair value, management elected the fair value option for the note payable in order to offset the fair value movements recognized from the funds and has recorded the note payable as a level 3 liability. The fair value of the note payable is measured by reference to the value of the company's ownership interest in the equity of the funds, as this is the contractual amount payable at the reporting date.

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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 face of the statement of financial position as of September 30, 2013.

| \$ in millions   | As of September 30, 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   | 398.1                    | 398.1  | —   | —   |
| Investments:*  |                          |  |   |   |
| Available-for-sale:  |                          |  |   |   |
| Seed money   | 125.8                    | 125.8  | —   | —   |
| CLOs   | 2.2                      | —  | —   | 2.2                                       |
| Other debt securities                                      | 6.3                      | —  | —   | 6.3                                       |
| Trading investments:                                       |                          |  |   |   |
| Investments related to deferred compensation plans         | 239.0                    | 239.0  | —   | —   |
| UIT-related equity and debt securities:                    |                          |  |   |   |
| Corporate stock  | 2.3                      | 2.3  | —   | —   |
| UITs   | 1.2                      | 1.2  | —   | —   |
| Municipal securities                                       | —                        | —  | —   | —   |
| Assets held for policyholders                              | 1,449.0                  | 1,449.0  | —   | —   |
| Total assets at fair value                                 | 2,223.9                  | 2,215.4  | —   | 8.5                                       |
| Liabilities:   |                          |  |   |   |
| Policyholder payables                                      | (1,449.0                 | ) (1,449.0   | ) —   | —   |
| UIT-related financial instruments sold, not yet purchased: |                          |  |   |   |
| Corporate equities   | (2.0                     | ) (2.0   | ) —   | —   |
| Note payable   | (1.2                     | ) —  | —   | (1.2                                      |
| Total liabilities at fair value                            | (1,452.2                 | ) (1,451.0   | ) —   | (1.2                                      |

Foreign time deposits of \$29.6 million are excluded from this table. Equity method and other investments of \$292.4 million and \$6.2 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 that are measured at fair value as of December 31, 2012:

| \$ in millions  | As of December 31, 2012 |  |   |   |
|---|-------------------------|--|---|---|
|   | Fair Value Measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>Assets:</b>  |                         |  |   |   |
| <b>Cash equivalents:</b>  |                         |  |   |   |
| Money market funds  | 292.2                   | 292.2  | —   | —   |
| <b>Investments:*</b>  |                         |  |   |   |
| <b>Available-for-sale:</b>  |                         |  |   |   |
| Seed money  | 113.4                   | 113.4  | —   | —   |
| CLOs  | 2.4                     | —  | —   | 2.4                                       |
| Other debt securities   | 6.3                     | —  | —   | 6.3                                       |
| <b>Trading investments:</b>                                       |                         |  |   |   |
| Investments related to deferred compensation plans                | 213.5                   | 213.5  | —   | —   |
| Other equity securities   | 0.3                     | 0.3  | —   | —   |
| <b>UIT-related equity and debt securities:</b>                    |                         |  |   |   |
| Corporate stock   | 1.5                     | 1.5  | —   | —   |
| UITs  | 1.6                     | 1.6  | —   | —   |
| Municipal securities  | 1.8                     | —  | 1.8   | —   |
| Assets held for policyholders                                     | 1,153.6                 | 1,153.6  | —   | —   |
| <b>Total assets at fair value</b>                                 | <b>1,786.6</b>          | <b>1,776.1</b>   | <b>1.8</b>                                    | <b>8.7</b>                                |
| <b>Liabilities:</b>   |                         |  |   |   |
| Policyholder payables   | (1,153.6)               | (1,153.6)  | —   | —   |
| <b>UIT-related financial instruments sold, not yet purchased:</b> |                         |  |   |   |
| Corporate equities  | (1.5)                   | (1.5)  | —   | —   |
| Note payable  | (3.4)                   | —  | —   | (3.4)                                     |
| <b>Total liabilities at fair value</b>                            | <b>(1,158.5)</b>        | <b>(1,155.1)</b>   | <b>—</b>                                      | <b>(3.4)</b>                              |

Foreign time deposits of \$31.3 million are excluded from this table. Equity method and other investments of \$228.2 million and \$10.4 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, 2013 and September 30, 2012, which are valued using significant unobservable inputs:

| \$ 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 accumulated other comprehensive income/(loss)* | (0.1 )                                | —                     | —            | —                                    | —                     | —            |
| Net unrealized gains and losses included in earnings*                                      | —                                     | —                     | —            | —                                    | —                     | 0.1          |
| Foreign exchange gains/(losses)  | —                                     | —                     | —            | —                                    | —                     | 0.4          |
| Ending balance   | 2.2                                   | 6.3                   | (1.2 )       | 2.2                                  | 6.3                   | (1.2 )       |

  

| \$ in millions   | Three months ended September 30, 2012 |                       |              | Nine months ended September 30, 2012 |                       |              |
|--|---------------------------------------|-----------------------|--------------|--------------------------------------|-----------------------|--------------|
|  | CLOs                                  | Other Debt Securities | Note Payable | CLOs                                 | Other Debt Securities | Note Payable |
| Beginning balance  | 2.5                                   | 6.3                   | (12.6 )      | —                                    | —                     | (16.8 )      |
| Purchases  | —                                     | —                     | —            | —                                    | 1.7                   | —            |
| Settlements  | —                                     | —                     | 1.6          | (0.2 )                               | —                     | 1.6          |
| Deconsolidation of CIPs  | —                                     | —                     | —            | 2.5                                  | —                     | —            |
| Net unrealized gains and losses included in accumulated other comprehensive income/(loss)* | —                                     | —                     | —            | 0.2                                  | —                     | —            |
| Net unrealized gains and losses included in earnings*                                      | —                                     | —                     | —            | —                                    | —                     | 3.5          |
| Reclassification   | —                                     | —                     | —            | —                                    | 4.6                   | —            |
| Foreign exchange gains/(losses)  | —                                     | —                     | (0.3 )       | —                                    | —                     | 0.4          |
| Ending balance   | 2.5                                   | 6.3                   | (11.3 )      | 2.5                                  | 6.3                   | (11.3 )      |

Included in other gains and losses, net in the Condensed Consolidated Statement of Income are \$0.1 million in net unrealized gains for the nine months ended September 30, 2013, however there were no net unrealized gains or losses for the three months ended September 30, 2013 (three and nine months ended September 30, 2012: none and \$3.5 million net unrealized gains, respectively) attributable to the note payable still held at September 30, 2013.

\*There were \$0.1 million net unrealized losses included in accumulated other comprehensive income/(loss) for the three months ended September 30, 2013, however there were no net unrealized gains or losses for the nine months ended September 30, 2013 (three and nine months ended September 30, 2012: none and \$0.2 million net unrealized gains, respectively) attributed to the change in unrealized gains and losses related to assets still held at September 30, 2013.

#### Quantitative Information about Level 3 Fair Value Measurements

At September 30, 2013, investments in CLOs were valued using third-party pricing information. Quantitative unobservable inputs for such valuations were not developed or adjusted by the company. The following table shows

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significant unobservable inputs used in the fair value measurement of level 3 assets and liabilities at December 31, 2012:

| Assets and Liabilities * | Fair Value at December 31, 2012 (\$ in millions) | Valuation Technique       | Unobservable Inputs  | Range       | Weighted Average (by fair value) |
|--------------------------|--|---------------------------|----------------------|-------------|----------------------------------|
| CLOs                     | 2.4  | Discounted Cash Flow-Euro | Assumed Default Rate | 1.8% - 5.0% | <1yr: 1.8%                       |
|                          |  |                           | Spread over Euribor  | n/a         | >1yr: 5.0%                       |
|                          |  | Discounted Cash Flow-USD  | Assumed Default Rate | 1.1% - 3.0% | <1yr: 1.1%                       |
|                          |  |                           | Spread over Libor    | n/a         | >1yr: 3.0%                       |
|                          |  |                           |                      |             | 3300 bps<br>1496 bps             |

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Other debt securities of \$6.3 million (at December 31, 2012: \$6.3 million) are not included in the table above as they are valued using a cost valuation technique. The note payable of \$1.2 million (at December 31, 2012: \$3.4 million) is also not included in the table above as its value is linked to the underlying value of consolidated funds. Both items are more fully discussed in the "Available-for-sale investments" and "Note payable" disclosures above.

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 significant decreases in fair value measurements. A directionally-opposite impact would apply for significant decreases in these inputs.

**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                                     | As of<br>September<br>30,<br>2013 | December<br>31,<br>2012 |
|--|-----------------------------------|-------------------------|
| Available-for-sale investments:                    |                                   |                         |
| Seed money   | 125.8                             | 113.4                   |
| CLOs   | 2.2                               | 2.4                     |
| Other debt securities                              | 6.3                               | 6.3                     |
| Trading investments:                               |                                   |                         |
| Investments related to deferred compensation plans | 239.0                             | 213.5                   |
| UIT-related equity and debt securities             | 3.5                               | 4.9                     |
| Other equity securities                            | —                                 | 0.3                     |
| Equity method investments                          | 292.4                             | 228.2                   |
| Foreign time deposits                              | 29.6                              | 31.3                    |
| Other  | 6.2                               | 10.4                    |
| Total investments                                  | 705.0                             | 610.7                   |

In March 2013, the company completed the purchase of a 49% equity interest in Religare Asset Management Limited, a company incorporated in India. The company has applied the equity method of accounting for its investment. The equity method investment balance above includes the difference between the carrying amount of the investment and its book value.

The portion of trading gains and losses for the three and nine months ended September 30, 2013 that relates to trading securities still held at September 30, 2013 was a \$9.8 million net gain and \$23.8 million net gain, respectively (three and nine months ended September 30, 2012: \$9.7 million net gain and \$16.0 million net gain, respectively).

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Realized gains and losses recognized in the income statement during the year from investments classified as available-for-sale are as follows:

| \$ 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   | —                    | —                     |
| \$ in millions | For the three months ended September 30, 2012: |                      |                       | For the nine months ended September 30, 2012: |                      |                       |
|                | Proceeds from Sales                            | Gross Realized Gains | Gross Realized Losses | Proceeds from Sales                           | Gross Realized Gains | Gross Realized Losses |
| Seed money     | 9.1  | 1.4                  | (0.2 )                | 32.7  | 3.2                  | (0.7 )                |
| CLOs           | —  | —                    | —                     | 0.2   | —                    | —                     |

Upon the sale of available-for-sale securities, net realized gains of \$1.0 million and \$2.4 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during the three and nine months ended September 30, 2013, respectively (net realized gains of \$1.2 million and \$2.5 million were transferred during the three and nine months ended September 30, 2012, 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, 2013 |                                |                                 |            | December 31, 2012 |                                |                                 |            |
|-----------------------|--------------------|--------------------------------|---------------------------------|------------|-------------------|--------------------------------|---------------------------------|------------|
|                       | Cost               | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value | Cost              | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
| Seed money            | 111.8              | 14.3                           | (0.3 )                          | 125.8      | 105.5             | 8.4                            | (0.5 )                          | 113.4      |
| CLOs                  | 2.2                | —                              | —                               | 2.2        | 2.4               | —                              | —                               | 2.4        |
| Other debt securities | 6.3                | —                              | —                               | 6.3        | 6.3               | —                              | —                               | 6.3        |
|                       | 120.3              | 14.3                           | (0.3 )                          | 134.3      | 114.2             | 8.4                            | (0.5 )                          | 122.1      |

Available-for-sale debt securities by maturity, are set out below:

| \$ in millions           | September 30, 2013 |
|--------------------------|--------------------|
| One to five years        | 1.7                |
| Five to ten years        | 6.8                |
| Total available-for-sale | 8.5                |

The following table provides the breakdown of available-for-sale investments with unrealized losses at September 30, 2013:

| \$ in millions        | Less Than 12 Months |                         | 12 Months or Greater |                         | Total      |                         |
|-----------------------|---------------------|-------------------------|----------------------|-------------------------|------------|-------------------------|
|                       | Fair Value          | Gross Unrealized Losses | Fair Value           | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Seed money (41 funds) | 11.6                | (0.2 )                  | 0.2                  | (0.1 )                  | 11.8       | (0.3 )                  |

The following table provides the breakdown of available-for-sale investments with unrealized losses at December 31, 2012:

| \$ in millions | Less Than 12 Months |                  | 12 Months or Greater |                  | Total      |                  |
|----------------|---------------------|------------------|----------------------|------------------|------------|------------------|
|                | Fair Value          | Gross Unrealized | Fair Value           | Gross Unrealized | Fair Value | Gross Unrealized |

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|                       |     |             |      |                |        |                |   |
|-----------------------|-----|-------------|------|----------------|--------|----------------|---|
| Seed money (52 funds) | 0.2 | Losses<br>— | 11.5 | Losses<br>(0.5 | ) 11.7 | Losses<br>(0.5 | ) |
|-----------------------|-----|-------------|------|----------------|--------|----------------|---|

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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, 2013 (nine months ended September 30, 2012: \$0.8 million).

The gross unrealized losses of seed money investments at September 30, 2013 were immaterial and were primarily caused by foreign exchange movements. After conducting a review of 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, the company does not consider any material portion of its gross unrealized losses on these securities to be other-than-temporarily impaired. 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.

**4. LONG-TERM DEBT**

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

| \$ in millions                                      | September 30, 2013 |            | December 31, 2012 |            |
|---|--------------------|------------|-------------------|------------|
|   | Carrying Value     | Fair Value | Carrying Value    | Fair Value |
| Unsecured Senior Note*:                             |                    |            |                   |            |
| 3.125% - due November 30, 2022                      | 599.6              | 555.1      | 599.5             | 618.3      |
| Floating rate credit facility expiring June 3, 2016 | 788.0              | 788.0      | 586.5             | 586.5      |
| Long-term debt                                      | 1,387.6            | 1,343.1    | 1,186.0           | 1,204.8    |

The company's Senior Note indenture contains certain restrictions on mergers or consolidations. Beyond these items, there are no other restrictive covenants in the indenture. The issuer is a 100%-owned finance subsidiary of the \*Parent, and the Parent has fully and unconditionally guaranteed the securities. Certain of our subsidiaries are required to maintain minimum levels of capital. These 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 value of the company's Senior Note was determined by market quotes provided by Bloomberg L.P., which is considered a Level 2 valuation input.

Analysis of Borrowings by Maturity:

| \$ in millions | September 30, 2013 |
|----------------|--------------------|
| 2016           | 788.0              |
| 2022           | 599.6              |
| Long-term debt | 1,387.6            |

At September 30, 2013, the outstanding balance on the credit facility was \$788.0 million and the weighted average interest rate on the credit facility was 1.28%. 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 company's credit ratings and specified credit default spreads. Based on credit ratings as of September 30, 2013 of the company and such credit default spreads, the applicable margin for LIBOR-based loans was 1.10% and for base rate loans was 0.10%. 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 company's credit ratings. Based on credit ratings as of September 30, 2013, the annual facility fee was equal to 0.15%.

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 certain restrictive merger arrangements; selling, leasing, transferring or

otherwise disposing of assets; making a material change in the nature of the business; making material amendments to organic documents; making a significant accounting policy change in certain situations; entering into transactions with affiliates. 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 ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through June

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30, 2014, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement, divided by 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, 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 \$33.5 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. Approximately \$11.3 million of the letters of credit support office lease obligations.

## 5. SHARE CAPITAL

Movements in the number of common shares issued are represented in the table below:

| In millions   | September 30,<br>2013 | September 30,<br>2012 |
|---|-----------------------|-----------------------|
| Common shares issued  | 490.4                 | 490.4                 |
| Less: Treasury shares for which dividend and voting rights do not apply | (47.2                 | ) (46.4               |
| Common shares outstanding   | 443.2                 | 444.0                 |

During the three and nine months ended September 30, 2013, the company repurchased zero and 3.8 million shares, respectively, in the market at a cost of zero and \$120.5 million, respectively (three and nine months ended September 30, 2012: 1.8 million and 8.1 million shares were repurchased at a cost of \$40.0 million, and \$190.0 million, respectively). Separately, an aggregate of 2.3 million shares were withheld on vesting events during the nine months ended September 30, 2013 to meet employees' withholding tax (nine months ended September 30, 2012: 1.9 million). The fair value of these shares withheld at the respective withholding dates was \$61.5 million during the nine months ended September 30, 2013 (nine months ended September 30, 2012: \$44.4 million). As of September 30, 2013, \$346.5 million remained authorized under the company's share repurchase plan (September 30, 2012: \$542.0 million). See Note 16, "Subsequent Events," for details regarding additional share repurchase authorization.

Total treasury shares at September 30, 2013 were 57.2 million (September 30, 2012: 56.8 million), including 10.0 million unvested restricted stock awards (September 30, 2012: 10.4 million) for which dividend and voting rights apply. The closing market price of common shares at September 30, 2013 was \$31.90. The total market value of the company's 57.2 million treasury shares was \$1.8 billion on September 30, 2013.

