

Edgar Filing: BlackRock Resources & Commodities Strategy Trust - Form N-Q

BlackRock Resources & Commodities Strategy Trust
Form N-Q
March 26, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-22501

Name of Fund: BlackRock Resources & Commodities Strategy Trust (BCX)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Resources & Commodities Strategy Trust, 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 10/31/2013

Date of reporting period: 01/31/2013

Item 1 Schedule of Investments

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Consolidated Schedule of Investments

BlackRock Resources & Commodities StrategyTrust (BCX)

January 31, 2013 (Unaudited)

(Percentages shown are based on Net Assets)

Common Stocks	Shares	Value
Chemicals 21.4%		
Agrium, Inc. (a)	78,500	\$ 8,908,965
CF Industries Holdings, Inc.	51,200	11,733,504
E.I. du Pont de Nemours & Co.	421,000	19,976,450
Israel Chemicals Ltd.	514,400	6,832,088
K+S AG	108,000	4,868,531
Monsanto Co. (a)	182,700	18,516,645
The Mosaic Co.	181,600	11,123,000
Potash Corp. of Saskatchewan, Inc. (a)	581,500	24,713,750
Rentech Nitrogen Partners LP (a)	116,000	5,600,480
Sociedad Quimica y Minera de Chile SA - ADR	123,900	7,042,476
Syngenta AG	48,500	20,856,836
Uralkali OJSC - GDR	255,100	9,706,621
		149,879,346
Energy Equipment & Services 2.5%		
Atwood Oceanics, Inc. (b)	16,900	891,813
Baker Hughes, Inc. (a)	32,400	1,448,928
Basic Energy Services, Inc. (b)	21,900	283,167
Calfrac Well Services Ltd. (a)	7,000	179,948
Core Laboratories NV (a)	17,500	2,233,700
Forum Energy Technologies, Inc. (b)	42,100	1,073,971
Halliburton Co.	43,100	1,753,308
Key Energy Services, Inc. (b)	135,800	1,104,054
National Oilwell Varco, Inc.	27,900	2,068,506
Patterson-UTI Energy, Inc. (a)	85,600	1,741,104
Schlumberger Ltd.	15,900	1,240,995
Seadrill Ltd.	46,054	1,820,590
Technip SA	11,700	1,266,858
		17,106,942
Food Products 2.8%		
Archer-Daniels-Midland Co.	262,000	7,474,860
Bunge Ltd.	111,200	8,858,192
SLC Agricola SA	305,000	3,305,245
		19,638,297
Machinery 4.7%		
AGCO Corp. (b)	245,700	13,022,100
Deere & Co.	149,900	14,099,594
Joy Global, Inc. (a)	94,500	5,969,565
		33,091,259
Metals & Mining 27.3%		
Alexco Resource Corp. (b)	611,000	2,590,640
Allied Nevada Gold Corp. (a)(b)	282,300	6,687,687
Augusta Resource Corp. (b)	894,729	2,326,295
Avalon Rare Metals, Inc. (b)	107,600	133,772

