

Invesco Ltd.
Form 10-K
February 24, 2012
Table of Contents

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

Form 10-K
(Mark One)

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

For the fiscal year ended December 31, 2011

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)

Registrant's telephone number, including area code: (404) 892-0896

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Shares, \$0.20 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

At June 30, 2011, the aggregate market value of the voting stock held by non-affiliates was \$8.4 billion, based on the closing price of the registrant's Common Shares, par value U.S. \$0.20 per share, on the New York Stock Exchange. At January 31, 2012, the most recent practicable date, the number of Common Shares outstanding was 446,157,905.

DOCUMENTS INCORPORATED BY REFERENCE

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The registrant will incorporate by reference information required in response to Part III, Items 10-14 in its definitive Proxy Statement for its annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after December 31, 2011.

Table of Contents

TABLE OF CONTENTS

We include cross references to captions elsewhere in this Annual Report on Form 10-K, which we refer to as this “Report,” where you can find related additional information. The following table of contents tells you where to find these captions.

	Page
<u>Special Cautionary Note Regarding Forward-Looking Statements</u>	<u>3</u>
PART I	
<u>Item 1. Business</u>	<u>4</u>
<u>Item 1A. Risk Factors</u>	<u>10</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>19</u>
<u>Item 2. Properties</u>	<u>19</u>
<u>Item 3. Legal Proceedings</u>	<u>19</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>19</u>
PART II	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>19</u>
<u>Item 6. Selected Financial Data</u>	<u>23</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>75</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>79</u>
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>139</u>
<u>Item 9A. Controls and Procedures</u>	<u>139</u>
<u>Item 9B. Other Information</u>	<u>140</u>
PART III	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>140</u>
<u>Item 11. Executive Compensation</u>	<u>142</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>142</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>142</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>142</u>
PART IV	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>142</u>
<u>Item 16. Exhibits</u>	<u>143</u>
<u>Signatures</u>	<u>145</u>

Table of Contents

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report, the documents incorporated by reference herein, other public filings and oral and written statements by us and our management, may include statements that constitute “forward-looking statements” within the meaning of the United States securities laws. These statements are based on the beliefs and assumptions of our management and on information available to us at the time such statements are made. Forward-looking statements include information concerning possible or assumed future results of our operations, expenses, earnings, liquidity, cash flows and capital expenditures, industry or market conditions, assets under management, acquisition activities and the effect of completed acquisitions, debt levels and our ability to obtain additional financing or make payments on our debt, legal and regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, when used in this Report, the documents incorporated by reference herein or such other documents or statements, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would,” and any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of performance or other outcomes. 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.

The following important factors, and other factors described elsewhere in this Report or incorporated by reference into this Report or contained in our other filings with the U.S. Securities and Exchange Commission (SEC), among others, could cause our results to differ materially from any results described in any forward-looking statements:

- variations in demand for our investment products or services, including termination or non-renewal of our investment advisory agreements;
- significant changes in net asset flows into or out of the accounts we manage or declines in market value of the assets in, or redemptions or other withdrawals from, those accounts;
- enactment of adverse state, federal or foreign legislation or changes in government policy or regulation (including accounting standards) affecting our operations, our capital requirements or the way in which our profits are taxed;
- significant fluctuations in the performance of debt and equity markets worldwide;
- exchange rate fluctuations, especially as against the U.S. Dollar;
- the effect of economic conditions and interest rates in the U.S. or globally;
- our ability to compete in the investment management business;
- the effect of consolidation in the investment management business;
- limitations or restrictions on access to distribution channels for our products;
- our ability to attract and retain key personnel, including investment management professionals;
- the investment performance of our investment products;
- our ability to acquire and integrate other companies into our operations successfully and the extent to which we can realize anticipated cost savings and synergies from such acquisitions;
- changes in regulatory capital requirements;
- our debt and the limitations imposed by our credit facility;
- the effect of failures or delays in support systems or customer service functions, and other interruptions of our operations;
- the occurrence of breaches and errors in the conduct of our business, including any failure to properly safeguard confidential and sensitive information;
- the execution risk inherent in our ongoing company-wide transformational initiatives;
- the effect of political or social instability in the countries in which we invest or do business;
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the effect of terrorist attacks in the countries in which we invest or do business and the escalation of hostilities that could result therefrom;

• war and other hostilities in or involving countries in which we invest or do business; and

• adverse results in litigation, including private civil litigation related to mutual fund fees and any similar potential regulatory or other proceedings.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized may also cause actual results to differ materially from those projected. For more discussion of the risks affecting us, please refer to Part I, Item 1A, “Risk Factors.”