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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, 2013: |                              |                                 |                                   | Total  |
|---|--|------------------------------|---------------------------------|-----------------------------------|--------|
|   | Foreign<br>currency<br>translation             | Employee<br>benefit<br>plans | Equity<br>method<br>investments | Available-for-sale<br>investments |        |
| Other comprehensive income/(loss) before tax:   |  |                              |                                 |                                   |        |
| Currency translation differences on investments in foreign subsidiaries *   | 202.7  | —                            | —                               | —                                 | 202.7  |
| Actuarial (loss)/gain related to employee benefit plans   | —  | (5.5 )                       | —                               | —                                 | (5.5 ) |
| Reclassification of amortization of prior service costs/(credit) into employee compensation expense                       | —  | (0.5 )                       | —                               | —                                 | (0.5 ) |
| Reclassification of amortization of actuarial (gains)/losses into employee compensation expense                           | —  | 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   | 202.7  | (5.5 )                       | (3.5 )                          | 3.5                               | 197.2  |
| Income tax related to items of other comprehensive income/(loss):   |  |                              |                                 |                                   |        |
| Tax benefit/(expense) 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 costs/(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 realized on available-for-sale investments included in income tax provision | —  | —                            | —                               | (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   | 203.4  | (7.2 )                       | (3.5 )                          | 3.4                               | 196.1  |
| Other comprehensive (income)/loss attributable to noncontrolling interest   | (5.2 )   | —                            | —                               | —                                 | (5.2 ) |
| Ending balance  | 507.6  | (81.0 )                      | (3.0 )                          | 11.2                              | 434.8  |



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| \$ in millions  | For the three months ended September 30, 2012: |                              |                                 |                                   |         |
|---|--|------------------------------|---------------------------------|-----------------------------------|---------|
|   | Foreign<br>currency<br>translation             | Employee<br>benefit<br>plans | Equity<br>method<br>investments | Available-for-sale<br>investments | Total   |
| Other comprehensive income/(loss) before tax:   |  |                              |                                 |                                   |         |
| Currency translation differences on investments in foreign subsidiaries *   | 171.3  | —                            | —                               | —                                 | 171.3   |
| Actuarial (loss)/gain related to employee benefit plans   | —  | (2.7 )                       | —                               | —                                 | (2.7 )  |
| Reclassification of amortization of prior service costs/(credit) into employee compensation expense                       | —  | (0.5 )                       | —                               | —                                 | (0.5 )  |
| Reclassification of amortization of actuarial (gains)/losses into employee compensation expense                           | —  | 0.4                          | —                               | —                                 | 0.4     |
| Share of other comprehensive income/(loss) of equity method investments   | —  | —                            | 1.6                             | —                                 | 1.6     |
| Unrealized gains/(losses) 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 | —  | —                            | —                               | (1.3 )                            | (1.3 )  |
| Other comprehensive income/(loss), before tax   | 171.3  | (2.8 )                       | 1.6                             | 4.9                               | 175.0   |
| Income tax related to items of other comprehensive income/(loss):   |  |                              |                                 |                                   |         |
| Tax benefit/(expense) on foreign currency translation differences   | 0.1  | —                            | —                               | —                                 | 0.1     |
| Tax on actuarial (loss)/gain related to employee benefit plans  | —  | (1.8 )                       | —                               | —                                 | (1.8 )  |
| Reclassification of tax on amortization of prior service costs/(credit) into income tax provision                         | —  | 0.2                          | —                               | —                                 | 0.2     |
| 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  | —  | —                            | —                               | 2.5                               | 2.5     |
| Reclassification of tax on net (gains)/losses realized on available-for-sale investments included in income tax provision | —  | —                            | —                               | (2.9 )                            | (2.9 )  |
| Total income tax benefit/(expense) related to items of other comprehensive income   | 0.1  | (1.7 )                       | —                               | (0.4 )                            | (2.0 )  |
| Accumulated other comprehensive income/(loss), net of tax:  |  |                              |                                 |                                   |         |
| Beginning balance   | 464.5  | (74.1 )                      | (1.3 )                          | 0.8                               | 389.9   |
| Other comprehensive income/(loss), net of tax   | 171.4  | (4.5 )                       | 1.6                             | 4.5                               | 173.0   |
| Other comprehensive (income)/loss attributable to noncontrolling interest   | (24.7 )  | —                            | —                               | —                                 | (24.7 ) |
| Ending balance  | 611.2  | (78.6 )                      | 0.3                             | 5.3                               | 538.2   |

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| \$ in millions  | For the nine months ended September 30, 2013: |                              |                                 |                                   |         |
|---|---|------------------------------|---------------------------------|-----------------------------------|---------|
|   | Foreign<br>currency<br>translation            | Employee<br>benefit<br>plans | Equity<br>method<br>investments | Available-for-sale<br>investments | Total   |
| Other comprehensive income/(loss) before tax:   |   |                              |                                 |                                   |         |
| Currency translation differences on investments in foreign subsidiaries *   | (94.2 )                                       | —                            | —                               | —                                 | (94.2 ) |
| Actuarial (loss)/gain related to employee benefit plans   | —   | 1.3                          | —                               | —                                 | 1.3     |
| Reclassification of amortization of prior service costs/(credit) into employee compensation expense                       | —   | (1.5 )                       | —                               | —                                 | (1.5 )  |
| Reclassification of amortization of actuarial (gains)/losses into employee compensation expense                           | —   | 1.9                          | —                               | —                                 | 1.9     |
| Share of other comprehensive income/(loss) of equity method investments   | —   | —                            | (5.1 )                          | —                                 | (5.1 )  |
| Unrealized gains/(losses) 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   | (94.2 )                                       | 1.7                          | (5.1 )                          | 6.1                               | (91.5 ) |
| Income tax related to items of other comprehensive income/(loss):   |   |                              |                                 |                                   |         |
| Tax benefit/(expense) 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 costs/(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 realized on available-for-sale investments included in income tax provision | —   | —                            | —                               | (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   | (94.6 )                                       | (1.6 )                       | (5.1 )                          | 5.1                               | (96.2 ) |
| Other comprehensive (income)/loss attributable to noncontrolling interest   | 0.5   | —                            | —                               | —                                 | 0.5     |
| Ending balance  | 507.6   | (81.0 )                      | (3.0 )                          | 11.2                              | 434.8   |

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| \$ in millions  | For the nine months ended September 30, 2012: |                              |                                 |                                   |        |
|---|---|------------------------------|---------------------------------|-----------------------------------|--------|
|   | Foreign<br>currency<br>translation            | Employee<br>benefit<br>plans | Equity<br>method<br>investments | Available-for-sale<br>investments | Total  |
| Other comprehensive income/(loss) before tax:   |   |                              |                                 |                                   |        |
| Currency translation differences on investments in foreign subsidiaries *   | 155.2   | —                            | —                               | —                                 | 155.2  |
| Actuarial (loss)/gain related to employee benefit plans   | —   | (1.6 )                       | —                               | —                                 | (1.6 ) |
| Reclassification of amortization of prior service costs/(credit) into employee compensation expense                       | —   | (1.5 )                       | —                               | —                                 | (1.5 ) |
| Reclassification of amortization of actuarial (gains)/losses into employee compensation expense                           | —   | 1.2                          | —                               | —                                 | 1.2    |
| Share of other comprehensive income (loss) of equity method investments   | —   | —                            | 4.6                             | —                                 | 4.6    |
| Unrealized gains/(losses) on available-for-sale investments   | —   | —                            | —                               | 10.0                              | 10.0   |
| Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net | —   | —                            | —                               | (1.7 )                            | (1.7 ) |
| Other comprehensive income/(loss), before tax   | 155.2   | (1.9 )                       | 4.6                             | 8.3                               | 166.2  |
| Income tax related to items of other comprehensive income/(loss):   |   |                              |                                 |                                   |        |
| Tax benefit/(expense) on foreign currency translation differences   | 0.9   | —                            | —                               | —                                 | 0.9    |
| Tax on actuarial (loss)/gain related to employee benefit plans  | —   | (1.9 )                       | —                               | —                                 | (1.9 ) |
| Reclassification of tax on amortization of prior service costs/(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  | —   | —                            | —                               | 2.7                               | 2.7    |
| Reclassification of tax on net (gains)/losses realized on available-for-sale investments included in income tax provision | —   | —                            | —                               | (2.9 )                            | (2.9 ) |
| Total income tax benefit/(expense) related to items of other comprehensive income   | 0.9   | (1.9 )                       | —                               | (0.2 )                            | (1.2 ) |
| Accumulated other comprehensive income/(loss), net of tax:  |   |                              |                                 |                                   |        |
| Beginning balance   | 455.2   | (74.8 )                      | (4.3 )                          | (2.8 )                            | 373.3  |
| Other comprehensive income/(loss), net of tax   | 156.1   | (3.8 )                       | 4.6                             | 8.1                               | 165.0  |
| Other comprehensive (income)/loss attributable to noncontrolling interest   | (0.1 )  | —                            | —                               | —                                 | (0.1 ) |
| Ending balance  | 611.2   | (78.6 )                      | 0.3                             | 5.3                               | 538.2  |

\* Included in this amount are net gains of \$5.2 million and net losses of \$0.5 million for the three and nine months ended September 30, 2013, respectively, related to foreign currency translation adjustments attributable to CIP (three and nine months ended September 30, 2012: net gains of \$24.7 million and \$0.1 million, respectively). Of this amount gains of \$0.5 million for the three and nine months ended



September 30, 2013 are reclassified from accumulated other comprehensive income into retained earnings appropriated for investors in CIP (three and nine months ended September 30, 2012: gains of \$1.5 million and losses of \$7.0 million, respectively).

#### 7. SHARE-BASED COMPENSATION

The company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant, in accordance with ASC Topic 718, "Compensation — Stock Compensation." The fair value determined at the grant date is expensed, based on the company's estimate of shares that will eventually vest, on a straight-line or accelerated basis over the vesting period. The company recognized total expenses of \$103.0 million in the nine months ended September 30, 2013 (nine months ended September 30, 2012: \$102.9 million) related to equity-settled share-based payment transactions.

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## 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 straightline or accelerated basis over the vesting period.

Time-vested awards vest ratably over or cliff-vest at the end of 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.

Movements on share awards priced in U.S. dollars are detailed below:

| Millions of shares, except fair values   | Nine months ended September 30, 2013 |                    |   | Nine months ended September 30, 2012 |                    |   |
|--|--------------------------------------|--------------------|---|--------------------------------------|--------------------|---|
|  | Time-Vested                          | Performance-Vested | Weighted Average Grant Date Fair Value (\$) | Time-Vested                          | Performance-Vested | Weighted Average Grant Date Fair Value (\$) |
| Unvested at the beginning of period      | 16.5                                 | 0.3                | 22.36                                       | 17.3                                 | —                  | 20.34                                       |
| Granted during the period                | 5.2                                  | 0.2                | 26.86                                       | 5.5                                  | 0.3                | 24.84                                       |
| Forfeited during the period              | (0.4)                                | —                  | 24.46                                       | (0.3)                                | —                  | 21.07                                       |
| Vested and distributed during the period | (6.6)                                | (0.1)              | 19.93                                       | (5.6)                                | —                  | 18.87                                       |
| Unvested at the end of the period        | 14.7                                 | 0.4                | 24.99                                       | 16.9                                 | 0.3                | 22.31                                       |

On December 4, 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, are detailed below:

| Millions of shares, except fair values   | Nine months ended September 30, 2013 |   | Nine months ended September 30, 2012 |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | Time-Vested                          | Weighted Average Grant Date Fair Value (£ Sterling) | Time-Vested                          | Weighted Average Grant Date Fair Value (£ Sterling) |
| Unvested at the beginning of period      | 0.3                                  | 12.90   | 0.6                                  | 11.25   |
| Vested and distributed during the period | (0.2)                                | 12.90   | (0.3)                                | 9.66  |
| Unvested at the end of the period        | 0.1                                  | 12.90   | 0.3                                  | 12.90   |

All share awards outstanding at September 30, 2013 had a weighted average remaining contractual life of 1.59 years. The total fair value of shares that vested during the nine months ended September 30, 2013 was \$185.0 million (nine months ended September 30, 2012: \$144.3 million). The weighted average fair value at the date of grant of the U.S.

dollar vested and distributed share awards was \$19.93.

At September 30, 2013, there was \$291.2 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 3.01 years.

#### Share Options

The company has not granted share option awards since 2005. All share option awards, therefore, were granted prior to the

December 4, 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). The company maintains its two historical share option plans which have outstanding share options: The 2000 Share Option Plan and the No. 3 Executive Share Option Scheme. All remaining outstanding share option awards were fully vested and were expensed by the company over the applicable vesting periods (the

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latest of which ended prior to December 31, 2008). 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          | Nine months ended September 30, 2013 |  | Nine months ended September 30, 2012 |  |
|--|--------------------------------------|--|--------------------------------------|--|
|  | Options                              | Weighted Average Exercise Price (£ Sterling) | Options                              | Weighted Average Exercise Price (£ Sterling) |
| Outstanding at the beginning of the period | 2.6                                  | 7.31   | 4.5                                  | 7.85   |
| Forfeited during the period                | —                                    | —  | (0.1 )                               | 14.80  |
| Exercised during the period                | (1.0 )                               | 7.38   | (1.3 )                               | 8.29   |
| Outstanding at the end of the period       | 1.6                                  | 7.26   | 3.1                                  | 7.33   |
| Exercisable at the end of the period       | 1.6                                  | 7.26   | 3.1                                  | 7.33   |

**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, 2013 are \$11.3 million and \$39.4 million, respectively (three and nine months ended September 30, 2012: \$11.2 million and \$38.2 million, respectively).

**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 post-retirement 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 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:

| \$ in millions                            | Three months ended September 30, |        |              |        | Nine months ended September 30, |         |              |        |
|---|----------------------------------|--------|--------------|--------|---------------------------------|---------|--------------|--------|
|   | Retirement Plans                 |        | Medical Plan |        | Retirement Plans                |         | Medical Plan |        |
|   | 2013                             | 2012   | 2013         | 2012   | 2013                            | 2012    | 2013         | 2012   |
| Service cost                              | (1.2 )                           | (1.1 ) | —            | (0.1 ) | (3.4 )                          | (3.3 )  | (0.2 )       | (0.3 ) |
| Interest cost                             | (4.9 )                           | (4.7 ) | (0.6 )       | (0.6 ) | (14.7 )                         | (14.3 ) | (1.6 )       | (1.8 ) |
| Expected return on plan assets            | 4.3                              | 4.4    | 0.2          | 0.1    | 13.1                            | 13.2    | 0.4          | 0.3    |
| Amortization of prior service cost        | —                                | —      | 0.5          | 0.5    | —                               | —       | 1.5          | 1.5    |
| Amortization of net actuarial (loss)/gain | (0.5 )                           | (0.3 ) | —            | (0.1 ) | (1.7 )                          | (0.9 )  | (0.2 )       | (0.3 ) |
| Net periodic benefit cost                 | (2.3 )                           | (1.7 ) | 0.1          | (0.2 ) | (6.7 )                          | (5.3 )  | (0.1 )       | (0.6 ) |

The estimated amount of contributions expected to be paid to the retirement plans during 2013 is \$15.9 million, with an additional expected contribution of \$2.3 million to the medical plan.



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## 9. TAXATION

At September 30, 2013, the total amount of gross unrecognized tax benefits was \$16.9 million as compared to the December 31, 2012, total of \$22.6 million. 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.

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. The weighted average number of shares outstanding during the period also includes participating securities such as unvested time-based restricted stock awards and restricted stock units that pay dividend equivalents. Diluted earnings per share is computed using the treasury stock method, which requires computing share equivalents and dividing net income attributable to common shareholders by the total weighted average number of shares and share equivalents outstanding during the period. The calculation of earnings per share is as follows:

| In millions, except per share amounts   | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2013                                | 2012    | 2013                               | 2012    |
| Income from continuing operations, net of taxes   | \$250.1                             | \$153.7 | \$653.9                            | \$452.0 |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities                   | (20.6 )                             | 13.7    | 0.9                                | 59.1    |
| Income from continuing operations attributable to Invesco Ltd. for basic and diluted EPS calculations | 229.5                               | 167.4   | 654.8                              | 511.1   |
| Income/(loss) from discontinued operations, net of taxes  | (1.4 )                              | 3.2     | (1.9 )                             | 7.3     |
| Net income attributable to common shareholders  | \$228.1                             | \$170.6 | \$652.9                            | \$518.4 |
| Weighted average shares outstanding - basic   | 447.9                               | 451.3   | 448.3                              | 453.1   |
| Dilutive effect of share-based awards   | 0.9                                 | 1.5     | 1.1                                | 1.5     |
| Weighted average shares outstanding - diluted   | 448.8                               | 452.8   | 449.4                              | 454.6   |
| Basic earnings per share:   |                                     |         |                                    |         |
| Earnings per share from continuing operations   | \$0.51                              | \$0.37  | \$1.46                             | \$1.13  |
| Earnings per share from discontinued operations   | —                                   | \$0.01  | —                                  | \$0.02  |
| Basic earnings per share  | \$0.51                              | \$0.38  | \$1.46                             | \$1.14  |
| Diluted earnings per share:   |                                     |         |                                    |         |
| Earnings per share from continuing operations   | \$0.51                              | \$0.37  | \$1.46                             | \$1.12  |
| Earnings per share from discontinued operations   | —                                   | \$0.01  | —                                  | \$0.02  |
| Diluted earnings per share  | \$0.51                              | \$0.38  | \$1.45                             | \$1.14  |

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, 2013 (nine months ended September 30, 2012: none). Antidilutive options are those where the options' exercise prices are greater than the average market price of the shares.



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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 in the normal course of business for the investment of client assets. 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, and 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, 2013, the company's undrawn capital commitments were \$151.4 million (December 31, 2012: \$209.3 million).