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BHP Billiton Ltd. - ADR (a)	69,600		5,478,912
Cliffs Natural Resources, Inc. (a)	26,700		996,177
Compass Minerals International, Inc. (a)	103,100		7,428,355
Detour Gold Corp. (a)(b)	288,200		6,091,093
Eldorado Gold Corp. (a)	608,300		6,812,960
Endeavour Silver Corp. (b)	229,800		1,578,726
Common Stocks		Shares	Value
Metals & Mining (concluded)			
First Majestic Silver Corp. (b)	207,100	\$	3,777,504
Franco-Nevada Corp. (a)	321,900		17,205,223
Freeport-McMoRan Copper & Gold, Inc. (a)	368,900		13,003,725
Fresnillo Plc	523,700		13,766,769
Goldcorp, Inc.	325,300		11,479,837
Hi-Crush Partners LP (a)	235,600		3,983,996
HudBay Minerals, Inc.	358,200		4,165,951
Iluka Resources Ltd.	196,000		1,986,743
Kenmare Resources Plc (b)	4,464,100		2,356,644
MAG Silver Corp. (b)	462,000		5,160,096
McEwen Mining, Inc. (a)(b)	793,400		2,483,342
New Gold, Inc. (a)(b)	540,300		5,240,910
Newmont Mining Corp.	237,700		10,211,592
Novagold Resources, Inc. (a)(b)	833,200		3,682,744
Pan American Silver Corp. (a)	103,500		1,812,285
Prospect Global Resources, Inc. (b)	2,884,615		4,153,846
Rio Tinto Plc - ADR (a)	91,000		5,138,770
Seabridge Gold, Inc. (a)(b)	460,300		6,798,631
Silver Wheaton Corp. (a)	658,400		22,945,240
Silvercorp Metals, Inc. (a)	1,149,100		4,975,603
Teck Resources Ltd., Class B	186,200		6,786,014
			191,240,082
Oil, Gas & Consumable Fuels 37.2%			
Alpha Natural Resources, Inc. (a)(b)	307,765		2,726,798
AltaGas Ltd. (a)	303,800		10,755,141
Anadarko Petroleum Corp. (a)	27,700		2,216,554
Angle Energy, Inc. (b)	98,600		272,845
Apache Corp. (a)	52,000		4,355,520
Baytex Energy Corp. (a)	72,900		3,351,909
Bill Barrett Corp. (b)	53,200		849,604
Bonavista Energy Corp.	132,800		1,794,811
Cenovus Energy, Inc.	67,700		2,250,348
Chevron Corp.	40,500		4,663,575
Cobalt International Energy, Inc. (a)(b)	28,800		697,248
Concho Resources, Inc. (a)(b)	27,700		2,526,794
CONSOL Energy, Inc. (a)	234,100		7,336,694
Continental Resources, Inc. (a)(b)	21,300		1,770,456
Crescent Point Energy Corp. (a)	267,300		10,339,316
Crew Energy, Inc. (a)(b)	83,500		498,120
DeeThree Exploration Ltd. (b)	167,328		1,142,474
Denbury Resources, Inc. (b)	198,800		3,703,644
Enbridge Energy Partners LP (a)	115,411		3,460,022
Energy XXI (Bermuda) Ltd. (a)	43,500		1,362,420
Enterprise Products Partners LP (a)	273,800		15,516,246
EOG Resources, Inc. (a)	56,400		7,048,872
EQT Corp.	29,100		1,728,831
Exxon Mobil Corp.	13,200		1,187,604
Gasco Energy, Inc. (b)	371,900		28,264
Hess Corp. (a)	28,300		1,900,628
James River Coal Co. (b)	89,100		268,191
Keyera Corp. (a)	194,100		10,100,050

Portfolio Abbreviations

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To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many securities have been abbreviated according to the following list:

ADR	American Depositary Receipt
AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro

GBP	British Pound
GDR	Global Depositary Receipt
ILS	Israeli Shekel
NOK	Norwegian Krone
USD	US Dollar

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Consolidated Schedule of Investments (continued)

BlackRock Resources & Commodities Strategy Trust (BCX)

(Percentages shown are based on Net Assets)

Common Stocks	Shares	Value
Oil, Gas & Consumable Fuels (concluded)		
Kodiak Oil & Gas Corp. (b)	138,200	\$ 1,271,440
LinnCo. LLC	183,500	7,321,650
Long Run Exploration Ltd. (b)	65,838	290,442
Magellan Midstream Partners LP (a)	255,200	12,915,672
MarkWest Energy Partners LP (a)	173,300	9,569,626
Noble Energy, Inc. (a)	43,600	4,699,644
Occidental Petroleum Corp.	121,300	10,707,151
ONEOK Partners LP	271,950	16,208,220
Patriot Coal Corp. (b)	64,000	5,888
Peabody Energy Corp.	118,800	2,987,820
Permian Basin Royalty Trust	598,985	8,206,096
PetroChina Co. Ltd. - ADR (a)	6,200	881,640
Pioneer Natural Resources Co. (a)	20,800	2,444,832
Plains All American Pipeline LP (a)	352,500	18,576,750
Plains Exploration & Production Co. (a)(b)	72,100	3,442,775
Range Resources Corp.	53,600	3,600,312
Rex Energy Corp. (b)	67,300	883,649
Rosetta Resources, Inc. (b)	41,600	2,205,632
Royal Dutch Shell Plc, Class A - ADR	91,300	6,438,476
Ship Finance International Ltd. (a)	330,000	5,563,800
Southwestern Energy Co. (a)(b)	17,300	593,390
Statoil ASA	101,400	2,701,549
Suncor Energy, Inc.	153,000	5,205,060
Targa Resources Partners LP (a)	92,500	3,714,800
Valero Energy Corp. (a)	70,100	3,065,473
Vermilion Energy, Inc. (a)	126,900	6,509,128
Whiting Petroleum Corp. (a)(b)	105,700	5,029,206
Williams Partners LP (a)	233,500	11,847,790
		260,740,890
Total Common Stocks 95.9%		671,696,816