You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us and our businesses generally. We expressly disclaim any obligation to update any of the information in this or any other public report if any forward-looking statement later turns out to be inaccurate, whether as a result of new information, future events or otherwise. For all forward-looking statements, we claim the “safe harbor” provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Table of Contents

PART I

Item 1. Business

Introduction

Invesco is a leading independent global investment manager, dedicated to helping investors worldwide achieve their financial objectives. By delivering the combined power of our distinctive investment management capabilities, Invesco provides a comprehensive range of investment strategies and vehicles to our retail, institutional and high-net-worth clients around the world. Operating in more than 20 countries, Invesco had \$625.3 billion in assets under management (AUM) as of December 31, 2011.

The key drivers of success for Invesco are long-term investment performance, effective distribution relationships, and high-quality client service delivered across a diverse spectrum of investment management capabilities, distribution channels, geographic areas and market exposures. By achieving success in these areas, we seek to generate competitive investment results, positive net flows, increased AUM and associated revenues. We are affected significantly by market movements, which are beyond our control; however, we endeavor to mitigate the impact of market movement by maintaining broad diversification across asset classes, investment vehicles, client domiciles and geographies. We measure relative investment performance by comparing our investment capabilities to competitors' products, industry benchmarks and client investment objectives. Generally, distributors, investment advisors and consultants take into consideration longer-term investment performance (e.g., three-year and five-year performance) in their selection of investment product and manager recommendations to their clients, although shorter-term performance may also be an important consideration. Third-party ratings may also influence client investment decisions. Quality of client service is monitored in a variety of ways, including periodic client satisfaction surveys, analysis of response times and redemption rates, competitive benchmarking of services and feedback from investment consultants.

Invesco Ltd. is organized under the laws of Bermuda, and our common shares are listed and traded on the New York Stock Exchange under the symbol "IVZ." We maintain a Web site at www.invesco.com. (Information contained on our Web site shall not be deemed to be part of, or be incorporated into, this document).

Strategy

The company focuses on four key strategic priorities that are designed to strengthen our business over time and help ensure our long-term success:

- Achieve strong investment performance over the long term for our clients;
- Deliver our investment capabilities anywhere in the world to meet our clients' needs;
- Harness the power of our global operating platform by continuously improving our processes and procedures and further integrating the support structures of our business globally; and
- Perpetuate a high-performance organization by driving greater transparency, accountability and execution at all levels.

Since 2005 Invesco has taken a number of steps to unify our business and present the organization as a single firm to our clients around the world. We believe these changes have strengthened Invesco's ability to operate more efficiently and effectively as an integrated, global organization.

One of Invesco's great strengths is our separate, distinct investment teams in multiple markets across the globe. A key focus of our business is nurturing a strong investment culture and providing the support that enables our investment teams to develop well-performing investment capabilities within our local and global markets.

The ability to leverage the capabilities developed by our investment teams to meet client demand across the globe is a significant differentiator for our firm. As an example, our highly regarded real estate team in Dallas has produced industry-leading results for clients over most of its 20 years in the business. Real estate securities and REITs managed in Dallas were first introduced to the U.S. institutional and retail markets in 1988. A few years later, we saw demand for this highly marketable capability in Japan and Australia, and made it available to investors through mutual funds in those markets. We introduced our REIT capability to the European offshore market in August 2005, and to the Canadian retail market in 2007. More recently, we leveraged this capability in an actively managed real estate exchange-traded fund (ETF) delivered in the US - the first of its kind.

There are many more examples where Invesco has leveraged market-leading capabilities in one part of our business to meet client demand in other parts of our business. This is another of Invesco's great strengths, and it is supported by our efficient global operating platform and effective sales platform that span established and growing markets around the world. It's also a tremendous competitive advantage, since few firms have the breadth of strategies, strong investment culture and on-the-ground sales and service presence to match Invesco's. Our ability to understand local needs and provide solutions globally represents a significant

Table of Contents

opportunity in a world-wide market of investable funds that exceeds \$54 trillion (as of December 31, 2011).

We take a unified approach to our business and present our financial statements and other disclosures under the single operating segment “investment management.”