During 2007, Invesco elected to enter into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure. These two trusts are unregistered trusts that invest in fixed income securities and are available only to limited types of investors. In June 2013, the agreements were amended to extend the term through June 30, 2014. During October 2013, the agreement related to one of the trusts terminated. Further extensions are likely to the remaining trust. As of September 30, 2013, the total committed support for both trusts was \$21.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company. No payment has been made under the remaining agreement nor has Invesco realized any loss from the support agreement through the date of this Report. Significant investor redemptions out of the trust before the scheduled maturity of the underlying securities or significant credit default issues of the securities held within the trust's portfolio could change the company's estimation of likelihood of funding. This trust was not consolidated because the company was not deemed to be the primary beneficiary.

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 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 and Other 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. Those evaluations have been completed, and 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 and



remain pending. A similar suit was filed in Massachusetts in 2013. A motion to dismiss this suit was filed April 1, 2013. The court in the Massachusetts case granted the motion on August 27, 2013; plaintiffs filed a notice of 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

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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, 2013 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.

Included among these inquiries is an ongoing review by the Enforcement Division of the U.K. Financial Conduct Authority ("FCA") of certain matters pertaining to the company's compliance with FCA rules and regulations for the period May 2008 to November 2012. The company is cooperating fully with the FCA review and believes that its current systems and controls now are adequate and in compliance with applicable regulations. The company is not able at this time to estimate the amount of any potential fine; however, the company believes that any fine would not have a material adverse effect on its financial position or liquidity.

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 \$20.9 million. 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.

## 12. CONSOLIDATED SPONSORED INVESTMENT PRODUCTS

During the three and nine months ended September 30, 2013, the company consolidated certain managed funds that meet the CSIP definition in Note 1, "Accounting Policies." The following table presents the balances related to CSIP that were included on the Condensed Consolidated Balance Sheets as well as Invesco's net interest in the CSIP at September 30, 2013 (December 31, 2012: none):

| \$ in millions  | September 30, 2013 |
|---|--------------------|
| Investments of CSIP   | 88.6               |
| Other assets of CSIP  | 5.7                |
| Less: Other liabilities of CSIP                                     | (0.5)              |
| Less: Equity attributable to nonredeemable noncontrolling interests | (7.6)              |
| Invesco's net interests in CSIP                                     | 86.2               |
| Invesco's net interests as a percentage of investments of CSIP      | 97.3 %             |

The carrying value of investments held by CSIP is also their fair value. The following table presents the fair value hierarchy levels of investments held by CSIP, which are measured at fair value as of September 30, 2013 (as of December 31, 2012: none):



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| \$ in millions                             | As of September 30, 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                    | 33.7                     | 2.1  | 31.6  | —   |
| Equity securities                          | 26.7                     | 26.2   | 0.5   | —   |
| Investments in fixed income fund*          | 15.0                     | 15.0   | —   | —   |
| Investments in other private equity funds* | 13.2                     | —  | —   | 13.2                                      |
| Total investments at fair value            | 88.6                     | 43.3   | 32.1  | 13.2                                      |

Investments in the fixed income fund and private equity funds are valued using the 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.

The table below summarizes as of September 30, 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:

|                              | Fair Value at September 30, 2013 (\$ in millions) | Total Unfunded Commitments (\$ in millions) | Weighted Average Remaining Term (1) | Redemption Frequency | Redemption Notice Period |
|------------------------------|---|---|-------------------------------------|----------------------|--------------------------|
| Fixed income fund            | \$15.0  | \$—   | n/a                                 | Monthly              | 10 days                  |
| Private equity fund of funds | \$13.2  | \$34.2                                      | 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 (including convertible bonds) 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 table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets using significant unobservable inputs for the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012: none):

|  | Three months ended September | Nine months ended September |
|--|------------------------------|-----------------------------|
|--|------------------------------|-----------------------------|

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| \$ in millions        | 30, 2013       | 30, 2013       |
|-----------------------|----------------|----------------|
|                       | Level 3 Assets | Level 3 Assets |
| Beginning balance     | —              | —              |
| Consolidation of CSIP | 13.2           | 13.2           |
| Ending balance        | 13.2           | 13.2           |

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## 13. CONSOLIDATED INVESTMENT PRODUCTS

The following table presents the balances related to CIP that were 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, 2013 | December 31, 2012 |
| Cash and cash equivalents of CIP                                    | 445.0              | 287.8             |
| Investments of CIP  | 4,514.6            | 4,550.6           |
| Accounts receivable and other assets of CIP                         | 62.2               | 84.1              |
| Less: Debt of CIP   | (4,003.1           | ) (3,899.4        |
| Less: Other liabilities of CIP                                      | (251.0             | ) (104.3          |
| Less: Retained earnings appropriated for investors in CIP           | (106.3             | ) (128.8          |
| Less: Equity attributable to nonredeemable noncontrolling interests | (578.9             | ) (727.8          |
| Invesco's net interests in CIP                                      | 82.5               | 62.2              |
| Invesco's net interests as a percentage of investments of CIP       | 1.83               | % 1.37            |

The company's risk with respect to each investment in CIP is limited to its equity ownership and any uncollected management 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 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.

Collateralized Loan Obligations

A significant portion of CIP are CLOs. CLOs are investment vehicles created for the sole purpose of issuing collateralized loan instruments that offer investors the opportunity for returns that vary with the risk level of their investment. The notes issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. For managing the collateral for the CLO entities, the company earns investment management fees, including in some cases subordinated management fees, as well as contingent incentive fees. The company has invested in certain of the entities, generally taking a portion of the unrated, junior subordinated position. The company's investments in CLOs are generally subordinated to other interests in the entities and entitle the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. The company's subordinated interest can take the form of (1) subordinated notes, (2) income notes or (3) preference/preferred shares. The company has determined that, although the junior tranches have certain characteristics of equity, they should be accounted for and disclosed as debt on the company's Condensed Consolidated Balance Sheets, as the subordinated and income notes have a stated maturity indicating a date for which they are mandatorily redeemable. The preference shares are also classified as debt, as redemption is required only upon liquidation or termination of the CLO and not of the company.

The company determined that it was the primary beneficiary of certain CLOs, as it has the power to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, and the obligation to absorb losses/right to receive benefits from the CLOs that could potentially be significant to the CLOs. The primary beneficiary assessment includes an analysis of the rights of the company in its capacity as investment manager. In some CLOs, the company's role as investment manager provides that the company contractually has the power, as defined in ASC Topic 810, to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, such as managing the collateral portfolio and its credit risk. In other CLOs, the company determined that it does not have this power in its role as investment manager due to certain rights held by other investors in the products or restrictions that limit the company's ability to manage the collateral portfolio and the CLO's credit risk. Additionally, the primary beneficiary assessment includes an analysis of the company's rights to receive benefits and

obligations to absorb losses associated with its first loss position and management/incentive fees. As part of this analysis, the company uses a quantitative model to corroborate its qualitative assessments. The quantitative model includes an analysis of the expected performance of the CLOs and a comparison of the company's absorption of this performance relative to the other investors in the CLOs. The company has determined that it could receive significant benefits and/or absorb significant losses from certain CLOs in which it holds a first loss position and has the right to significant fees. It was

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determined that the company's benefits and losses from certain other CLOs could not be significant, particularly in situations where the company does not hold a first loss position and where the fee interests are based upon a fixed percentage of collateral asset value.

#### Private equity, real estate and fund-of-funds (partnerships)

For investment products that are structured as partnerships and are determined to be VIEs, including private equity funds, real estate funds and fund-of-funds products, the company evaluates the structure of the partnership to determine if it is the primary beneficiary of the investment product. This evaluation includes assessing the rights of the limited partners to transfer their economic interests in the investment product. If the limited partners lack rights to manage their economic interests, they are considered to be de facto agents of the company, resulting in the company determining that it is the primary beneficiary of the investment product. The company generally takes less than a 1% investment in these entities as the general partner. Non-VIE general partnership investments are deemed to be controlled by the company and are consolidated under a voting interest entity (VOE) model, unless the limited partners have the substantive ability to remove the general partner without cause based upon a simple majority vote or can otherwise dissolve the partnership, or unless the limited partners have substantive participating rights over decision making. Interests in unconsolidated private equity funds, real estate funds and fund-of-funds products are classified as equity method investments in the company's Condensed Consolidated Balance Sheets (see Note 3, "Investments.")

#### Other investment products

As discussed in Note 11, "Commitments and Contingencies," at September 30, 2013, contingent support agreements existed for two of the company's investment trusts to enable them to sustain a stable pricing structure, creating variable interests in these VIEs. The company earns management fees from the trusts and has a nominal investment in one of these trusts. The company was not deemed to be the primary beneficiary of these trusts after considering any explicit and implicit variable interests in relation to the total expected gains and losses of the trusts.

At September 30, 2013, 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<br>Reference | Carrying<br>Value | Company's<br>Maximum<br>Risk of Loss |
|--|-----------------------|-------------------|--------------------------------------|
| CLO investments                              | 3                     | 2.2               | 2.2                                  |
| Partnership and trust investments            | —                     | 29.2              | 29.2                                 |
| Investments in Invesco Mortgage Capital Inc. | —                     | 27.7              | 27.7                                 |
| Support agreements*                          | 11                    | —                 | 21.0                                 |
| Total  |                       |                   | 80.1                                 |

\* As of September 30, 2013, the committed support under these agreements was \$21.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company. During the nine months ended September 30, 2013, the company invested in and consolidated four new VIEs and one VOE. The table below illustrates the summary balance sheet amounts related to these products at the date of 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                               |         |
| \$ in millions                              |         |
| Cash and cash equivalents of CIP            | 573.4   |
| Accounts receivable and other assets of CIP | 15.4    |
| Investments of CIP                          | 738.3   |
| Total assets                                | 1,327.1 |
| Debt of CIP                                 | 856.5   |
| Other liabilities of CIP                    | 462.0   |
| Total liabilities                           | 1,318.5 |
| Equity                                      | 8.6     |
| Total liabilities and equity                | 1,327.1 |

During the three months ended September 30, 2013, the company liquidated and deconsolidated a CLO (VIE) and a CLO warehouse (VOE). During the nine months ended September 30, 2013, the company determined it was no longer the primary beneficiary of a private equity fund (VOE) due to a change in the ownership of the parent of the general partner of the fund. 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 for the nine months ended September 30, 2013 from the deconsolidation of these investment products.

|   |      |
|---|------|
| Balance Sheet                               |      |
| \$ in millions                              |      |
| Cash and cash equivalents of CIP            | 7.1  |
| Accounts receivable and other assets of CIP | 15.2 |
| Investments of CIP                          | 76.1 |
| Total assets                                | 98.4 |
| Debt  | 25.0 |
| Other liabilities of CIP                    | 36.0 |
| Total liabilities                           | 61.0 |
| Equity                                      | 37.4 |
| Total liabilities and equity                | 98.4 |

The following tables reflect the impact of consolidation of CIP into the Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012, and the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012.

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## Summary of Balance Sheet Impact of CIP

| \$ in millions   | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)</sup> | Impact of CIP |
|--|-----------|------------|--------|----------------------------|---------------|
| As of September 30, 2013   |           |            |        |                            |               |
| Cash and cash equivalents of CIP   | 393.6     | 1.7        | 49.7   | —                          | 445.0         |
| Accounts receivable and other assets of CIP  | 59.9      | 0.3        | 2.0    | —                          | 62.2          |
| Investments of CIP   | 4,017.1   | 39.8       | 511.3  | (53.6 )                    | 4,514.6       |
| Adjustments <sup>(1)</sup>   | —         | —          | —      | (82.5 )                    | (82.5 )       |
| Total assets   | 4,470.6   | 41.8       | 563.0  | (136.1 )                   | 4,939.3       |
| Debt of CIP  | 4,111.8   | —          | —      | (108.7 )                   | 4,003.1       |
| Other liabilities of CIP   | 252.4     | 0.6        | 2.8    | (4.7 )                     | 251.1         |
| Total liabilities  | 4,364.2   | 0.6        | 2.8    | (113.4 )                   | 4,254.2       |
| Retained earnings appropriated for investors in CIP                                    | 106.7     | —          | (0.4 ) | —                          | 106.3         |
| Other equity attributable to common shareholders                                       | (0.3 )    | (0.2 )     | 22.3   | (22.7 )                    | (0.9 )        |
| Equity attributable to nonredeemable noncontrolling interests in consolidated entities | —         | 41.4       | 538.3  | —                          | 579.7         |
| Total liabilities and equity   | 4,470.6   | 41.8       | 563.0  | (136.1 )                   | 4,939.3       |

| \$ in millions   | CLOs-VIEs | Other VIEs | VOEs  | Adjustments <sup>(1)</sup> | Impact of CIP |
|--|-----------|------------|-------|----------------------------|---------------|
| As of December 31, 2012  |           |            |       |                            |               |
| Cash and cash equivalents of CIP   | 211.8     | 0.2        | 75.8  | —                          | 287.8         |
| Accounts receivable and other assets of CIP  | 54.6      | 0.2        | 29.3  | —                          | 84.1          |
| Investments of CIP   | 3,948.0   | 35.9       | 607.9 | (41.2 )                    | 4,550.6       |
| Adjustments <sup>(1)</sup>   | —         | —          | 15.8  | (86.9 )                    | (71.1 )       |
| Total assets   | 4,214.4   | 36.3       | 728.8 | (128.1 )                   | 4,851.4       |
| Debt of CIP  | 3,980.7   | —          | —     | (81.3 )                    | 3,899.4       |
| Other liabilities of CIP   | 105.3     | 0.5        | 2.9   | (4.4 )                     | 104.3         |
| Adjustments <sup>(1)</sup>   | —         | —          | —     | (8.9 )                     | (8.9 )        |
| Total liabilities  | 4,086.0   | 0.5        | 2.9   | (94.6 )                    | 3,994.8       |
| Retained earnings appropriated for investors in CIP                                    | 128.8     | —          | —     | —                          | 128.8         |
| Other equity attributable to common shareholders                                       | (0.4 )    | (0.1 )     | 34.0  | (33.5 )                    | —             |
| Equity attributable to nonredeemable noncontrolling interests in consolidated entities | —         | 35.9       | 691.9 | —                          | 727.8         |
| Total liabilities and equity   | 4,214.4   | 36.3       | 728.8 | (128.1 )                   | 4,851.4       |

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## Summary of Income Statement Impact of CIP

| \$ in millions  | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)</sup> | Impact of CIP |
|---|-----------|------------|--------|----------------------------|---------------|
| Three months ended September 30, 2013   |           |            |        |                            |               |
| 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  | 48.8      | —          | —      | (3.3 )                     | 45.5          |
| Other investment income/(losses)  | 23.4      | 1.1        | 11.3   | (9.4 )                     | 26.4          |
| Interest expense  | (36.8 )   | —          | —      | 3.3                        | (33.5 )       |
| 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 taxes                                     | 12.0      | 0.8        | 10.0   | (11.6 )                    | 11.2          |
| Income/(loss) from discontinued operations, net of 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 )        |

| \$ in millions  | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)</sup> | Impact of CIP |
|---|-----------|------------|--------|----------------------------|---------------|
| Three months ended September 30, 2012   |           |            |        |                            |               |
| Total operating revenues  | —         | —          | —      | (11.5 )                    | (11.5 )       |
| Total operating expenses  | 9.9       | 0.2        | 3.7    | (11.5 )                    | 2.3           |
| Operating income  | (9.9 )    | (0.2 )     | (3.7 ) | —                          | (13.8 )       |
| Equity in earnings of unconsolidated affiliates                                     | —         | —          | —      | (0.5 )                     | (0.5 )        |
| Interest and dividend income  | 68.7      | —          | —      | (3.4 )                     | 65.3          |
| Other investment income/(losses)  | (38.5 )   | 1.6        | 14.2   | (11.2 )                    | (33.9 )       |
| Interest expense  | (45.3 )   | —          | —      | 3.4                        | (41.9 )       |
| Income from continuing operations before income taxes                               | (25.0 )   | 1.4        | 10.5   | (11.7 )                    | (24.8 )       |
| Income tax provision  | —         | —          | —      | —                          | —             |
| Income from continuing operations, net of taxes                                     | (25.0 )   | 1.4        | 10.5   | (11.7 )                    | (24.8 )       |
| Income from discontinued operations, net of taxes                                   | —         | —          | —      | —                          | —             |
| Net income  | (25.0 )   | 1.4        | 10.5   | (11.7 )                    | (24.8 )       |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities | 25.0      | (1.4 )     | (9.9 ) | —                          | 13.7          |
| Net income attributable to common shareholders                                      | —         | —          | 0.6    | (11.7 )                    | (11.1 )       |