Investment Companies	Shares	Value
Sprott Physical Gold Trust (b)	1,249,400	\$ 17,853,926
Sprott Physical Platinum and Equity Trust (b)	702,100	6,999,937
Total Investment Companies 3.5%		24,853,863
Total Long-Term Investments (Cost \$719,400,350) 99.4%		696,550,679

Short-Term Securities

BlackRock Liquidity Funds, TempFund, Institutional Class, 0.10% (c)(d)	85,241	85,241
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Total Short-Term Securities
 (Cost \$85,241) 0.0% 85,241

Total Investments Before Options Written
 (Cost \$719,485,591*) 99.4% 696,635,920

Options Written

(Premiums Received \$6,346,135) (1.0)% (7,163,076)

Total Investments Net of Options Written 98.4% 689,472,844
Other Assets Less Liabilities 1.6% 10,901,705

Net Assets 100.0% \$ 700,374,549

Notes to Schedule of Investments

* As of January 31, 2013, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

Tax cost	\$ 789,826,018
Gross unrealized appreciation	\$ 58,185,330
Gross unrealized depreciation	(151,375,428)
Net unrealized depreciation	\$ (93,190,098)

- (a) All or a portion of security has been pledged/segregated as collateral in connection with outstanding options written.
- (b) Non-income producing security.
- (c) Represents the current yield as of report date.
- (d) Investments in issuers considered to be an affiliate of the Trust during the period ended January 31, 2013, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at October 31, 2012	Net Activity	Shares Held at January 31, 2013	Income	Realized Gain
BlackRock Liquidity Funds, TempFund, Institutional Class	7,260,037	(7,174,796)	85,241	\$ 3,158	\$ 142

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Consolidated Schedule of Investments (continued)

BlackRock Resources & Commodities Strategy Trust (BCX)

Foreign currency exchange contracts as of January 31, 2013 were as follows:

Currency	Currency	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
Purchased	Sold			
CAD 523,000	USD 521,548	Deutsche Bank Securities Corp.	2/01/13	\$ 2,815
USD 58,419	GBP 37,000	Bank of America Securities	2/01/13	(263)
USD 917,605	NOK 5,042,435	Deutsche Bank Securities Corp.	2/01/13	(5,428)
NOK 2,720,000	USD 496,471	Citigroup Global Markets, Inc.	2/04/13	1,359
NOK 2,231,000	USD 406,464	Deutsche Bank Securities Corp.	2/04/13	1,927
Total				\$ 410

Exchange-Traded options written as of January 31, 2013 were as follows:

Description	Put/Call	Strike Price	Expiration Date	Contracts	Market Value
CONSOL Energy, Inc.	Call	USD 36	2/07/13	410	\$ (105)
Potash Corp. of Saskatchewan, Inc.	Call	USD 43.25	2/16/13	1,065	(35,889)
Apache Corp.	Call	USD 82.50	2/18/13	91	(23,796)
Baker Hughes, Inc.	Call	USD 45	2/18/13	115	(8,338)
CONSOL Energy, Inc.	Call	USD 34	2/18/13	409	(4,908)
Crescent Point Energy Corp.	Call	CAD 38	2/18/13	38	(2,953)
Crew Energy, Inc.	Call	CAD 7	2/18/13	300	(1,203)
Detour Gold Corp.	Call	CAD 26	2/18/13	503	(3,530)
Detour Gold Corp.	Call	CAD 27	2/18/13	503	(3,278)
Enbridge Energy Partners LP	Call	USD 30	2/18/13	400	(7,000)
Energy XXI (Bermuda) Ltd.	Call	USD 35	2/18/13	150	(750)
Freeport-McMoRan Copper & Gold, Inc.	Call	USD 36	2/18/13	1,290	(47,085)
MarkWest Energy Partners LP	Call	USD 52.50	2/18/13	100	(27,500)
McEwen Mining, Inc.	Call	USD 4	2/18/13	500	(2,500)
New Gold, Inc.	Call	USD 12	2/18/13	1,800	(9,000)
Noble Energy, Inc.	Call	USD 110	2/18/13	152	(15,580)
Plains All American Pipeline LP	Call	USD 50	2/18/13	2	(565)
Plains Exploration & Production Co.	Call	USD 48	2/18/13	120	(6,420)
Seabridge Gold, Inc.	Call	USD 16	2/18/13	405	(4,050)
Seabridge Gold, Inc.	Call	USD 18	2/18/13	390	(1,950)
Seabridge Gold, Inc.	Call	USD 19	2/18/13	815	(4,075)
Ship Finance International Ltd.	Call	USD 17.50	2/18/13	290	(3,625)
Silver Wheaton Corp.	Call	USD 37	2/18/13	1,150	(20,700)
Vermilion Energy, Inc.	Call	CAD 52	2/18/13	61	(1,529)
Vermilion Energy, Inc.	Call	CAD 52	2/18/13	383	(9,600)
Magellan Midstream Partners LP	Call	USD 44.25	2/27/13	200	(127,200)
Agrium, Inc.	Call	USD 110	3/18/13	393	(227,940)
Allied Nevada Gold Corp.	Call	USD 35	3/18/13	940	(9,400)
Alpha Natural Resources, Inc.	Call	USD 11	3/18/13	725	(10,513)
AltaGas Ltd.	Call	CAD 34	3/18/13	665	(105,011)
Anadarko Petroleum Corp.	Call	USD 80	3/18/13	95	(36,100)
Baytex Energy Corp.	Call	CAD 46.50	3/18/13	255	(18,536)
BHP Billiton Ltd. - ADR	Call	USD 77.50	3/18/13	348	(88,392)
Cliffs Natural Resources, Inc.	Call	USD 40	3/18/13	93	(8,928)
Cobalt International Energy, Inc.	Call	USD 25	3/18/13	100	(10,250)

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Compass Minerals International, Inc.	Call	USD	80	3/18/13	343	(6,002)
Concho Resources, Inc.	Call	USD	95	3/18/13	96	(23,040)
Continental Resources, Inc.	Call	USD	85	3/18/13	73	(19,892)
Core Laboratories NV	Call	USD	120	3/18/13	61	(54,900)

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Consolidated Schedule of Investments (continued)

BlackRock Resources & Commodities Strategy Trust (BCX)

Exchange-Traded options written as of January 31, 2013 were as follows: (concluded)

Description	Put/ Call	Strike		Expiration Date	Contracts	Market Value
			Price			
Crescent Point Energy Corp.	Call	CAD	39	3/18/13	445	\$ (23,423)
Enterprise Products Partners LP	Call	USD	52.50	3/18/13	2	(830)
Franco-Nevada Corp.	Call	CAD	56	3/18/13	560	(32,284)
MarkWest Energy Partners LP	Call	USD	55	3/18/13	391	(37,145)
Novagold Resources, Inc.	Call	USD	5	3/18/13	1,200	(12,000)
Pan American Silver Corp.	Call	USD	20	3/18/13	360	(4,500)
Patterson-UTI Energy, Inc.	Call	USD	20	3/18/13	297	(31,185)
PetroChina Co. Ltd. - ADR	Call	USD	145	3/18/13	21	(5,198)
Pioneer Natural Resources Co.	Call	USD	115	3/18/13	74	(52,910)
Potash Corp. of Saskatchewan, Inc.	Call	USD	42	3/18/13	970	(143,075)
Potash Corp. of Saskatchewan, Inc.	Call	USD	43	3/18/13	2,035	(191,290)
Silver Wheaton Corp.	Call	USD	38	3/18/13	1,150	(51,750)
Silvercorp Metals, Inc.	Call	USD	5	3/18/13	2,200	(16,500)
Silvercorp Metals, Inc.	Call	USD	6	3/18/13	780	(3,900)
Southwestern Energy Co.	Call	USD	34	3/18/13	60	(9,630)
Southwestern Energy Co.	Call	USD	35	3/18/13	54	(6,021)
Targa Resources Partners LP	Call	USD	41	3/18/13	320	(17,600)
Valero Energy Corp.	Call	USD	38	3/18/13	245	(144,550)
Whiting Petroleum Corp.	Call	USD	50	3/18/13	134	(15,075)
Williams Partners LP	Call	USD	50	3/18/13	40	(7,500)
Apache Corp.	Call	USD	82.50	4/22/13	91	(40,950)
Calfrac Well Services Ltd.	Call	CAD	26	4/22/13	25	(2,131)
Eldorado Gold Corp.	Call	USD	14	4/22/13	381	(4,762)
EOG Resources, Inc.	Call	USD	130	4/22/13	197	(77,322)
Hess Corp.	Call	USD	60	4/22/13	100	(83,500)
Hi-Crush Partners LP	Call	USD	20	4/22/13	13	(715)
Joy Global, Inc.	Call	USD	70	4/22/13	623	(84,417)
Keyera Corp.	Call	CAD	52	4/22/13	678	(76,474)
Monsanto Co.	Call	USD	105	4/22/13	914	(184,628)
Rentech Nitrogen Partners LP	Call	USD	47.50	4/22/13	337	(74,982)
Rio Tinto Plc - ADR	Call	USD	60	4/22/13	285	(31,350)
Total						\$ (2,459,630)