Recent Developments

Throughout 2011, we continued to execute our long-term strategy, which we believe further improved our ability to serve our clients, reinforced our reputation as a premier global investment manager, and helped to deliver competitive levels of operating income and margins. In addition, we took steps to further strengthen our financial position and augment our capital flexibility through the execution of a new credit facility and the maintenance of a balanced approach to capital management. Currently, Invesco is one of only four publicly rated investment managers designated with a “strong” enterprise risk management rating from Standard & Poor's, which reflects our comprehensive approach to identifying and mitigating risks outside of the firm's risk tolerance levels.

Invesco's commitment to a multi-year strategy set a firm foundation for the company's many achievements throughout the year:

- Relative investment performance remained strong across the enterprise, with 80% of ranked assets* performing ahead of peers on a 5-year basis at year end;

- We focused on strengthening and deepening relationships with clients in key markets. For example, we maintained a market share ranking in the top three on all major platforms in the U.K. retail market and further strengthened relationships with leading financial institutions in all U.S. retail channels, where 70% of our U.S. AUM is with top 20 distributors;

- We expanded our presence and improved our competitive advantage as a global investment manager in fast-growing, high-priority markets and segments;

- We continued our share repurchase program, purchasing more than \$436 million in shares; and

- We maintained strong inflows at Invesco PowerShares, and continued to expand our offering of intelligent ETFs within the Canadian marketplace through local exchange listings and an innovative suite of mutual funds.

The 2010 acquisition of Morgan Stanley's retail asset management business, including Van Kampen Investments, enabled Invesco to further strengthen our competitive position in the U.S. The addition of this diversified business, on June 1, 2010, brought \$114.6 billion in AUM across equity, fixed income and alternative asset classes (including mutual funds, variable insurance funds, separate accounts and unit investment trusts (UITs)). Furthermore, Invesco gained the experience, knowledge and expertise of nearly 600 investment, distribution and operations support professionals globally. The combined depth and breadth of our investment capabilities, our strong investment performance and a focused client engagement effort resulted in solid momentum in our U.S. retail business throughout 2011.

Together, these efforts resulted in positive net flows for our business in 2011. Adjusted operating margin improved to 36.9% in 2011 from 35.6% in 2010. See Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for a reconciliation of operating income to net operating income, and by calculation, a reconciliation of operating margin to adjusted operating margin, and important additional disclosures.

*As of December 31, 2011, 80% of ranked assets were performing ahead of peers on a 5-year basis. Of total Invesco AUM, 58% were ranked at year-end. See Part II, Item 7, “Management's Discussion and Analysis of Financial

Condition and Results of Operations - Investment Capabilities Performance Overview,” for more discussion of AUM rankings by investment capability.

Certain Demographic and Industry Trends

Demographic and economic trends around the world continue to transform the investment management industry and underscore the need to be well-diversified with broad capabilities globally and across asset classes:

• There is an increasing number of investors who seek external professional advice and investment managers to help them reach their financial goals.

• As the “baby boomer” generation continues to mature, there is a large segment of the world population that is reaching retirement age. Economic growth in emerging market countries has created a large and rapidly expanding middle class and high net worth population with accelerating levels of wealth. As a result, globally, there is a high degree of demand

Table of Contents

for an array of investment solutions that span the breadth of investment capabilities, with a particular emphasis on savings vehicles for retirement. We believe Invesco, as one of the few truly global, independent investment managers, is very well-positioned to attract these retirement assets through its products that are focused on long-term investment performance.

Given the dynamics of the global markets over the past year, we have seen increased demand for investment solutions that provide reasonable returns in volatile markets. Investors increasingly recognize the need for reducing downside risk in addition to upside participation. Invesco has been growing rapidly in this market space and has a market-leading asset allocation capability that is highly sought by retail and institutional investors.

Investors are increasingly seeking to invest outside their domestic markets in order to increase their returns and mitigate risk. They seek firms that operate globally and have investment expertise in markets around the world. Although the U.S. and Europe are currently the two largest markets for financial assets by a wide margin, other markets in the world, such as China and India, are rapidly growing. As these population-heavy markets mature, investment managers that are truly global will be in the best position to capture this growth. Additionally, population age differences between emerging and developed markets will result in differing investment needs and horizons among countries. Asset allocation and pension type also differ substantially among countries. Firms such as Invesco, with diversified investment capabilities and product types, are best positioned to meet clients' needs in these markets. Invesco has a meaningful and expanding market presence in many of the world's fastest growing and wealthiest regions, including the U.S., Canada, Western Europe and the U.K., the Middle East and Asia-Pacific. Our strong U.S. presence and growing global presence represent significant long-term growth prospects for our business.