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## Summary of Income Statement Impact of CIP (continued)

| \$ in millions  | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)</sup> | Impact of CIP |
|---|-----------|------------|--------|----------------------------|---------------|
| Nine months ended September 30, 2013  |           |            |        |                            |               |
| 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  | 155.5     | —          | —      | (12.7)                     | 142.8         |
| Other investment income/(losses)  | (15.8)    | 1.3        | 28.6   | (10.4)                     | 3.7           |
| Interest expense  | (109.5)   | —          | —      | 12.7                       | (96.8)        |
| 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 taxes                                     | (18.7)    | 0.5        | 23.7   | (13.8)                     | (8.3)         |
| Income from discontinued operations, net of 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)         |
|   |           |            |        |                            |               |
| \$ in millions  | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)</sup> | Impact of CIP |
| Nine months ended September 30, 2012  |           |            |        |                            |               |
| Total operating revenues  | —         | —          | —      | (32.4)                     | (32.4)        |
| Total operating expenses  | 34.0      | 0.7        | 20.8   | (32.4)                     | 23.1          |
| Operating income  | (34.0)    | (0.7)      | (20.8) | —                          | (55.5)        |
| Equity in earnings of unconsolidated affiliates                                     | —         | —          | —      | 0.1                        | 0.1           |
| Interest and dividend income  | 206.4     | —          | —      | (10.3)                     | 196.1         |
| Other investment income/(losses)  | (79.1)    | 2.5        | 11.2   | (13.1)                     | (78.5)        |
| Interest expense  | (144.7)   | —          | —      | 10.3                       | (134.4)       |
| Income from continuing operations before income taxes                               | (51.4)    | 1.8        | (9.6)  | (13.0)                     | (72.2)        |
| Income tax provision  | —         | —          | —      | —                          | —             |
| Income from continuing operations, net of taxes                                     | (51.4)    | 1.8        | (9.6)  | (13.0)                     | (72.2)        |
| Income from discontinued operations, net of taxes                                   | —         | —          | —      | —                          | —             |
| Net income  | (51.4)    | 1.8        | (9.6)  | (13.0)                     | (72.2)        |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities | 51.4      | (1.8)      | 9.5    | —                          | 59.1          |
| Net income attributable to common shareholders                                      | —         | —          | (0.1)  | (13.0)                     | (13.1)        |

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 value of investments held and notes issued by CIP is also their fair value. The following table presents the fair value hierarchy levels of investments held and notes issued by CIP, which are measured at fair value as of September 30, 2013 and December 31, 2012:

| \$ in millions                              | As of September 30, 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                                  | 3,795.1                  | —  | 3,795.1                                       | —   |
| Bonds                                       | 151.0                    | —  | 151.0   | —   |
| Equity securities                           | 17.5                     | —  | 17.5  | —   |
| Private equity fund assets:                 |                          |  |   |   |
| Equity securities                           | 100.8                    | 37.4   | 4.8   | 58.6                                      |
| Investments in other private equity funds   | 448.2                    | —  | —   | 448.2                                     |
| Debt securities issued by the U.S. Treasury | 2.0                      | 2.0  | —   | —   |
| Total assets at fair value                  | 4,514.6                  | 39.4   | 3,968.4                                       | 506.8                                     |
| Liabilities:                                |                          |  |   |   |
| CLO notes                                   | (4,003.1 )               | —  | —   | (4,003.1 )                                |
| Total liabilities at fair value             | (4,003.1 )               | —  | —   | (4,003.1 )                                |

| \$ in millions                              | As of December 31, 2012 |  |   |   |
|---|-------------------------|--|---|---|
|   | 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                                  | 3,709.3                 | —  | 3,709.3                                       | —   |
| Bonds                                       | 185.4                   | —  | 185.4   | —   |
| Equity securities                           | 12.1                    | —  | 12.1  | —   |
| Private equity fund assets:                 |                         |  |   |   |
| Equity securities                           | 125.0                   | 21.0   | 9.9   | 94.1                                      |
| Investments in other private equity funds   | 503.5                   | —  | —   | 503.5                                     |
| Debt securities issued by the U.S. Treasury | 10.0                    | 10.0   | —   | —   |
| Real estate investments                     | 5.3                     | —  | —   | 5.3                                       |
| Total assets at fair value                  | 4,550.6                 | 31.0   | 3,916.7                                       | 602.9                                     |
| Liabilities:                                |                         |  |   |   |
| CLO notes                                   | (3,899.4 )              | —  | —   | (3,899.4 )                                |
| Total liabilities at fair value             | (3,899.4 )              | —  | —   | (3,899.4 )                                |



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The following table shows 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<br>September 30, 2013 |                        | Nine months ended<br>September 30, 2013 |                        |
|---|--|------------------------|---|------------------------|
|   | Level 3<br>Assets                        | Level 3<br>Liabilities | Level 3<br>Assets                       | Level 3<br>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 )             |

| \$ in millions  | Three months ended<br>September 30, 2012 |                        | Nine months ended<br>September 30, 2012 |                        |
|---|--|------------------------|---|------------------------|
|   | Level 3<br>Assets                        | Level 3<br>Liabilities | Level 3<br>Assets                       | Level 3<br>Liabilities |
| Beginning balance   | 854.6                                    | (5,069.7 )             | 929.1                                   | (5,512.9 )             |
| Purchases   | 6.2                                      | —                      | 6.7                                     | —                      |
| Sales   | (92.3 )                                  | —                      | (148.0 )                                | —                      |
| Issuances   | —  | (433.1 )               | —                                       | (758.4 )               |
| Settlements   | —  | 354.7                  | —                                       | 550.5                  |
| Deconsolidation of CIP  | —  | 1,550.3                | —                                       | 2,123.7                |
| Gains and losses included in the Condensed Consolidated Statements of Income* | 23.3                                     | (121.2 )               | 14.5                                    | (279.9 )               |
| Foreign exchange  | 4.8                                      | (136.0 )               | (5.7 )                                  | 22.0                   |
| Ending balance  | 796.6                                    | (3,855.0 )             | 796.6                                   | (3,855.0 )             |

Included in gains and losses of CIP in the Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2013 are \$6.0 million in net unrealized gains and \$8.0 million in net unrealized losses \*attributable to investments still held at September 30, 2013 by CIP (three and nine months ended September 30, 2012: \$42.6 million in net unrealized gains and \$39.5 million in net unrealized losses attributable to investments still held at September 30, 2012).

During 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.

#### 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.

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 2013 and 2023, pay interest at Libor or Euribor plus a spread of up to 14.0%, 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, 2013 the unpaid principal balance

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exceeded the fair value of the senior secured bank loans and bonds by approximately \$58.4 million (December 31, 2012: \$121.6 million excess). Approximately 1.1% of the collateral assets are in default as of September 30, 2013 (December 31, 2012: less than 1.8% of the collateral assets were in default). CLO investments are valued based on price quotations provided by independent 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 challenge process. For the nine months ended September 30, 2013, there were no price quotation challenges by the company.

In addition, the company's 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, interest in similar investments, the market environment, 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, 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 2015 and 2025 and have a weighted average maturity of 9.0 years. The notes are issued in various tranches with different risk profiles. The interest rates are generally variable rates based on Libor or Euribor plus a pre-defined spread, which varies from 0.21% for the more senior tranches to 7.10% for the more subordinated tranches. Interest expense on notes issued by consolidated CLOs is accrued based on the stated rate and outstanding par of the issued notes. At September 30, 2013, the outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately \$0.2 billion (December 31, 2012: \$0.3 billion excess). The investors in this debt are not affiliated with the company and have no recourse to the general credit of the company. Notes issued by CLOs are recorded at fair value using an income approach. Fair value is determined using current information, notably market yields and projected cash flows of collateral assets, which are impacted by forecasted default and recovery rates. 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.

Certain CLOs with Euro-denominated debt that were deconsolidated as of August 30, 2012 entered into swap agreements with various counterparties to hedge economically interest rate and foreign exchange risk related to CLO collateral assets with non-Euro interest rates and currencies. These swap agreements were not designated as qualifying as hedging instruments. These derivative contracts were valued under an income approach using forecasted interest rates and were classified within level 2 of the valuation hierarchy. As of September 30, 2013, there were no open swap agreements (December 31, 2012; there were no open swap agreements). For the three and nine months ended September 30, 2012, \$3.8 million and \$10.5 million, respectively was recorded as losses in gains/ (losses) of CIP related to swap agreements.

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 partnerships 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. Investees of these CIP may not redeem their investment until the partnership liquidates. Generally, the partnerships have a life that range 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.

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

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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 by CIP 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 (funds-of-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.

Unforeseen events might occur that would subsequently change the fair values of these investments, but such changes would

be inconsequential to the company due to its minimal investments in these products (and the large offsetting noncontrolling interests resulting from their consolidation). Any gains or losses resulting from valuation changes in these investments 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 real estate funds

As of the date of this Report, the company's consolidated real estate funds are in liquidation; the funds had disposed of their investments in the first half of 2013. The following discussion relates to the prior period consolidation of real estate funds.

Consolidated real estate funds are structured as limited liability companies. These limited liability companies invest in other real estate funds, and these investments are carried at fair value and presented as investments in CIP. The net asset value of the underlying funds, which primarily consists of the real estate investment value and mortgage loans, is adjusted to fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Real estate fund assets are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Due to the illiquid nature of investments made in real estate companies, all of the real estate assets are classified as level 3. The real estate investment vehicles use one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available to value investments classified within level 3. The income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the real estate funds in estimating the value of level 3 investments include the original transaction price, recent transactions in the same or similar instruments, as well as completed or pending third-party transactions in the underlying investment or comparable investments. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability. Other inputs used include discount rates, cap rates and income and expense assumptions. The fair value measurement of level 3 investments does not include transaction costs and acquisition fees that may have been capitalized as part of the investment's cost basis. Due to the lack of observable inputs, the assumptions used may significantly impact the resulting fair value and therefore the real estate funds' results of operations.



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## Quantitative Information about Level 3 Fair Value Measurements

The following table shows significant unobservable inputs used in the fair value measurement of level 3 assets and liabilities:

| Assets and Liabilities *                 | Fair Value at September 30, 2013 (\$ in millions) | Valuation Technique        | Unobservable Inputs       | Range                       | Weighted Average (by fair value) |
|--|---|----------------------------|---------------------------|-----------------------------|----------------------------------|
| Private Equity Funds --Equity Securities | 58.6  | Market Comparable          | Revenue Multiple          | 1 - 5x                      | 3.0x                             |
|  |   |                            | Discount                  | 24% - 50%                   | 28.2%                            |
| CLO Notes                                | (4,003.1)   | Discounted Cash Flow- Euro | Assumed Default Rate      | 4.7% - 5%                   | <1yr: 4.7%<br>>1yr: 5.0%         |
|  |   |                            | Spread over Euribor **    | 150 - 1080 bps              | 294                              |
|  |   | Discounted Cash Flow- USD  | Assumed Default Rate***   | 1% - 3%                     | <1yr: 1.6%<br>>1yr: 3.0%         |
|  |   |                            | Spread over Libor **      | 128 - 882 bps               | 202 bps                          |
| Assets and Liabilities *                 | Fair Value at December 31, 2012 (\$ in millions)  | Valuation Technique        | Unobservable Inputs       | Range                       | Weighted Average (by fair value) |
| Private Equity Funds --Equity Securities | 94.1  | Market Comparable          | Revenue Multiple          | 1 - 4x                      | 1.9x                             |
|  |   |                            | Discount                  | 15% - 50%                   | 27.5%                            |
| Real Estate Investments                  | 5.3   | Discounted Cash Flow       | In-Place Rent Rates       | JPY 218 - JPY 397 per sq ft | JPY 231 - JPY 384 per sq ft      |
|  |   |                            | Market Rent Rates         | JPY 333 - JPY 417 per sq ft | JPY 348 - JPY 379 per sq ft      |
|  |   |                            | Revenue Growth Rate       | n/a                         | 2.18%                            |
|  |   |                            | Discount Rate             | 6.75% - 7.00%               | 6.86%                            |
|  |   |                            | Exit Capitalization Rate  | 7.00% - 7.25%               | 7.11%                            |
|  |   |                            | Stabilized Occupancy Rate | n/a                         | 95%                              |
|  |   |                            | Expense Growth Rate       | n/a                         | 1.0%                             |
| CLO Notes                                | (3,899.4)   | Discounted Cash Flow- Euro | Assumed Default Rate      | 3% - 5%                     | <1yr: 3.3%<br>>1yr: 5.0%         |
|  |   |                            | Spread over Euribor **    | 325 - 1920 bps              | 563 bps                          |
|  |   | Discounted Cash Flow- USD  | Assumed Default Rate***   | 1% - 3%                     | <1yr: 1.1%<br>>1yr: 3.0%         |
|  |   |                            | Spread over Libor **      | 130 - 1632 bps              | 323 bps                          |

\*Certain equity securities held by consolidated private equity funds are valued using recent private market transactions (September 30, 2013: \$5.7 million; December 31, 2012: \$50.0 million). At September 30, 2013, 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 other private equity funds as of September 30, 2013 of \$448.2 million (as of December 31, 2012: \$503.5 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 in 2012 and thereafter.

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The table below summarizes as of September 30, 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:

|                                  | Fair Value at<br>September 30,<br>2013 (\$ in<br>millions) | Total<br>Unfunded<br>Commitments | Weighted Average<br>Remaining Term<br>(2) |
|----------------------------------|--|----------------------------------|---|
| Private equity fund of funds (1) | \$434.5  | \$120.2                          | 2.9 years                                 |
| Private equity funds (1)         | \$13.7   | \$74.0                           | 7.8 years                                 |

  

|                                  | Fair Value at<br>December 31,<br>2012 (\$ in<br>millions) | Total<br>Unfunded<br>Commitments | Weighted<br>Average<br>Remaining Term<br>(2) |
|----------------------------------|---|----------------------------------|--|
| Private equity fund of funds (1) | \$498.9   | \$127.5                          | 2.7 years                                    |
| Private equity funds (1)         | \$4.6   | \$5.0                            | 1.0 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.

The following narrative will indicate the sensitivity of inputs illustrating the impact of significant increases to the inputs. A directionally-opposite impact would apply 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 real estate investments, a change in the revenue growth rate generally would be accompanied by a directionally-similar change in the assumptions for in-place and market rent rates and stabilized occupancy rates. Significant increases in any of the unobservable inputs for in-place and market rent rates and stabilized occupancy rates in isolation would result in significantly higher fair values. An increase in these assumptions would result in a directionally-opposite change in the assumptions for discount rate, exit capitalization rate, and expense growth rate. Significant increases in the assumptions for discount rate, exit capitalization rate, and expense growth rate in isolation would result in significantly 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 a 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."



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| \$ in millions                      | Three months ended    |       | Nine months ended     |         |
|-------------------------------------|-----------------------|-------|-----------------------|---------|
|                                     | September 30,<br>2013 | 2012  | September 30,<br>2013 | 2012    |
| Affiliated operating revenues:      |                       |       |                       |         |
| Investment management fees          | 811.3                 | 697.1 | 2,343.1               | 2,030.4 |
| Service and distribution fees       | 216.7                 | 181.6 | 630.0                 | 557.4   |
| Performance fees                    | 3.6                   | 2.0   | 37.6                  | 33.9    |
| Other                               | 26.1                  | 23.6  | 78.9                  | 76.7    |
| Total affiliated operating revenues | 1,057.7               | 904.3 | 3,089.6               | 2,698.4 |

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| \$ in millions                        | As of<br>September 30,<br>2013 | December 31,<br>2012 |
|---------------------------------------|--------------------------------|----------------------|
| Affiliated asset balances:            |                                |                      |
| Cash equivalents                      | 319.6                          | 223.2                |
| Unsettled fund receivables            | 377.5                          | 131.5                |
| Accounts receivable                   | 300.1                          | 258.3                |
| Investments                           | 648.4                          | 562.8                |
| Assets held for policyholders         | 1,448.7                        | 1,153.2              |
| Assets held for sale                  | 4.5                            | —                    |
| Other assets                          | 9.2                            | 32.7                 |
| Affiliated asset balances             | 3,108.0                        | 2,361.7              |
| Affiliated liability balances:        |                                |                      |
| Accrued compensation and benefits     | 149.5                          | 234.3                |
| Accounts payable and accrued expenses | 19.0                           | 21.5                 |
| Unsettled fund payables               | 428.6                          | 266.0                |
| Affiliated liability balances         | 597.1                          | 521.8                |

## 15. DISCONTINUED OPERATIONS

On April 11, 2013, the company entered into a definitive agreement to sell 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, which are estimated to be approximately \$30 million. The sale is expected to close in the fourth quarter of 2013. Assets and liabilities related to Atlantic Trust are classified as held for sale in the Condensed Consolidated Balance Sheet as at September 30, 2013, as the requirements for held for sale treatment and discontinued operations reporting were met as of this date. The results of Atlantic Trust, together with expenses 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.

The assets and liabilities classified as held for sale are as follows at September 30, 2013:

| \$ in millions                  | As of<br>September 30,<br>2013 |
|---------------------------------|--------------------------------|
| Assets                          |                                |
| Receivables and other assets    | 17.3                           |
| Property and equipment, net     | 14.5                           |
| Intangible assets, net          | 2.2                            |
| Goodwill                        | 70.1                           |
| Total assets held for sale*     | 104.1                          |
| Liabilities                     |                                |
| Accrued expenses                | 1.6                            |
| Total liabilities held for sale | 1.6                            |

\* Total assets held for sale in the Condensed Consolidated Balance Sheet includes an asset with net book value of \$2.6 million as of September 30, 2013 that meets held for sale criteria and is unrelated to the Atlantic Trust business.