Over-the-counter options written as of January 31, 2013 were as follows:

Description	Counterparty	Put/ Call	Strike		Expiration Date	Contracts	Market Value
				Price			
Augusta Resource Corp.	Morgan Stanley & Co., Inc.	Call	USD	2.41	2/04/13	43,000	\$ (8,174)
Chevron Corp.	Citigroup Global Markets, Inc.	Call	USD	107	2/04/13	13,500	(110,025)
Kenmare Resources Plc	Goldman Sachs & Co.	Call	GBP	0.32	2/05/13	685,500	(21,550)
EQT Corp.	Morgan Stanley & Co., Inc.	Call	USD	59.02	2/06/13	10,000	(8,799)
McEwen Mining, Inc.	Morgan Stanley & Co., Inc.	Call	USD	3.93	2/06/13	50,000	(3)

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DeeThree Exploration Ltd.	Citigroup Global Markets, Inc.	Call	CAD	6.46	2/07/13	22,000	(8,581)
E.I. du Pont de Nemours & Co.	Morgan Stanley & Co., Inc.	Call	USD	44.60	2/07/13	116,200	(331,170)
Plains Exploration & Production Co.	UBS Securities LLC	Call	USD	47.08	2/07/13	13,500	(12,025)
SLC Agricola SA	Credit Suisse First Boston	Call	BRL	20.29	2/07/13	16,000	(10,635)
Archer-Daniels-Midland Co.	Goldman Sachs & Co.	Call	USD	28.15	2/08/13	91,500	(53,822)
DeeThree Exploration Ltd.	Morgan Stanley & Co., Inc.	Call	CAD	6.68	2/08/13	6,200	(1,480)
Exxon Mobil Corp.	Credit Suisse First Boston	Call	USD	89.95	2/08/13	4,400	(3,610)
Forum Energy Technologies, Inc.	Morgan Stanley & Co., Inc.	Call	USD	25.60	2/08/13	14,700	(6,684)
Halliburton Co.	Banc of America Securities	Call	USD	34.73	2/08/13	15,000	(89,250)
Kodiak Oil & Gas Corp.	Goldman Sachs & Co.	Call	USD	8.56	2/08/13	46,000	(29,814)

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Consolidated Schedule of Investments (continued)

BlackRock Resources & Commodities Strategy Trust (BCX)

Over-the-counter options written as of January 31, 2013 were as follows: (continued)