The global trend towards the provision of defined contribution retirement plans continues, although significant opportunity remains for managers to increase defined benefit market share. Invesco has the capability to serve both the defined benefit and defined contribution markets globally.

Invesco is well positioned to capture the opportunities created by global demographic and industry trends. Through a variety of economic and market environments, we have significantly strengthened our competitive position. Our multi-year strategy is designed to leverage our global presence, our distinctive worldwide investment management capabilities and our talented people to further grow our business and ensure our long-term success across a variety of markets.

Investment Management Capabilities

Supported by a global operating platform, Invesco delivers a comprehensive array of investment capabilities and services to retail, institutional and high-net-worth investors. We have a significant presence in the institutional and retail segments of the investment management industry in North America, Europe and Asia-Pacific, serving clients in more than 100 countries.

We believe that the proven strength of our distinct and globally located investment centers and their well-defined investment disciplines and risk management provide us with a competitive advantage. There are few independent investment managers with teams as globally diverse as Invesco's and with the same breadth and depth of investment capabilities and vehicles. We offer multiple investment objectives within the various asset classes and products that we manage. Our asset classes, broadly defined, include money market, fixed income, balanced, equity and alternatives. Approximately 43% of our AUM as of December 31, 2011, were invested in equity securities (December 31, 2010: 48%), 24% in fixed income, and 33% in other investments (December 31, 2010: 21% in fixed income, and 31% in other investments).

Table of Contents

The following table sets forth the investment objectives, sorted by asset class, which we manage:

Investment Objectives by Asset Class

Money Market	Fixed Income	Balanced	Equity	Alternatives
Cash Plus	Convertibles	Asset Allocation	Enhanced Index/Quantitative	Absolute Return
Government/Treasury Prime	Core/Core Plus Emerging Markets	Global Single Country	Global International	Asian Direct Real Estate Commodities
Taxable	Enhanced Cash	Target Date	Large Cap Core	Currencies
Tax-Free	Government Bonds High-Yield Bonds Intermediate Term International/Global Investment Grade Credit Municipal Bonds Passive/Enhanced Senior Secured Loans Short Term Stable Value Structured Securities (ABS, MBS, CMBS)	Target Risk	Large Cap Growth Large Cap Value Mid Cap Core Mid Cap Growth Mid Cap Value Regional/Single Country Sector Funds Small Cap Core Small Cap Growth Small Cap Value	European Direct Real Estate Financial Structures Global REITS Private Capital - Direct Private Capital - Fund of Funds Risk Premia Capture U.S. Direct Real Estate U.S. REITS

The following table sets forth the categories of investment vehicles sold through our three principal distribution channels:

Investment Vehicles by Distribution Channel

Retail	Institutional	Private Wealth Management
Closed-end Mutual Funds	Collective Trust Funds	Exchange-Traded Funds
Exchange-Traded Funds	Exchange-Traded Funds	Managed Accounts
Individual Savings Accounts	Institutional Separate Accounts	Mutual Funds
Investment Companies with Variable Capital	Private Capital Funds	Private Capital Funds
Investment Trusts		Separate Accounts
Open-end Mutual Funds		
Separately Managed Accounts (SMA)		
Unit Investment Trusts		
Variable Insurance Funds		

One of Invesco's greatest competitive strengths is the diversification in its AUM by client domicile, distribution channel and asset class. Our distribution network has attracted assets of 60% retail, 37% institutional, and 3% private wealth management clients as of December 31, 2011. By client domicile, 31% of client AUM are outside the U.S., and we serve clients in more than 100 countries. The following tables present a breakdown of AUM by client domicile, distribution channel and asset class as of December 31, 2011. Additionally, the fourth table below illustrates the split of our higher-fee active AUM as compared to our lower-fee ETF, UIT, and passive AUM. We define active AUM as AUM excluding ETF, UIT and passive AUM.

Table of Contents

AUM Diversification

By Client Domicile

(\$ billions)		1-Yr Change	
U.S.	\$430.0	3.5	%
Canada			