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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, 2013 and 2012, respectively.

| \$ in millions   | Three months ended September 30, |         | Nine months ended September 30, |         |
|--|----------------------------------|---------|---------------------------------|---------|
|  | 2013                             | 2012    | 2013                            | 2012    |
| Operating revenue  | 31.9                             | 27.5    | 92.9                            | 80.4    |
| Operating expenses   | (34.1 )                          | (22.4 ) | (95.9 )                         | (68.8 ) |
| Income (loss) from discontinued operations before income taxes | (2.2 )                           | 5.1     | (3.0 )                          | 11.6    |
| Income tax (provision)/benefit                                 | 0.8                              | (1.9 )  | 1.1                             | (4.3 )  |
| Income (loss) from discontinued operations, net of tax         | (1.4 )                           | 3.2     | (1.9 )                          | 7.3     |

During the three and nine months ended September 30, 2013, the company incurred costs of \$10.1 million before tax (\$6.5 million after tax) and \$24.0 million before tax (\$15.3 million after tax), respectively, related to the pending transaction, as well as costs related to unauthorized personal transactions of a former employee of Atlantic Trust.

## 16. SUBSEQUENT EVENTS

On October 11, 2013, the company's board of directors authorized an additional \$1.5 billion for the existing share repurchase program with no stated expiration date.

On October 31, 2013, the company announced a third quarter 2013 dividend of \$0.225 per share, payable on December 9, 2013, to shareholders of record at the close of business on November 19, 2013, with an ex-dividend date of November 15, 2013.

## 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, our most recent Form 10-K, and subsequent Forms 10-Q, filed with the Securities and Exchange Commission.

You may obtain these reports from the SEC's website at [www.sec.gov](http://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 and the notes thereto contained elsewhere in this Report.

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Invesco is a leading independent global investment manager with offices in more than 20 countries. As of September 30, 2013, the firm managed \$745.5 billion in assets for investors around the world. By delivering the combined power of our distinctive worldwide investment management capabilities, Invesco provides a comprehensive array of enduring solutions for our clients. We have a significant presence in the institutional and retail segments of the investment management industry in North America, U.K., Europe and Asia-Pacific, serving clients in more than 100 countries.

During the third quarter, global financial markets continued their move into record territory. Although markets started the quarter with declines, the decision by the Federal Reserve not to slow down the asset purchase program resulted in a risk-on environment which saw equity markets rise. However, the Fed-related gains were soon tempered as market participants shifted focus to the potential shut down of the U.S. government. During the quarter, the S&P 500 index gained 4.7%, the FTSE 100 index gained 4.0%, while the Nikkei 225 and MSCI emerging market indices gained 5.7% and 5.0% respectively. In the nine months ended September 30, 2013, developed markets maintained strong returns, building on momentum from 2012, while emerging markets declined 6.4%.

The table below summarizes the returns of several major market indices for the three and nine months ended September 30, 2013 and 2012:

| Index                 | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |        |   |
|-----------------------|-------------------------------------|---------|------------------------------------|--------|---|
|                       | 2013                                | 2012    | 2013                               | 2012   |   |
| S&P 500               | 4.7                                 | % 5.8   | % 17.9                             | % 14.6 | % |
| FTSE 100              | 4.0                                 | % 3.1   | % 9.6                              | % 3.1  | % |
| Nikkei 225            | 5.7                                 | % (1.5) | )% 39.1                            | % 4.9  | % |
| MSCI Emerging Markets | 5.0                                 | % 7.0   | % (6.4                             | )% 4.9 | % |

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

Over the past eight years, we have focused on our multi-year strategy to further grow and strengthen our business. Our commitment to investment excellence enables us to deliver strong, long-term investment performance to our clients. We have worked to enhance the depth and breadth of our investment capabilities and made successful strategic acquisitions that further expanded our capabilities. We also worked to further enhance the effectiveness of our global platform.

The depth, breadth and strength of our business have put us in a position to evolve our capital management priorities. As it has been in the past, a key priority is to reinvest in our business in ways that enhance our ability to deliver strong investment performance to our clients. In addition, dividends are now featured more prominently among our priorities, to provide a more committed level of return to our shareholders. We will also continue our program of repurchasing shares. Furthermore, as we have said in the past, our goal is to achieve a cash buffer of approximately \$1 billion in excess of regulatory requirements. These priorities reflect our confidence in our ability to grow our business organically by meeting client needs and to further strengthen our capital position over time. Our capital priorities are further discussed in the "Liquidity and Capital Resources" and "Dividends" sections of this Management's Discussion and Analysis.

The company announced on April 11, 2013 that it had entered into a definitive agreement to sell Atlantic Trust Private Wealth Management (Atlantic Trust) to CIBC. As discussed above, our strategic focus continues to be to meet our clients' needs across the globe by delivering investment capabilities managed by our own investment teams and leveraging a common global platform. This pending transaction offers compelling advantages for the clients of Atlantic Trust, as CIBC has committed to growing and investing in Atlantic Trust's business and brand. The transaction also offers compelling advantages to the shareholders of Invesco, including improved allocation of capital, resources to support future growth of our core investment management business, and immediate expansion of the

company's net operating margin. We anticipate the disposition will result in a run-rate reduction of approximately \$115 million of annualized net revenue, \$85 million of annualized adjusted operating expenses, and 5 cents of adjusted diluted EPS. Under the terms of the transaction, CIBC has announced that it plans to acquire Atlantic Trust for \$210 million, less certain working capital and cash funding requirements, which are estimated to be approximately \$30 million, in an all-cash transaction that is expected to close, subject to regulatory approval, in the fourth quarter of 2013. It is our intention to use the proceeds to repurchase outstanding shares, which will partially offset the adjusted EPS dilution.

Assets and liabilities related to Atlantic Trust are classified as held for sale in the balance sheet as at September 30, 2013. The results of Atlantic Trust, together with expenses associated with the sale, are reflected as discontinued operations in the income statement and are therefore excluded from the continuing operations of Invesco. Comparative periods shown in the

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income statement have been adjusted to conform with this presentation. Similarly, total AUM excludes the AUM of Atlantic Trust with comparative periods adjusted to a consistent basis.

On October 15, 2013 the company announced that the Head of U.K. Equities, Neil Woodford, will be leaving on April 29, 2014. Mr. Woodford will remain responsible for all funds for which he is the named manager through a transition period during the six months prior to his departure. At the end of the transition, Mark Barnett will succeed Mr. Woodford as Head of U.K. Equities. As of September 30, 2013 Mr. Woodford was the named lead manager for U.K. Equity AUM totaling \$48.5 billion.

## 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 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 the products.

Investment products that are consolidated are referred to in this Report as either Consolidated Sponsored Investment Products (CSIP), which generally includes consolidated majority-held sponsored investment products, 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 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 1 "Accounting Policies," Note 12, "Consolidated Sponsored Investment Products," and Note 13, "Consolidated Investment Products," for additional information regarding the impact of consolidation of investment products.

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 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. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. 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 financial statements (but not to the company's underlying financial condition or net income attributable to common shareholders) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company's non-GAAP presentation. There are four distinct sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

- Results of Operations (for the three and nine months ended September 30, 2013 compared with the three and nine months ended September 30, 2012);
- Schedule of Non-GAAP Information;
- Balance Sheet Discussion; and
- Liquidity and Capital Resources.

Each of the financial statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of 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 CIP. For example, the impact of CIP on operating revenues for the three and nine months ended September 30, 2013 was a reduction of \$12.0 million and \$29.8 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 that follows 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 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 information is presented in the table below:

| In millions, other than per share amounts, operating margins, ratios and AUM | Three months ended<br>September 30, |           | Nine months ended September<br>30, |           |   |
|--|-------------------------------------|-----------|------------------------------------|-----------|---|
|  | 2013                                | 2012      | 2013                               | 2012      |   |
| <b>U.S. GAAP Financial Measures Summary</b>                                  |                                     |           |                                    |           |   |
| Operating revenues <sup>(5)</sup>  | \$1,171.8                           | \$1,013.9 | \$3,419.5                          | \$3,003.7 |   |
| Operating income <sup>(5)</sup>  | \$286.0                             | \$210.9   | \$826.9                            | \$637.1   |   |
| Operating margin <sup>(5)</sup>  | 24.4                                | % 20.8    | % 24.2                             | % 21.2    | % |
| Net income attributable to common shareholders                               | \$228.1                             | \$170.6   | \$652.9                            | \$518.4   |   |
| Diluted EPS  | \$0.51                              | \$0.38    | \$1.45                             | \$1.14    |   |
| Debt/equity ratio including consolidated investment products (CIP) (%)       | 59.1                                | % 55.9    | % 59.1                             | % 55.9    | % |
| <b>Non-GAAP Financial Measures Summary</b>                                   |                                     |           |                                    |           |   |
| Net revenues <sup>(1)</sup>  | \$816.4                             | \$708.2   | \$2,394.7                          | \$2,105.4 |   |
| Adjusted operating income <sup>(2)</sup>                                     | \$328.1                             | \$244.3   | \$944.9                            | \$753.9   |   |
| Adjusted operating margin <sup>(2)</sup>                                     | 40.2                                | % 34.5    | % 39.5                             | % 35.8    | % |
| Adjusted net income attributable to common shareholders <sup>(3)</sup>       | \$246.0                             | \$182.7   | \$695.2                            | \$559.2   |   |
| Adjusted diluted EPS <sup>(3)</sup>  | \$0.55                              | \$0.40    | \$1.55                             | \$1.23    |   |
| Debt/equity ratio excluding CIP(%) <sup>(4)</sup>                            | 16.5                                | % 15.7    | % 16.5                             | % 15.7    | % |
| <b>Assets Under Management</b>   |                                     |           |                                    |           |   |
| Ending AUM (billions) <sup>(5)</sup>   | \$745.5                             | \$663.0   | \$745.5                            | \$663.0   |   |
| Average AUM (billions) <sup>(5)</sup>  | \$729.4                             | \$648.5   | \$713.6                            | \$640.4   |   |

Net revenues are operating revenues less third-party distribution, service and advisory expenses (adjusted for third party distribution expense related to the European infrastructure initiative), plus our proportional share of the net (1) revenues of our joint venture investments, plus management and performance fees earned from, less other revenues recorded by, CIP. See "Schedule of Non-GAAP Information" for the reconciliation of operating revenues to net revenues.

Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the operating income of our joint venture investments, transaction and integration charges, acquisition/disposition-related items, amortization of intangibles, (2) compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the CIP, European infrastructure expenses and other reconciling items. See "Schedule of Non-GAAP Information" for the reconciliation of operating income to adjusted operating income.

Adjusted net income attributable to common shareholders is net income attributable to common shareholders adjusted to add back transaction and integration charges, acquisition, amortization of intangibles, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net (3) income attributable to common shareholders excludes the net income of CIP, and the net income impact of deferred compensation plans, European infrastructure expenses, discontinued operations and other reconciling items. By calculation, adjusted diluted EPS is adjusted net income attributable to common shareholders divided by the weighted average number of diluted shares outstanding. See "Schedule of Non-GAAP Information" for the reconciliation of net income to adjusted net income.

(4) 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.

The company has adopted a discontinued operations presentation for the Atlantic Trust business as of June 30, (5)2013. Amounts presented represent continuing operations and exclude Atlantic Trust. Prior period amounts have been reclassified to conform with this presentation.

#### Investment Capabilities Performance Overview

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. Long-term performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, is generally strong with some pockets of outstanding performance. Within our equity asset class, U.K., Continental European,

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and Global Ex U.S. and Emerging Markets funds have had very strong relative performance, with 93% or more of assets beating their peer group and benchmark over three- and five-year periods. Balanced funds also reflect strong long-term performance with 98% and 96% of assets beating benchmarks and peers, respectively, on a five-year basis. Within our fixed income asset class, Stable Value products have continued to achieve excellent long-term performance with 100% of AUM ahead of benchmarks and peers on a one-, three-, and five-year basis.

|              |                                     | Benchmark Comparison        |       |       | Peer Group Comparison              |       |       |   |
|--------------|-------------------------------------|-----------------------------|-------|-------|------------------------------------|-------|-------|---|
|              |                                     | % of AUM Ahead of Benchmark |       |       | % of AUM In Top Half of Peer Group |       |       |   |
|              |                                     | 1yr                         | 3yr   | 5yr   | 1yr                                | 3yr   | 5yr   |   |
| Equities     | U.S. Core                           | 73                          | % 50  | % 29  | % 65                               | % 49  | % 39  | % |
|              | U.S. Growth                         | 94                          | % 28  | % 41  | % 87                               | % 28  | % 87  | % |
|              | U.S. Value                          | 79                          | % 79  | % 80  | % 77                               | % 79  | % 80  | % |
|              | Sector                              | 76                          | % 71  | % 94  | % 51                               | % 23  | % 46  | % |
|              | U.K.                                | 98                          | % 99  | % 98  | % 48                               | % 98  | % 98  | % |
|              | Canadian                            | 100                         | % 100 | % 100 | % 100                              | % 76  | % 73  | % |
|              | Asian                               | 79                          | % 68  | % 68  | % 57                               | % 58  | % 67  | % |
|              | Continental European                | 65                          | % 100 | % 100 | % 87                               | % 96  | % 93  | % |
|              | Global                              | 73                          | % 91  | % 81  | % 73                               | % 84  | % 64  | % |
|              | Global Ex U.S. and Emerging Markets | 20                          | % 97  | % 97  | % 17                               | % 94  | % 97  | % |
| Other        | Alternatives                        | 58                          | % 46  | % 50  | % 64                               | % 59  | % 29  | % |
|              | Balanced                            | 42                          | % 75  | % 98  | % 60                               | % 99  | % 96  | % |
| Money Market | Money Market                        | 53                          | % 59  | % 72  | % 98                               | % 96  | % 97  | % |
| Fixed Income | U.S. Fixed Income                   | 56                          | % 70  | % 84  | % 67                               | % 73  | % 88  | % |
|              | Global Fixed Income                 | 75                          | % 81  | % 88  | % 82                               | % 82  | % 74  | % |
|              | Stable Value                        | 100                         | % 100 | % 100 | % 100                              | % 100 | % 100 | % |

AUM measured in the one-, three-, and five-year peer group rankings represents 61%, 61%, and 57% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 72%, 71%, and 68% of total Invesco AUM, respectively, as of September 30, 2013. 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 GIPS composite are applied to all products within each GIPS composite. Excludes passive products, closed-end funds, private equity limited partnerships, non-discretionary direct real estate, unit investment trusts, fund of funds with component funds managed by Invesco, stable value building block funds, and CLOs. Atlantic Trust results are excluded due to its upcoming disposition. Certain funds and products were excluded from the analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor's experience.

Assets Under Management movements for the three months ended September 30, 2013 compared with the three months ended September 30, 2012

The discussion below includes presentation of AUM as Passive and Active. Passive AUM includes ETFs, UITs, non-fee earning leverage, foreign exchange overlays and other passive mandates. Active AUM is total AUM less Passive AUM. The AUM tables and the discussion below refer to AUM as long-term and short-term. Short-term

AUM includes institutional money market and Invesco PowerShares QQQ AUM. Long-term AUM is total AUM less short-term AUM. As previously announced, the company has entered into an agreement to sell Atlantic Trust, which is being accounted for as discontinued operations in our results. The AUM for Atlantic Trust are excluded from all periods presented.

AUM at September 30, 2013 were \$745.5 billion (June 30, 2013: \$705.6 billion; September 30, 2012: \$663.0 billion). During the three months ended September 30, 2013, we experienced total net inflows of \$9.1 billion with net long-term inflows of \$5.0 billion. Net inflows of short-term AUM included institutional money market funds of \$3.3 billion and net inflows from the Invesco PowerShares QQQ fund of \$0.8 billion. Market movements increased AUM by \$22.4 billion, and AUM increased \$8.4 billion due to changes in foreign exchange rates during the three months ended September 30, 2013. During the three months ended September 30, 2012, we experienced total net inflows of \$11.4 billion, of which \$8.5 billion was from long-term net inflows, \$2.3 billion was from net inflows in institutional money market funds and \$0.6 billion was from net inflows from the Invesco PowerShares QQQ fund. Market movements increased AUM by \$21.4 billion, and AUM increased \$4.3 billion due

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to changes in foreign exchange rates during the three months ended September 30, 2012. Average AUM during the three months ended September 30, 2013, were \$729.4 billion compared to \$648.5 billion for the three months ended September 30, 2012.

Long-term net inflows during the three months ended September 30, 2013 were \$5.0 billion and included net long-term inflows of passive AUM of \$0.2 billion. Total net long-term flows include inflows from our retail distribution channel of \$6.5 billion, offset by outflows from our institutional channel of \$1.5 billion. We experienced net long-term inflows in our alternatives asset class of \$1.4 billion, balanced funds of \$0.2 billion and equity funds of \$4.6 billion. These inflows were partially offset by net long-term outflows of \$1.1 billion in our fixed income funds and \$0.1 billion in retail money market funds.

The \$22.4 billion increase in AUM resulting from market gains during the three months ended September 30, 2013 included increases in the market value of our equity asset of \$20.7 billion, balanced fund assets of \$2.3 billion and retail money market assets of \$0.2 billion. These market valuation gains were partially offset by a decrease of \$0.7 billion in the value of our fixed income asset class, with the alternative asset class also experiencing market losses of \$0.1 billion. Of the \$21.4 billion increase in AUM resulting from market gains during the three months ended September 30, 2012, \$14.8 billion of this increase was due to the change in value of our equity asset class.