Description	Counterparty	Put/ Call	Strike		Expiration Date	Contracts	Market Value
			Price				
Silvercorp Metals, Inc.	Goldman Sachs & Co.	Call	USD	5.38	2/08/13	97,000	\$
Denbury Resources, Inc.	Goldman Sachs & Co.	Call	USD	16.40	2/11/13	64,500	(144,016)
Magellan Midstream Partners LP	Goldman Sachs & Co.	Call	USD	43.29	2/11/13	69,500	(508,740)
Fresnillo Plc	Morgan Stanley & Co., Inc.	Call	GBP	19.84	2/12/13	122,000	
Uralkali OJSC - GDR	Morgan Stanley & Co., Inc.	Call	USD	39.96	2/12/13	84,200	(6,918)
Eldorado Gold Corp.	Credit Suisse First Boston	Call	USD	13.04	2/13/13	108,000	(453)
First Majestic Silver Corp.	Goldman Sachs & Co.	Call	USD	21.19	2/13/13	67,000	(2,093)
MAG Silver Corp.	Citigroup Global Markets, Inc.	Call	CAD	10.04	2/13/13	40,000	(45,817)
Bunge Ltd.	Deutsche Bank Securities Corp.	Call	USD	73.93	2/14/13	38,900	(223,138)
Franco-Nevada Corp.	Deutsche Bank Securities Corp.	Call	CAD	57.74	2/14/13	56,700	(1,048)
ONEOK Partners LP	UBS Securities LLC	Call	USD	55.22	2/14/13	46,500	(203,670)
Sprott Physical Gold Trust	UBS Securities LLC	Call	USD	14.56	2/14/13	150,000	(6,200)
Rio Tinto Plc - ADR	Credit Suisse First Boston	Call	USD	54.47	2/21/13	31,700	(81,141)
SLC Agricola SA	Credit Suisse First Boston	Call	BRL	20.92	2/21/13	32,900	(16,567)
The Mosaic Co.	JPMorgan Chase Securities	Call	USD	58.87	2/22/13	63,500	(163,172)
Occidental Petroleum Corp.	Citigroup Global Markets, Inc.	Call	USD	80.70	2/22/13	42,500	(321,725)
Alexco Resource Corp.	Morgan Stanley & Co., Inc.	Call	USD	4.01	2/25/13	37,500	(12,847)
Bill Barrett Corp.	Morgan Stanley & Co., Inc.	Call	USD	20.63	2/25/13	18,600	(370)
DeeThree Exploration Ltd.	Morgan Stanley & Co., Inc.	Call	CAD	7.25	2/25/13	27,400	(3,656)
MarkWest Energy Partners LP	Deutsche Bank Securities Corp.	Call	USD	53.15	2/25/13	11,500	(24,663)
Augusta Resource Corp.	Citigroup Global Markets, Inc.	Call	USD	2.76	2/26/13	43,000	(3,780)
Alexco Resource Corp.	UBS Securities LLC	Call	USD	4.30	2/28/13	50,000	(9,931)
National Oilwell Varco, Inc.	Morgan Stanley & Co., Inc.	Call	USD	72.50	2/28/13	10,000	(32,300)
Ship Finance International Ltd.	Citigroup Global Markets, Inc.	Call	USD	16.48	2/28/13	60,000	(33,803)
Sprott Physical Gold Trust	Deutsche Bank Securities Corp.	Call	USD	14.41	3/01/13	125,000	(17,481)
Whiting Petroleum Corp.	Goldman Sachs & Co.	Call	USD	47.20	3/01/13	13,800	(25,841)
Alexco Resource Corp.	Morgan Stanley & Co., Inc.	Call	USD	4.04	3/04/13	34,130	(11,916)
Iluka Resources Ltd.	Citigroup Global Markets, Inc.	Call	AUD	9.64	3/04/13	68,600	(41,917)
Plains All American Pipeline LP	Banc of America Securities	Call	USD	50.29	3/05/13	44,000	(117,037)
Plains All American Pipeline LP	Morgan Stanley & Co., Inc.	Call	USD	51.97	3/05/13	39,000	(44,549)
Seadrill Ltd.	Deutsche Bank Securities Corp.	Call	NOK	212.40	3/06/13	16,200	(16,977)
Technip SA	Citigroup Global Markets, Inc.	Call	EUR	81.52	3/06/13	2,100	(5,796)
E.I. du Pont de Nemours & Co.	Goldman Sachs & Co.	Call	USD	46.33	3/07/13	31,200	(48,806)
Range Resources Corp.	Goldman Sachs & Co.	Call	USD	66.69	3/07/13	18,700	(49,783)
Rentech Nitrogen Partners LP	Deutsche Bank Securities Corp.	Call	USD	44.28	3/07/13	24,300	(104,829)
Royal Dutch Shell Plc, Class A - ADR	Citigroup Global Markets, Inc.	Call	USD	69.22	3/07/13	32,000	(50,039)
Chevron Corp.	Morgan Stanley & Co., Inc.	Call	USD	116.35	3/11/13	2,000	(3,567)
HudBay Minerals, Inc.	Deutsche Bank Securities Corp.	Call	CAD	12.05	3/11/13	126,600	(28,941)
Peabody Energy Corp.	Morgan Stanley & Co., Inc.	Call	USD	26	3/11/13	41,500	(32,646)
Williams Partners LP	UBS Securities LLC	Call	USD	51.77	3/11/13	47,000	(33,597)
Denbury Resources, Inc.	Banc of America Securities	Call	USD	18.05	3/12/13	5,000	(5,129)
Israel Chemicals Ltd.	Banc of America Securities	Call	ILS	47.82	3/12/13	180,000	(102,260)
Syngenta AG	Morgan Stanley & Co., Inc.	Call	CHF	384.91	3/12/13	17,000	(246,042)
Technip SA	Citigroup Global Markets, Inc.	Call	EUR	81.52	3/12/13	2,100	(6,331)
SLC Agricola SA	UBS Securities LLC	Call	BRL	21.41	3/13/13	31,500	(15,176)
AGCO Corp.	Deutsche Bank Securities Corp.	Call	USD	52.48	3/20/13	86,000	(185,947)
Fresnillo Plc	Deutsche Bank Securities Corp.	Call	GBP	16.83	3/20/13	61,300	(38,604)
Kenmare Resources Plc	Deutsche Bank Securities Corp.	Call	GBP	0.34	3/20/13	774,000	(25,455)
LinnCo. LLC	Morgan Stanley & Co., Inc.	Call	USD	38.49	3/20/13	32,000	(45,120)
Altas Income Ltd.	Deutsche Bank Securities Corp.	Call	CAD	35.09	3/21/13	19,900	(11,413)