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, the Canadian Dollar, the Japanese Yen and the Euro relative to the U.S. Dollar, which was reflected in the translation of our Sterling-based, Canadian Dollar-based, Japanese Yen-based and Euro-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the three months ended September 30, 2012, was also driven by the strengthening of the Pound Sterling, the Canadian Dollar, the Japanese Yen and the Euro relative to the U.S. Dollar.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at September 30, 2013 and 2012, as compared with the rates that existed at June 30, 2013 and 2012:

|                              | September 30,<br>2013 | June 30, 2013 | September 30,<br>2012 | June 30, 2012 |
|------------------------------|-----------------------|---------------|-----------------------|---------------|
| Pound Sterling (\$ per £)    | 1.619                 | 1.518         | 1.615                 | 1.569         |
| Canadian Dollar (CAD per \$) | 1.029                 | 1.054         | 0.984                 | 1.019         |
| Japan (¥ per \$)             | 98.120                | 99.320        | 77.800                | 79.820        |
| Euro (\$ per €)              | 1.353                 | 1.300         | 1.287                 | 1.269         |

Net revenue yield increased 1.1 basis points to 44.8 basis points in the three months ended September 30, 2013, from the three months ended September 30, 2012 level of 43.7 basis points. The increase in net revenue yield was largely driven by improved equity markets and growth in the equity asset class. Net revenue yield before performance fees increased to 44.3 in the three months ended September 30, 2013, from the three months ended September 30, 2012 level of 43.5 basis points due to same factors.

Gross revenue yield on AUM increased 1.8 basis points to 64.6 basis points in the three months ended September 30, 2013, from the three months ended September 30, 2012, level of 62.8 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. See footnote 1 to the table below for additional information.

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Changes in AUM were as follows<sup>(3)</sup>:

| \$ in billions   | 2013      |          |          | 2012      |          |         |     |  |
|--|-----------|----------|----------|-----------|----------|---------|-----|--|
|  | Total AUM | Active   | Passive  | Total AUM | Active   | Passive |     |  |
| June 30  | 705.6     | 581.9    | 123.7    | 627.6     | 520.0    | 107.6   |     |  |
| Long-term inflows  | 41.8      | 33.1     | 8.7      | 34.0      | 25.2     | 8.8     |     |  |
| Long-term outflows   | (36.8 )   | (28.3 )  | (8.5 )   | (25.5 )   | (21.9 )  | (3.6 )  |     |  |
| Long-term net flows  | 5.0       | 4.8      | 0.2      | 8.5       | 3.3      | 5.2     |     |  |
| Net flows in Invesco PowerShares<br>QQQ fund                         | 0.8       | —        | 0.8      | 0.6       | —        | 0.6     |     |  |
| Net flows in institutional money<br>market funds                     | 3.3       | 3.3      | —        | 2.3       | 2.3      | —       |     |  |
| Total net flows  | 9.1       | 8.1      | 1.0      | 11.4      | 5.6      | 5.8     |     |  |
| Market gains and<br>(losses)/reinvestment                            | 22.4      | 17.5     | 4.9      | 21.4      | 17.0     | 4.4     |     |  |
| Acquisitions/(dispositions), net                                     | —         | —        | —        | (1.7 )    | (1.7 )   | —       |     |  |
| Foreign currency translation   | 8.4       | 8.4      | —        | 4.3       | 4.2      | 0.1     |     |  |
| September 30   | 745.5     | 615.9    | 129.6    | 663.0     | 545.1    | 117.9   |     |  |
| Average long-term AUM  | 616.2     | 526.6    | 89.6     | 545.6     | 466.8    | 78.8    |     |  |
| Average short-term AUM   | 113.2     | 76.1     | 37.1     | 102.9     | 68.1     | 34.8    |     |  |
| Average AUM  | 729.4     | 602.7    | 126.7    | 648.5     | 534.9    | 113.6   |     |  |
| Gross revenue yield on AUM <sup>(1)</sup>                            | 64.6      | bps 75.8 | bps 11.8 | bps 62.8  | bps 74.2 | bps 9.5 | bps |  |
| Gross revenue yield on AUM before<br>performance fees <sup>(1)</sup> | 64.3      | bps 75.4 | bps 11.8 | bps 62.6  | bps 74.0 | bps 9.5 | bps |  |
| Net revenue yield on AUM <sup>(2)</sup>                              | 44.8      | bps 51.7 | bps 11.8 | bps 43.7  | bps 51.0 | bps 9.5 | bps |  |
| Net revenue yield on AUM before<br>performance fees <sup>(2)</sup>   | 44.3      | bps 51.1 | bps 11.8 | bps 43.5  | bps 50.7 | bps 9.5 | bps |  |

Gross revenue yield on AUM is equal to annualized U.S. GAAP total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The (1) differences between the numerators of the gross and net revenue yield calculations are due to the reconciling items between the U.S. GAAP operating revenue (gross revenue) amount and the non-GAAP measure of net revenue. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues (gross revenues) to net revenues.

The difference in the denominators of the gross and net revenue yield calculations is due to the JV average AUM, which is excluded in the calculation of gross revenue yield. 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. Our share of the average AUM in the three months ended September 30, 2013, for our JVs in China was \$4.0 billion (three months ended September 30, 2012: \$2.9 billion).

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

(3) All AUM amounts quoted in the tables exclude the AUM of the discontinued operation, Atlantic Trust. As at September 30, 2013, the excluded Atlantic Trust total AUM were \$22.8 billion (\$21.7 billion at June 30, 2013; \$20.0 billion at September 30, 2012; \$19.0 billion at June 30, 2012) with \$22.3 billion in balanced (\$21.2 billion at June 30, 2013; \$18.3 billion at September 30, 2012; \$18.0 billion at June 30, 2012) and

\$0.5 billion in equity (\$0.5 billion at June 30, 2013; \$1.7 billion at September 30, 2012; \$1.0 billion at June 30, 2012).



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

Total AUM by Channel<sup>(1,6)</sup>

| \$ in billions                                | Total  | Retail | Institutional |
|---|--------|--------|---------------|
| 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           |
| Acquisitions/dispositions, net                | —      | —      | —             |
| Foreign currency translation                  | 8.4    | 7.4    | 1.0           |
| September 30, 2013 AUM                        | 745.5  | 492.0  | 253.5         |
| June 30, 2012 AUM                             | 627.6  | 396.8  | 230.8         |
| Long-term inflows                             | 34.0   | 26.0   | 8.0           |
| Long-term outflows                            | (25.5) | (20.3) | (5.2)         |
| Long-term net flows                           | 8.5    | 5.7    | 2.8           |
| Net flows in Invesco PowerShares QQQ fund     | 0.6    | 0.6    | —             |
| Net flows in institutional money market funds | 2.3    | —      | 2.3           |
| Total net flows                               | 11.4   | 6.3    | 5.1           |
| Market gains and (losses)/reinvestment        | 21.4   | 16.8   | 4.6           |
| Acquisitions/dispositions, net                | (1.7)  | —      | (1.7)         |
| Foreign currency translation                  | 4.3    | 3.5    | 0.8           |
| September 30, 2012 AUM                        | 663.0  | 423.4  | 239.6         |
| Passive AUM by Channel <sup>(1)</sup>         |        |        |               |
| \$ in billions                                | Total  | Retail | Institutional |
| 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          |
| June 30, 2012 AUM                             | 107.6  | 86.9   | 20.7          |
| Long-term inflows                             | 8.8    | 6.3    | 2.5           |
| Long-term outflows                            | (3.6)  | (3.5)  | (0.1)         |
| Long-term net flows                           | 5.2    | 2.8    | 2.4           |
| Net flows in Invesco PowerShares QQQ fund     | 0.6    | 0.6    | —             |
| Net flows in institutional money market funds | —      | —      | —             |
| Total net flows                               | 5.8    | 3.4    | 2.4           |
| Market gains and (losses)/reinvestment        | 4.4    | 4.4    | —             |
| Foreign currency translation                  | 0.1    | —      | 0.1           |
| September 30, 2012 AUM                        | 117.9  | 94.7   | 23.2          |

See accompanying notes immediately following these tables.

Table of ContentsTotal AUM by Asset Class<sup>(2,6)</sup>

| \$ in billions                                   | Total | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|-------|---------|-----------------|----------|-----------------|-----------------------------|
| 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<br>QQQ fund     | 0.8   | 0.8     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | 3.3   | —       | —               | —        | 3.3             | —                           |
| Total net flows                                  | 9.1   | 5.4     | (1.1            | ) 0.2    | 3.2             | 1.4                         |
| Market gains and<br>(losses)/reinvestment        | 22.4  | 20.7    | (0.7            | ) 2.3    | 0.2             | (0.1                        |
| Acquisitions/dispositions, net                   | —     | —       | —               | —        | —               | —                           |
| 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            | (4) 85.3                    |
| Average AUM                                      | 729.4 | 341.0   | 171.6           | 52.2     | 80.4            | 84.2                        |
| June 30, 2012 AUM                                | 627.6 | 282.8   | 155.6           | 33.5     | 71.0            | 84.7                        |
| Long-term inflows                                | 34.0  | 12.0    | 11.7            | 5.3      | 0.7             | 4.3                         |
| Long-term outflows                               | (25.5 | ) (14.1 | ) (4.5          | ) (1.2   | ) (0.9          | ) (4.8                      |
| Long-term net flows                              | 8.5   | (2.1    | ) 7.2           | 4.1      | (0.2            | ) (0.5                      |
| Net flows in Invesco PowerShares<br>QQQ fund     | 0.6   | 0.6     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | 2.3   | —       | —               | —        | 2.3             | —                           |
| Total net flows                                  | 11.4  | (1.5    | ) 7.2           | 4.1      | 2.1             | (0.5                        |
| Market gains and<br>(losses)/reinvestment        | 21.4  | 14.8    | 3.6             | 1.4      | 0.1             | 1.5                         |
| Acquisitions/dispositions, net                   | (1.7  | ) —     | —               | —        | —               | (1.7                        |
| Foreign currency translation                     | 4.3   | 2.8     | 0.6             | 0.6      | —               | 0.3                         |
| September 30, 2012 AUM                           | 663.0 | 298.9   | 167.0           | 39.6     | 73.2            | 84.3                        |
| Average AUM                                      | 648.5 | 292.8   | 162.5           | 37.3     | 72.3            | 83.7                        |

Passive AUM by Asset Class<sup>(2)</sup>

| \$ in billions                                   | Total | Equity | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|-------|--------|-----------------|----------|-----------------|-----------------------------|
| 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<br>PowerShares QQQ fund     | 0.8   | 0.8    | —               | —        | —               | —                           |
| Net flows in institutional<br>money market funds | —     | —      | —               | —        | —               | —                           |
| Total net flows                                  | 1.0   | 3.2    | (2.3            | ) —      | —               | 0.1                         |
| Market gains and<br>(losses)/reinvestment        | 4.9   | 5.2    | (0.6            | ) —      | —               | 0.3                         |
| Foreign currency translation                     | —     | —      | —               | —        | —               | —                           |

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|  |       |        |        |     |   |      |   |
|--|-------|--------|--------|-----|---|------|---|
| September 30, 2013 AUM                           | 129.6 | 74.1   | 39.6   | —   | — | 15.9 |   |
| Average AUM                                      | 126.7 | 71.2   | 40.2   | —   | — | 15.3 |   |
| June 30, 2012 AUM                                | 107.6 | 54.6   | 33.9   | —   | — | 19.1 |   |
| Long-term inflows                                | 8.8   | 3.4    | 3.9    | —   | — | 1.5  |   |
| Long-term outflows                               | (3.6  | ) (2.4 | ) (0.5 | ) — | — | (0.7 | ) |
| Long-term net flows                              | 5.2   | 1.0    | 3.4    | —   | — | 0.8  |   |
| Net flows in Invesco<br>PowerShares QQQ fund     | 0.6   | 0.6    | —      | —   | — | —    |   |
| Net flows in institutional<br>money market funds | —     | —      | —      | —   | — | —    |   |
| Total net flows                                  | 5.8   | 1.6    | 3.4    | —   | — | 0.8  |   |
| Market gains and<br>(losses)/reinvestment        | 4.4   | 3.0    | 0.3    | —   | — | 1.1  |   |
| Foreign currency translation                     | 0.1   | —      | —      | —   | — | 0.1  |   |
| September 30, 2012 AUM                           | 117.9 | 59.2   | 37.6   | —   | — | 21.1 |   |
| Average AUM                                      | 113.6 | 57.8   | 36.4   | —   | — | 19.4 |   |

See accompanying notes immediately following these tables.

Table of ContentsTotal AUM by Client Domicile<sup>(5,6)</sup>

| \$ in billions                                   | Total  | U.S.   | Canada | U.K.  | Continental Europe | Asia  |
|--|--------|--------|--------|-------|--------------------|-------|
| 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<br>QQQ fund     | 0.8    | 0.8    | —      | —     | —                  | —     |
| Net flows in institutional money<br>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<br>(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  |
| June 30, 2012 AUM                                | 627.6  | 428.3  | 23.5   | 92.8  | 34.4               | 48.6  |
| Long-term inflows                                | 34.0   | 22.6   | 0.8    | 3.4   | 4.6                | 2.6   |
| Long-term outflows                               | (25.5) | (13.5) | (1.1)  | (3.7) | (3.0)              | (4.2) |
| Long-term net flows                              | 8.5    | 9.1    | (0.3)  | (0.3) | 1.6                | (1.6) |
| Net flows in Invesco PowerShares<br>QQQ fund     | 0.6    | 0.6    | —      | —     | —                  | —     |
| Net flows in institutional money<br>market funds | 2.3    | 2.4    | 0.1    | (0.1) | (0.1)              | —     |
| Total net flows                                  | 11.4   | 12.1   | (0.2)  | (0.4) | 1.5                | (1.6) |
| Market gains and<br>(losses)/reinvestment        | 21.4   | 14.1   | 0.8    | 4.5   | 1.3                | 0.7   |
| Acquisitions/dispositions, net                   | (1.7)  | —      | —      | —     | (1.7)              | —     |
| Foreign currency translation                     | 4.3    | —      | 0.9    | 2.7   | 0.1                | 0.6   |
| September 30, 2012 AUM                           | 663.0  | 454.5  | 25.0   | 99.6  | 35.6               | 48.3  |
| Passive AUM by Client Domicile <sup>(5)</sup>    |        |        |        |       |                    |       |
| \$ in billions                                   | Total  | U.S.   | Canada | U.K.  | Continental Europe | Asia  |
| 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<br>QQQ fund     | 0.8    | 0.8    | —      | —     | —                  | —     |
| Net flows in institutional money<br>market funds | —      | —      | —      | —     | —                  | —     |
| Total net flows                                  | 1.0    | 1.0    | —      | —     | —                  | —     |
| Market gains and<br>(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   |
| June 30, 2012 AUM                                | 107.6  | 100.7  | —      | —     | 1.4                | 5.5   |

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|  |       |        |     |   |      |        |   |
|--|-------|--------|-----|---|------|--------|---|
| Long-term inflows                                | 8.8   | 8.5    | —   | — | —    | 0.3    |   |
| Long-term outflows                               | (3.6  | ) (3.3 | ) — | — | (0.2 | ) (0.1 | ) |
| Long-term net flows                              | 5.2   | 5.2    | —   | — | (0.2 | ) 0.2  |   |
| Net flows in Invesco PowerShares<br>QQQ fund     | 0.6   | 0.6    | —   | — | —    | —      |   |
| Net flows in institutional money<br>market funds | —     | —      | —   | — | —    | —      |   |
| Total net flows                                  | 5.8   | 5.8    | —   | — | (0.2 | ) 0.2  |   |
| Market gains and<br>(losses)/reinvestment        | 4.4   | 4.3    | —   | — | 0.1  | —      |   |
| Foreign currency translation                     | 0.1   | —      | —   | — | —    | 0.1    |   |
| September 30, 2012 AUM                           | 117.9 | 110.8  | —   | — | 1.3  | 5.8    |   |

See accompanying notes to these AUM tables on the following page.

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

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

(3) The alternatives asset class includes absolute return, real estate, commodities, currencies, financial structures, Global Macro, REITS, private capital, and Risk Parity.

(4) Ending money market AUM includes \$76.8 billion in institutional money market AUM and \$4.3 billion in retail money market AUM.

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

(6) All AUM amounts quoted in the tables exclude the AUM of the discontinued operation, Atlantic Trust. As at September 30, 2013, the excluded Atlantic Trust total AUM were \$22.8 billion (\$21.7 billion at June 30, 2013; \$20.0 billion at September 30, 2012; \$19.0 billion at June 30, 2012) with \$22.3 billion in balanced (\$21.2 billion at June 30, 2013; \$18.3 billion at September 30, 2012; \$18.0 billion at June 30, 2012) and \$0.5 billion in equity (\$0.5 billion at June 30, 2013; \$1.7 billion at September 30, 2012; \$1.0 billion at June 30, 2012).

Results of Operations for the three months ended September 30, 2013 compared with the three months ended September 30, 2012

To assist in the comparisons, the discussion that follows will separate the impact of CIP from the overall consolidated results of operations. The discussion includes the use of non-GAAP financial measures. See "Schedule of Non-GAAP Information" for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

## Summary of Income Statement Impact of CIP

| \$ in millions  | Three months ended September 30, |                           |               |                           |
|---|----------------------------------|---------------------------|---------------|---------------------------|
|   | 2013                             |                           | 2012          |                           |
|   | Impact of CIP                    | Invesco Ltd. Consolidated | Impact of CIP | Invesco Ltd. Consolidated |
| Total operating revenues  | (12.0                            | ) 1,171.8                 | (11.5         | ) 1,013.9                 |
| Total operating expenses  | 13.0                             | 885.8                     | 2.3           | 803.0                     |
| Operating income  | (25.0                            | ) 286.0                   | (13.8         | ) 210.9                   |
| Equity in earnings of unconsolidated affiliates                                     | (2.2                             | ) 10.3                    | (0.5          | ) 5.2                     |
| Interest and dividend income  | 45.5                             | 49.0                      | 65.3          | 71.2                      |
| Other investment income/(losses)  | 26.4                             | 40.9                      | (33.9         | ) (6.8                    |
| Interest expense  | (33.5                            | ) (43.2                   | ) (41.9       | ) (54.5                   |
| Income from continuing operations before income taxes                               | 11.2                             | 343.0                     | (24.8         | ) 226.0                   |
| Income tax provision  | —                                | (92.9                     | ) —           | (72.3                     |
| Income from continuing operations, net of taxes                                     | 11.2                             | 250.1                     | (24.8         | ) 153.7                   |
| Income from discontinued operations, net of taxes                                   | —                                | (1.4                      | ) —           | 3.2                       |
| Net income  | 11.2                             | 248.7                     | (24.8         | ) 156.9                   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities | (20.6                            | ) (20.6                   | ) 13.7        | 13.7                      |
| Net income attributable to common shareholders                                      | (9.4                             | ) 228.1                   | (11.1         | ) 170.6                   |





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## Operating Revenues and Net Revenues

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

| \$ in millions   | Three months ended September 30, |          |           |          |
|--|----------------------------------|----------|-----------|----------|
|  | 2013                             | 2012     | \$ Change | % Change |
| Investment management fees   | 914.4                            | 790.6    | 123.8     | 15.7 %   |
| Service and distribution fees  | 220.7                            | 196.0    | 24.7      | 12.6 %   |
| Performance fees   | 5.1                              | 3.0      | 2.1       | 70.0 %   |
| Other  | 31.6                             | 24.3     | 7.3       | 30.0 %   |
| Total operating revenues   | 1,171.8                          | 1,013.9  | 157.9     | 15.6 %   |
| Third-party distribution, service and advisory expenses  | (380.9 )                         | (326.2 ) | (54.7 )   | 16.8 %   |
| Proportional share of revenues, net of third-party distribution expenses, from joint venture investments | 13.5                             | 9.0      | 4.5       | 50.0 %   |
| Management fees earned from CIP  | 8.6                              | 11.1     | (2.5 )    | (22.5 )% |
| Performance fees earned from CIP   | 3.4                              | 0.4      | 3.0       | N/A      |
| Net revenues   | 816.4                            | 708.2    | 108.2     | 15.3 %   |

A significant portion of our business and AUM is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling, Canadian Dollar, Euro and Japanese Yen will impact our reported revenues and expenses from period to period. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements decreased operating revenues by \$13.6 million, equivalent to 1.2% of total operating revenue, during the three months ended September 30, 2013 when compared to the three months ended September 30, 2012. 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 outlined in the Executive Overview section above, the returns from global capital markets were positive in the three months ended September 30, 2013 with net market increases in developed markets during the quarter. We experienced a net increase in AUM of \$39.9 billion during the three months ended September 30, 2013, with higher average AUM levels than both the prior quarter as well as the same period last year. Net revenue yield, as discussed in the "Assets Under Management" section, increased during the three months ended September 30, 2013 to 44.8 basis points, as compared to 43.7 basis points in the three months ended September 30, 2012. The increase in during the current quarter was driven by changes in AUM mix, with a larger proportion of AUM in higher-yield equity funds and balanced funds (47.4% and 7.2% respectively) as of September 30, 2013 as compared to the September 30, 2012 (45.1% and 6.0% respectively). Excluding performance fees, net revenue yield increased in the third quarter of 2013 to 44.3 basis points from 43.5 basis points in the third quarter of 2012.

Operating revenues increased by \$157.9 million (15.6%) in the three months ended September 30, 2013 to \$1,171.8 million (three months ended September 30, 2012: \$1,013.9 million). Net revenues increased by \$108.2 million (15.3%) in the three months ended September 30, 2013 to \$816.4 million (three months ended September 30, 2012: \$708.2 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. See "Schedule of Non-GAAP Information" for additional important disclosures regarding the use of net revenues.

## Investment management fees

Investment management fees increased by \$123.8 million (15.7%) in the three months ended September 30, 2013 to \$914.4 million (three months ended September 30, 2012: \$790.6 million). This compares to a 12.5% increase in average AUM and a 12.9% increase in average long-term AUM. See the company's disclosures regarding the changes in AUM and revenue during the three months ended September 30, 2013 in the "Assets Under Management" section above for additional information regarding the movements in AUM. Management fee yield (annualized management

fee revenues divided by average AUM, excluding joint venture AUM) increased to 50.4 basis points in the third quarter of 2013 from 49.0 basis points in the third quarter of 2012. As discussed in previous quarters, management fees were reduced commencing in June 2011 due to acquisition integration-related U.S. mutual fund mergers. Although the waivers began to lapse in mid-2012, they negatively impacted revenues in the third quarter of 2012. The impact of foreign exchange rate movements decreased investment management fees by \$12.4 million during the three months ended September 30, 2013, compared to the three months ended September 30, 2012.

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## Service and distribution fees

In the three months ended September 30, 2013, service and distribution fees increased by \$24.7 million (12.6%) to \$220.7 million (three months ended September 30, 2012: \$196.0 million). The increase in service and distribution fees reflects the overall increase in AUM during the period, and is made up of increases in distribution and redemption fees of \$9.5 million, administration and custodial fees of \$14.0 million and transfer agent fees of \$2.2 million, offset by a decrease in foreign exchange rate movements of \$1.0 million.

## Performance fees

Of our \$745.5 billion in AUM at September 30, 2013, approximately \$44.4 billion, or 6.0%, have the potential to earn performance fees. In the three months ended September 30, 2013 recognized performance fees were \$5.1 million, an increase of \$2.1 million from the comparative period (three months ended September 30, 2012: \$3.0 million). The performance fees generated in the three months ended September 30, 2013 arose primarily from products managed by the UK group (\$2.9 million), Continental Europe group (\$1.0 million) and Asia Pacific group (\$0.6 million). The performance fees generated in the three months ended September 30, 2012 arose primarily from products managed by the Asia Pacific group (\$0.9 million) and the UK group (\$1.9 million). Foreign exchange rate movements decreased performance fees by \$0.1 million during the three months ended September 30, 2013, compared to the three months ended September 30, 2012.

## Other revenues

In the three months ended September 30, 2013, other revenues increased by \$7.3 million (30.0%) to \$31.6 million (three months ended September 30, 2012: \$24.3 million). The increase in other revenues was driven by an increase in real estate acquisition and disposition fees of \$5.9 million, increases in UIT revenues and transaction commissions of \$1.5 million, and mutual fund front end fees of \$0.3 million, offset by other net decreases of \$0.3 million in other revenues during the period.

## Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses increased by \$54.7 million (16.8%) in the three months ended September 30, 2013 to \$380.9 million (three months ended September 30, 2012: \$326.2 million). The increase in third-party distribution, service and advisory expenses is closely linked to the increase in investment management fees and service and distribution fees over this period. The increased expenses include increases in renewal and external commissions of \$38.6 million, distribution fees of \$19.3 million, and external transfer agency fees of \$1.6 million, offset by decreases in sub-advisory fees of \$0.5 million and foreign exchange rate movements of \$4.3 million during the three months ended September 30, 2013, compared to the three months ended September 30, 2012.

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

Management believes that 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.

Our proportional share of revenues, net of third-party distribution expenses increased by \$4.5 million (50.0%) to \$13.5 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$9.0 million). Our share of the Invesco Great Wall joint venture's average AUM in the three months ended September 30, 2013 was \$4.0 billion (three months ended September 30, 2012: \$2.9 billion).

## Management and performance 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, performance fees and other revenues 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. Such fees were \$12.0 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$11.5 million). See "Schedule of Non-GAAP Information" for additional disclosures regarding the use of net revenues.



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## Operating Expenses

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

| \$ in millions                                 | Three months ended September 30, |       |           |          |    |
|--|----------------------------------|-------|-----------|----------|----|
|  | 2013                             | 2012  | \$ Change | % Change |    |
| Employee compensation                          | 330.3                            | 315.2 | 15.1      | 4.8      | %  |
| Third-party distribution, service and advisory | 380.9                            | 326.2 | 54.7      | 16.8     | %  |
| Marketing                                      | 22.6                             | 26.3  | (3.7)     | (14.1)   | )% |
| Property, office and technology                | 71.9                             | 66.1  | 5.8       | 8.8      | %  |
| General and administrative                     | 80.1                             | 66.2  | 13.9      | 21.0     | %  |
| Transaction and integration                    | —                                | 3.0   | (3.0)     | (100.0)  | )% |
| Total operating expenses                       | 885.8                            | 803.0 | 82.8      | 10.3     | %  |

The table below sets forth these cost 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:

| Three months ended:                            | September 30,      | % of Total         |                    | % of               |                    | % of Total         |                    | % of               |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  |                    | Operating Expenses | Operating Revenues | Operating Expenses | Operating Revenues | Operating Expenses | Operating Revenues | Operating Expenses | Operating Revenues |
| \$ in millions                                 | September 30, 2013 |                    |                    | September 30, 2012 |                    |                    |                    |                    |                    |
| Employee compensation                          | 330.3              | 37.3               | % 28.2             | % 315.2            | 39.3               | % 31.1             | %                  |                    |                    |
| Third-party distribution, service and advisory | 380.9              | 43.0               | % 32.5             | % 326.2            | 40.6               | % 32.2             | %                  |                    |                    |
| Marketing                                      | 22.6               | 2.6                | % 1.9              | % 26.3             | 3.3                | % 2.6              | %                  |                    |                    |
| Property, office and technology                | 71.9               | 8.1                | % 6.1              | % 66.1             | 8.2                | % 6.5              | %                  |                    |                    |
| General and administrative                     | 80.1               | 9.0                | % 6.8              | % 66.2             | 8.2                | % 6.5              | %                  |                    |                    |
| Transaction and integration                    | —                  | —                  | % —                | % 3.0              | 0.4                | % 0.3              | %                  |                    |                    |
| Total operating expenses                       | 885.8              | 100.0              | % 75.5             | % 803.0            | 100.0              | % 79.2             | %                  |                    |                    |

During the three months ended September 30, 2013, operating expenses increased by \$82.8 million (10.3%) to \$885.8 million (three months ended September 30, 2012 \$803.0 million). The impact of foreign exchange rate movements decreased operating expenses by \$11.7 million, equivalent to 1.3% of total operating expenses, during the three months ended September 30, 2013 as compared to the three months ended September 30, 2012.

## Employee Compensation

Employee compensation increased \$15.1 million (4.8%) to \$330.3 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$315.2 million). The impact of foreign exchange rate movements decreased employee compensation expense by \$4.7 million during the three months ended September 30, 2013 compared to the three months ended September 30, 2012. After allowing for foreign exchange rate changes, the increase in employee compensation was \$19.8 million.

Direct compensation increased \$20.0 million and includes increases in base salaries and variable costs as well as deferred and share-based compensation during the three months ended September 30, 2013 when compared to the three months ended September 30, 2012.

As of September 30, 2013, on a continuing operations basis, the company had 5,864 employees, compared to 5,861 employees as of September 30, 2012. The company had 6,115 employees as of September 30, 2013, compared to 6,101 employees as of September 30, 2012 including employees of the Atlantic Trust business.

## 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 decreased by \$3.7 million (14.1%) in the three months ended September 30, 2013 to \$22.6 million (three months ended September 30, 2012: \$26.3 million). The impact of foreign exchange rate movements decreased marketing expense by \$0.2 million during the three months ended September 30, 2013 compared to the three months ended September 30, 2012. After allowing for foreign exchange rate changes, the decrease in marketing expenses was \$3.5 million.

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The decrease in marketing expenses in the three months ended September 30, 2013 includes decreases in advertising expense of \$2.3 million, a reduction in travel expenses of \$0.7 million, and corporate sponsorships and other costs of \$0.5 million when compared to the same period in 2012.

**Property, Office and Technology**

Property, office and technology expenses increased by \$5.8 million (8.8%) to \$71.9 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$66.1 million). The impact of foreign exchange rate movements decreased property, office and technology expenses by \$1.0 million during the three months ended September 30, 2013 as compared to the three months ended September 30, 2012. After allowing for foreign exchange rate movements, the increase was \$6.8 million.

Technology and communications expenses increased \$6.4 million compared to the three months ended September 30, 2012, primarily due to increases in technology expenses associated with outsourced administration expenses connected to the outsourcing of our European transfer agency, as well as continued investment in fixed income systems. Property and office expenses decreased \$0.6 million over the comparable 2012 period, due to lower rent expense.

**General and Administrative**

General and administrative expenses increased by \$13.9 million (21.0%) to \$80.1 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$66.2 million). The impact of foreign exchange rate movements decreased general and administrative expenses by \$1.5 million during the three months ended September 30, 2013. After allowing for foreign exchange rate changes, the decrease in general and administrative expenses was \$15.4 million.

The increase in general administration expenses is primarily related to an increase of \$8.9 million in legal and fund launch costs of our CIP and a \$5.4 million increase in legal and professional services costs mainly driven by increased regulatory activity in the U.K. to develop the compliance and risk management support functions across Europe and costs associated with new product development in the third quarter of 2013. Other net increases in general and administrative costs were \$1.1 million.

**Transaction and integration**

The company incurred no transaction and integration charges during the three months ended September 30, 2013 (three months ended September 30, 2012: \$3.0 million). Transaction and integration expenses during the three months ended September 30, 2012 related to fund mergers and included professional services and shareholder communications costs.

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

Operating income increased by \$75.1 million (35.6%) to \$286.0 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$210.9 million). Operating margin (operating income divided by operating revenues), increased from 20.8% in the three months ended September 30, 2012 to 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 (15.6%) than in operating expenses (10.3%). Adjusted operating income increased by \$83.8 million (34.3%) to \$328.1 million in the three months ended September 30, 2013 from \$244.3 million in the three months ended September 30, 2012. Adjusted operating margin increased to 40.2% in the three months ended September 30, 2013 from 34.5% in the three months ended September 30, 2012. See "Schedule of Non-GAAP Information" for definitions of these measures and 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 September 30, |      |           |          |   |
|---|----------------------------------|------|-----------|----------|---|
|   | 2013                             | 2012 | \$ Change | % Change |   |
| Equity in earnings of unconsolidated affiliates | 10.3                             | 5.2  | 5.1       | 98.1     | % |
| Interest and dividend income                    | 2.5                              | 2.5  | —         | —        | % |

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|                                     |       |   |       |   |       |      |         |
|-------------------------------------|-------|---|-------|---|-------|------|---------|
| Interest expense                    | (9.7  | ) | (12.6 | ) | 2.9   | 23.0 | %       |
| Other gains and losses, net         | 2.7   |   | 18.4  |   | (15.7 | )    | (85.3)% |
| Other income and expenses of CIP:   |       |   |       |   |       |      |         |
| Interest and dividend income of CIP | 46.5  |   | 68.7  |   | (22.2 | )    | (32.3)% |
| Interest expense of CIP             | (33.5 | ) | (41.9 | ) | 8.4   |      | 20.0%   |
| Other gains/(losses) of CIP         | 38.2  |   | (25.2 | ) | 63.4  |      | N/A     |
| Total other income and expenses     | 57.0  |   | 15.1  |   | 41.9  |      | N/A     |

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## Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates increased by \$5.1 million in the three months ended September 30, 2013 compared to three months ended September 30, 2012. The increase in equity in earnings is impacted by an increase of \$5.0 million in our share of the market-driven valuation changes in the underlying holdings of certain partnership investment and a net increase of \$0.1 million in the joint venture investments in China from the comparative period.

## Interest and dividend income and interest expense

Interest and dividend income remained flat in the three months ended September 30, 2013 (three months ended September 30, 2012: \$2.5 million).

Interest expense decreased by \$2.9 million (23.0%) to \$9.7 million in the three months ended September 30, 2013 (three months ended September 30, 2012: \$12.6 million) reflecting the changes made in the fourth quarter of 2012 to long-term financing arrangements.

## Other gains and losses, net

Other gains and losses, net were a net gain of \$2.7 million in the three months ended September 30, 2013 as compared to a net gain of \$18.4 million in the three months ended September 30, 2012. Included in other gains and losses for the third quarter of 2013 is a net gain of \$9.2 million resulting from the appreciation of investments held for our deferred compensation plans (three months ended September 30, 2012: \$9.7 million net gain) and net gains from seed and other investments of \$1.0 million (three months ended September 30, 2012: \$1.3 million net realized gains). These gains are offset by a realized loss of \$6.6 million on the liquidation of a co-investment and sale of other securities (three months ended September 30, 2012: none) and a net loss of \$1.1 million related to the mark-to-market 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 (three months ended September 30, 2012: \$1.4 million loss). In the three months ended September 30, 2013, we had net gains on foreign exchange activities on inter-group loans of \$0.6 million (three months ended September 30, 2012: \$0.5 million in net foreign exchange gain). The three months ended September 30, 2012 saw a net gain on the sale of CLO management contracts of \$8.3 million.