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Consolidated Schedule of Investments (continued)

BlackRock Resources & Commodities Strategy Trust (BCX)

Over-the-counter options written as of January 31, 2013 were as follows: (concluded)

Description	Counterparty	Put/ Call	Strike		Expiration Date	Contracts	Market Value
			Price				
Goldcorp, Inc.	UBS Securities LLC	Call	USD	38.38	3/21/13	113,500	\$ (56,289)
Newmont Mining Corp.	Morgan Stanley & Co., Inc.	Call	USD	45.35	3/21/13	83,100	(58,484)
Sociedad Quimica y Minera de Chile SA - ADR	Goldman Sachs & Co.	Call	USD	58.66	3/21/13	43,400	(21,188)
Augusta Resource Corp.	UBS Securities LLC	Call	USD	2.56	3/26/13	19,000	(4,496)
Endeavour Silver Corp.	Citigroup Global Markets, Inc.	Call	USD	7.43	3/26/13	80,500	(16,271)
Rex Energy Corp.	Deutsche Bank Securities Corp.	Call	USD	14.15	3/26/13	23,500	(8,975)
Rosetta Resources, Inc.	Deutsche Bank Securities Corp.	Call	USD	51.31	3/26/13	14,500	(53,377)
Schlumberger Ltd.	Citigroup Global Markets, Inc.	Call	USD	79.31	3/26/13	5,500	(9,094)
Suncor Energy, Inc.	Citigroup Global Markets, Inc.	Call	USD	34.74	3/26/13	53,500	(45,039)
Teck Resources Ltd., Class B	Citigroup Global Markets, Inc.	Call	CAD	38.35	3/26/13	93,000	(59,094)
Altas Income Ltd.	Deutsche Bank Securities Corp.	Call	CAD	35.09	3/27/13	19,900	(11,861)
Atwood Oceanics, Inc.	Morgan Stanley & Co., Inc.	Call	USD	54.47	3/27/13	6,000	(5,581)
Crescent Point Energy Corp.	Citigroup Global Markets, Inc.	Call	CAD	40.08	3/27/13	47,500	(10,836)
Enterprise Products Partners LP	Citigroup Global Markets, Inc.	Call	USD	56.60	3/27/13	95,500	(79,157)
Basic Energy Services, Inc.	Citigroup Global Markets, Inc.	Call	USD	13.29	4/01/13	7,500	(5,459)
Cenovus Energy, Inc.	Goldman Sachs & Co.	Call	USD	34.23	4/01/13	23,600	(16,633)
LinnCo. LLC	JPMorgan Chase Securities	Call	USD	39.97	4/02/13	32,000	(24,608)
MAG Silver Corp.	Morgan Stanley & Co., Inc.	Call	CAD	11.40	4/02/13	40,000	(24,624)
Whiting Petroleum Corp.	Morgan Stanley & Co., Inc.	Call	USD	49.75	4/02/13	9,500	(13,782)
Deere & Co.	UBS Securities LLC	Call	USD	96.25	4/03/13	52,400	(71,145)
K+S AG	Deutsche Bank Securities Corp.	Call	EUR	34.45	4/03/13	37,800	(29,255)
Kenmare Resources Plc	Morgan Stanley & Co., Inc.	Call	GBP	0.34	4/03/13	774,000	(29,541)
Statoil ASA	Deutsche Bank Securities Corp.	Call	NOK	147.61	4/03/13	35,500	(14,337)
ONEOK Partners LP	Morgan Stanley & Co., Inc.	Call	USD	60.55	4/04/13	48,500	(35,065)
Plains All American Pipeline LP	Deutsche Bank Securities Corp.	Call	USD	52.70	4/05/13	20,000	(20,186)
HudBay Minerals, Inc.	Deutsche Bank Securities Corp.	Call	CAD	11.80	4/11/13	52,500	(24,270)
Key Energy Services, Inc.	Banc of America Securities	Call	USD	8.50	4/11/13	47,500	(23,988)
Williams Partners LP	UBS Securities LLC	Call	USD	50.79	4/11/13	30,700	(43,106)
Plains All American Pipeline LP	Deutsche Bank Securities Corp.	Call	USD	52.70	4/18/13	20,000	(21,776)
SLC Agricola SA	JPMorgan Chase Securities	Call	BRL	22.01	4/21/13	26,300	(9,060)
Total							\$ (4,703,446)