## Non-operating income and expense of CIP

In the three months ended September 30, 2013, interest income of CIP decreased by \$22.2 million (32.3%) to \$46.5 million (three months ended September 30, 2012: \$68.7 million) primarily due to the impact of the third quarter 2012 sale of our management agreements and equity interests in certain CLOs. Interest expense of CIP decreased by \$8.4 million (20.0%) to \$33.5 million (three months ended September 30, 2012: \$41.9 million), also primarily due to the impact of the third quarter 2012 sale of our management agreements and equity interests in certain CLOs. See Part I, Item 1, Financial Statements - Note 13, "Consolidated Investment Products," for additional information regarding the impact of the CLO deconsolidation during the period.

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, 2013, other gains/(losses) of CIP were a net gain of \$38.2 million, as compared to a net loss of \$25.2 million in the three months ended September 30, 2012. 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 exceeding losses associated with CLO investments. The net loss in the 2012 period was primarily due to losses associated with the increase in market value of the long-term debt of CLOs exceeding gains associated with private equity and CLO investments.

## Net impact of CIP and related noncontrolling interests in noncontrolling entities

As illustrated in the Summary of Income Statement Impact of CIP for the three months ended September 30, 2013 and 2012 at the beginning of this Results of Operations section, the consolidation of CIP 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 income attributed to noncontrolling interests during the period was \$20.6 million, resulting in a net decrease in net income of the company of \$9.4 million. The consolidation of CIP during the three months ended September 30, 2012 resulted in a \$24.8 million decrease to net income before attribution to noncontrolling interests. This net loss is offset by noncontrolling interests of \$13.7 million, resulting in a net decrease in net income of the

company of \$11.1 million.

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

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 Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of CIP.

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Additionally, CIP represent approximately 1% of the company's AUM. Therefore, the net gains or losses of CIP is not indicative of the performance of the company's aggregate AUM.

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. The majority of our profits are earned in the U.S., the U.K., and Canada.

The enacted U.K. statutory tax rate, for U.S. GAAP purposes, was 23% as of September 30, 2013. The 2013 U.K. Budget received Royal Assent during the third quarter ended September 30, 2013 to further reduce the rate to 21% (previously 22%) from April 1, 2014 and 20% (previously 21%) from April 1, 2015. As of September 30, 2013, the Canadian federal and provincial statutory tax rate was 26.5%. The U.S. federal statutory tax rate was 35%.

Our effective tax rate on continuing operations decreased to 27.1% for the three months ended September 30, 2013 (three months ended September 30, 2012: 32.0%). The inclusion of activity from non-controlling interests in consolidated entities decreased our effective tax rate by 1.7% in 2013 and increased our effective tax rate by 1.8% in 2012. The three months ended September 30, 2012 rate reflects an unfavorable impact from the gain on sale of CLO management contracts in the quarter.

Income from discontinued operations, net of taxes

On April 11, 2013, the company entered into a definitive agreement to sell Atlantic Trust to CIBC. The components of income from discontinued operations are included in Part I, Item I, Note 15, "Discontinued Operations," for the three months ended September 30, 2013 and 2012.

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Assets Under Management movements for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012

AUM at September 30, 2013, were \$745.5 billion (September 30, 2012: \$663.0 billion). During the nine months ended September 30, 2013, we experienced total net inflows of \$29.2 billion, of which \$20.7 billion was from long-term net inflows, \$7.4 billion was from net inflows in institutional money market funds, and net inflows from the Invesco PowerShares QQQ fund of \$1.1 billion. Market movements increased AUM by \$51.6 billion, while AUM decreased \$2.7 billion due to changes in foreign exchange rates during the nine months ended September 30, 2013. During the nine months ended September 30, 2012, we experienced total net inflows of \$10.4 billion, of which \$7.7 billion was from long-term net inflows. We experienced no change in institutional money market funds and net inflows of \$2.7 billion from the Invesco PowerShares QQQ fund. Market movements increased AUM by \$43.1 billion, while AUM increased \$3.9 billion due to changes in foreign exchange rates during the nine months ended September 30, 2012. Average AUM during the nine months ended September 30, 2013, were \$713.6 billion compared to \$640.4 billion for the nine months ended September 30, 2012.

Long-term net inflows during the nine months ended September 30, 2013 were \$20.7 billion and included net long-term inflows of active AUM of \$12.8 billion. Total net long-term flows include inflows from our retail distribution channel of \$21.7 billion and outflows from our institutional channel of \$1.0 billion. We experienced net long-term inflows in our balanced asset class of \$7.3 billion, equity asset class of \$5.5 billion, fixed income of \$4.0 billion, alternatives of \$3.6 billion and \$0.3 billion in our retail money market funds. Long-term net inflows during the nine months ended September 30, 2012 were \$7.7 billion. Long-term inflows of passive AUM of \$9.3 billion were offset by net long-term outflows of active AUM of \$1.6 billion. Total net long-term flows included inflows from our retail channel of \$8.3 billion, offset by outflows from our institutional distribution channel of \$0.6 billion. We experienced net long-term inflows from our balanced asset class of \$9.1 billion and fixed income of \$9.7 billion, offset by outflows in our equity asset class of \$7.4 billion, alternatives of \$3.1 billion, and money market funds of \$0.6 billion.

The \$51.6 billion increase in AUM resulting from market gains during the nine months ended September 30, 2013 included a \$52.3 billion increase in the market value of our equity asset class. This increase was partially offset by losses of \$3.1 billion in our fixed income asset class. Of the \$43.1 billion increase in AUM resulting from market gains during the nine months ended September 30, 2012, \$30.4 billion of this increase was due to the change in value of our equity asset class.

The impact of the change in foreign exchange rates in the nine months ended September 30, 2013, was driven primarily by the strengthening of the Euro, relative to the U.S. Dollar, offset by the weakening of the Pound Sterling, Canadian Dollar and Japanese Yen, which was reflected in the translation of our Euro-based, Sterling-based, Canadian Dollar-based and Japanese Yen-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the nine months ended September 30, 2012, was driven by the strengthening of the Pound Sterling and Canadian Dollar relative to the U.S. Dollar, offset by the weakening of the Euro and Japanese Yen, which was reflected in the translation of our Sterling-based, Euro-based, Canadian Dollar-based and Japanese Yen-based AUM into U.S. Dollars.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at September 30, 2013 and 2012, as compared with the rates that existed at December 31, 2012 and 2011:

|                              | September 30,<br>2013 | December 31,<br>2012 | September 30,<br>2012 | December 31,<br>2011 |
|------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Pound Sterling (\$ per £)    | 1.619                 | 1.625                | 1.615                 | 1.555                |
| Canadian Dollar (CAD per \$) | 1.029                 | 0.996                | 0.984                 | 1.018                |
| Japan (¥ per \$)             | 98.120                | 86.520               | 77.800                | 76.900               |
| Euro (\$ per €)              | 1.353                 | 1.319                | 1.287                 | 1.299                |

Net revenue yield increased 0.9 basis points to 44.7 basis points in the nine months ended September 30, 2013, from the nine months ended September 30, 2012 level of 43.8 basis points. The increase in net revenue yield was largely

driven by changes in the mix of our AUM and higher performance fees in the nine months ended September 30, 2013, from the nine months ended September 30, 2012. Net revenue yield before performance fees increased to 43.7 basis point in the nine months ended September 30, 2013, from the nine months ended September 30, 2012 level of 43.0 basis points, the increase reflecting the AUM mix change as equity markets improved and we experienced growth in the balanced asset class.

Gross revenue yield on AUM increased 1.4 basis points to 64.2 basis points in the nine months ended September 30, 2013, from the nine months ended September 30, 2012, level of 62.8 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. See footnote 1 to the table below for additional information.

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Changes in AUM were as follows<sup>(3)</sup>:

| \$ in billions   | 2013      |          |          | 2012      |          |         |     |
|--|-----------|----------|----------|-----------|----------|---------|-----|
|  | Total AUM | Active   | Passive  | Total AUM | Active   | Passive |     |
| December 31  | 667.4     | 553.4    | 114.0    | 607.3     | 511.0    | 96.3    |     |
| Long-term inflows  | 133.8     | 99.8     | 34.0     | 97.5      | 74.5     | 23.0    |     |
| Long-term outflows   | (113.1 )  | (87.0 )  | (26.1 )  | (89.8 )   | (76.1 )  | (13.7 ) |     |
| Long-term net flows  | 20.7      | 12.8     | 7.9      | 7.7       | (1.6 )   | 9.3     |     |
| Net flows in Invesco PowerShares<br>QQQ fund                         | 1.1       | —        | 1.1      | 2.7       | —        | 2.7     |     |
| Net flows in institutional money<br>market funds                     | 7.4       | 7.4      | —        | —         | —        | —       |     |
| Total net flows  | 29.2      | 20.2     | 9.0      | 10.4      | (1.6 )   | 12.0    |     |
| Market gains and<br>(losses)/reinvestment                            | 51.6      | 44.3     | 7.3      | 43.1      | 33.5     | 9.6     |     |
| Acquisitions/(dispositions), net                                     | —         | —        | —        | (1.7 )    | (1.7 )   | —       |     |
| Foreign currency translation   | (2.7 )    | (2.0 )   | (0.7 )   | 3.9       | 3.9      | —       |     |
| September 30   | 745.5     | 615.9    | 129.6    | 663.0     | 545.1    | 117.9   |     |
| Average long-term AUM  | 603.7     | 514.0    | 89.7     | 538.3     | 462.4    | 75.9    |     |
| Average short-term AUM   | 109.9     | 75.4     | 34.5     | 102.1     | 68.8     | 33.3    |     |
| Average AUM  | 713.6     | 589.4    | 124.2    | 640.4     | 531.2    | 109.2   |     |
| Gross revenue yield on AUM <sup>(1)</sup>                            | 64.2      | bps 75.4 | bps 11.4 | bps 62.8  | bps 73.9 | bps 9.1 | bps |
| Gross revenue yield on AUM before<br>performance fees <sup>(1)</sup> | 63.3      | bps 74.4 | bps 11.4 | bps 62.0  | bps 73.0 | bps 9.1 | bps |
| Net revenue yield on AUM <sup>(2)</sup>                              | 44.7      | bps 51.8 | bps 11.4 | bps 43.8  | bps 51.0 | bps 9.1 | bps |
| Net revenue yield on AUM before<br>performance fees <sup>(2)</sup>   | 43.7      | bps 50.5 | bps 11.4 | bps 43.0  | bps 50.0 | bps 9.1 | bps |

Gross revenue yield on AUM is equal to annualized U.S. GAAP total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The (1) differences between the numerators of the gross and net revenue yield calculations are due to the reconciling items between the U.S. GAAP operating revenue (gross revenue) amount and the non-GAAP measure of net revenue. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues (gross revenues) to net revenues.

The difference in the denominators of the gross and net revenue yield calculations is due to the JV average AUM, which is excluded in the calculation of gross revenue yield. 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. Our share of the average AUM in the nine months ended September 30, 2013, for our JVs in China was \$3.7 billion (nine months ended September 30, 2012: \$3.0 billion).

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

(3) All AUM amounts quoted in the tables exclude the AUM of the discontinued operation, Atlantic Trust. As at September 30, 2013, the excluded Atlantic Trust total AUM were \$22.8 billion (\$20.3 billion at December 31, 2012; \$20.0 billion at September 30, 2012; \$18.0 billion at December 31, 2011) with \$22.3 billion in balanced (\$18.5 billion at December 31, 2012; \$18.3 billion at September 30, 2012; \$17.4 billion at December 31, 2011) and

\$0.5 billion in equity (\$1.8 billion at December 31, 2012; \$1.7 billion at September 30, 2012; \$0.6 billion at December 31, 2011).

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

Total AUM by Channel<sup>(1,6)</sup>

| \$ in billions                                | Total  | Retail  | Institutional |
|---|--------|---------|---------------|
| 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         |
| December 31, 2011 AUM                         | 607.3  | 374.0   | 233.3         |
| Long-term inflows                             | 97.5   | 77.2    | 20.3          |
| Long-term outflows                            | (89.8  | ) (68.9 | ) (20.9 )     |
| Long-term net flows                           | 7.7    | 8.3     | (0.6 )        |
| Net flows in Invesco PowerShares QQQ fund     | 2.7    | 2.7     | —             |
| Net flows in institutional money market funds | —      | —       | —             |
| Total net flows                               | 10.4   | 11.0    | (0.6 )        |
| Market gains and (losses)/reinvestment        | 43.1   | 34.5    | 8.6           |
| Acquisitions/(dispositions), net              | (1.7   | ) —     | (1.7 )        |
| Foreign currency translation                  | 3.9    | 3.9     | —             |
| September 30, 2012 AUM                        | 663.0  | 423.4   | 239.6         |
| Passive AUM by Channel <sup>(1)</sup>         |        |         |               |
| \$ in billions                                | Total  | Retail  | Institutional |
| 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          |
| December 31, 2011 AUM                         | 96.3   | 76.9    | 19.4          |
| Long-term inflows                             | 23.0   | 18.4    | 4.6           |
| Long-term outflows                            | (13.7  | ) (12.8 | ) (0.9 )      |
| Long-term net flows                           | 9.3    | 5.6     | 3.7           |
| Net flows in Invesco PowerShares QQQ fund     | 2.7    | 2.7     | —             |
| Net flows in institutional money market funds | —      | —       | —             |
| Total net flows                               | 12.0   | 8.3     | 3.7           |
| Market gains and (losses)/reinvestment        | 9.6    | 9.5     | 0.1           |
| Foreign currency translation                  | —      | —       | —             |
| September 30, 2012 AUM                        | 117.9  | 94.7    | 23.2          |



See accompanying notes immediately following these tables.

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Table of ContentsTotal AUM by Asset Class<sup>(2,6)</sup>

| \$ in billions                                   | Total    | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|----------|---------|-----------------|----------|-----------------|-----------------------------|
| 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<br>QQQ fund     | 1.1      | 1.1     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | 7.4      | —       | —               | —        | 7.4             | —                           |
| Total net flows                                  | 29.2     | 6.6     | 4.0             | 7.3      | 7.7             | 3.6                         |
| Market gains and<br>(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            | <sup>(4)</sup> 85.3         |
| Average AUM                                      | 713.6    | 325.2   | 174.3           | 50.2     | 79.5            | 84.4                        |
| December 31, 2011 AUM                            | 607.3    | 270.4   | 149.0           | 27.2     | 74.0            | 86.7                        |
| Long-term inflows                                | 97.5     | 39.3    | 29.4            | 13.2     | 2.1             | 13.5                        |
| Long-term outflows                               | (89.8 )  | (46.7 ) | (19.7 )         | (4.1 )   | (2.7 )          | (16.6 )                     |
| Long-term net flows                              | 7.7      | (7.4 )  | 9.7             | 9.1      | (0.6 )          | (3.1 )                      |
| Net flows in Invesco PowerShares<br>QQQ fund     | 2.7      | 2.7     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | —        | —       | —               | —        | —               | —                           |
| Total net flows                                  | 10.4     | (4.7 )  | 9.7             | 9.1      | (0.6 )          | (3.1 )                      |
| Market gains and<br>(losses)/reinvestment        | 43.1     | 30.4    | 7.7             | 2.7      | (0.2 )          | 2.5                         |
| Acquisitions/(dispositions), net                 | (1.7 )   | —       | —               | —        | —               | (1.7 )                      |
| Foreign currency translation                     | 3.9      | 2.8     | 0.6             | 0.6      | —               | (0.1 )                      |
| September 30, 2012 AUM                           | 663.0    | 298.9   | 167.0           | 39.6     | 73.2            | 84.3                        |
| Average AUM                                      | 640.4    | 291.6   | 156.8           | 33.2     | 73.2            | 85.8                        |

Table of ContentsPassive AUM by Asset Class<sup>(2)</sup>

| \$ in billions                                   | Total   | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|---------|---------|-----------------|----------|-----------------|-----------------------------|
| 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<br>QQQ fund     | 1.1     | 1.1     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | —       | —       | —               | —        | —               | —                           |
| Total net flows                                  | 9.0     | 8.6     | 2.8             | —        | —               | (2.4 )                      |
| Market gains and<br>(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                        |
| December 31, 2011 AUM                            | 96.3    | 45.6    | 30.0            | —        | —               | 20.7                        |
| Long-term inflows                                | 23.0    | 10.4    | 8.7             | —        | —               | 3.9                         |
| Long-term outflows                               | (13.7 ) | (7.6 )  | (1.7 )          | —        | —               | (4.4 )                      |
| Long-term net flows                              | 9.3     | 2.8     | 7.0             | —        | —               | (0.5 )                      |
| Net flows in Invesco PowerShares<br>QQQ fund     | 2.7     | 2.7     | —               | —        | —               | —                           |
| Net flows in institutional money<br>market funds | —       | —       | —               | —        | —               | —                           |
| Total net flows                                  | 12.0    | 5.5     | 7.0             | —        | —               | (0.5 )                      |
| Market gains and<br>(losses)/reinvestment        | 9.6     | 8.1     | 0.6             | —        | —               | 0.9                         |
| Foreign currency translation                     | —       | —       | —               | —        | —               | —                           |
| September 30, 2012 AUM                           | 117.9   | 59.2    | 37.6            | —        | —               | 21.1                        |
| Average AUM                                      | 109.2   | 55.5    |                 |          |                 |                             |