For Trust compliance purposes, the Trust's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Trust management. These definitions may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets and liabilities that the Trust has the ability to access

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Level 2 - other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Trust's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Consolidated Schedule of Investments (concluded)

BlackRock Resources & Commodities Strategy Trust (BCX)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Trust's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to the Trust's most recent financial statements as contained in its annual report.

The following tables summarize the Trust's investments and derivative financial instruments categorized in the disclosure hierarchy as of January 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Common Stocks:				
Chemicals	\$ 107,615,270	\$ 42,264,076		\$ 149,879,346
Energy Equipment & Services	14,019,494	3,087,448		17,106,942
Food Products	19,638,297			19,638,297
Machinery	33,091,259			33,091,259
Metals & Mining	173,129,926	18,110,156		191,240,082
Oil, Gas & Consumable Fuels	258,039,341	2,701,549		260,740,890
Investment Companies	24,853,863			24,853,863
Short-Term Securities	85,241			85,241
Total	\$ 630,472,691	\$ 66,163,229		\$ 696,635,920
	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Foreign currency exchange contracts	\$ 6,101			\$ 6,101
Liabilities:				
Equity contracts	(2,296,436)	\$ (4,866,640)		(7,163,076)
Foreign currency exchange contracts		(5,691)		(5,691)
Total	\$ (2,296,026)	\$ (4,866,640)		\$ (7,162,666)

¹ Derivative financial instruments are foreign currency exchange contracts and options written. Foreign currency exchange contracts are valued at the unrealized appreciation/ depreciation on the instrument and options written are shown at value.

Certain of the Trust's assets and liabilities are held at carrying amount, which approximates fair value for financial reporting purposes. As of January 31, 2013, such assets and liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$8,585,999			\$ 8,585,999
Foreign currency at value	76,614			76,614
Liabilities:				
Cash received as collateral for options written		\$ (448,000)		(448,000)
Total	\$8,662,613	\$ (448,000)		\$ 8,214,613

There were no transfers between levels during the period ended January 31, 2013.

Item 2 Controls and Procedures

2(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Resources & Commodities Strategy Trust

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Resources & Commodities Strategy Trust

Date: March 26, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Resources & Commodities Strategy Trust

Date: March 26, 2013

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Resources & Commodities Strategy Trust

Date: March 26, 2013

div style="overflow:hidden;font-size:10pt;">

120.3

1.1

0.2

(10.9
)

150.0

Deferred tax asset, net
18.9

9.8

—

—

—

28.7

Assets held for policyholders

—

1,243.5

—

—

—

1,243.5

Intercompany receivables

477.0

421.4

34.8

—

(933.2

)

—

Total current assets

733.3

3,991.9

39.0

14.0

(944.1
)

3,834.1

Non-current assets:

Investments
50.0

144.4

3.4

3.0

—

200.8

Investments of consolidated investment products

—

6,629.0

—

—

—

6,629.0

Security deposit assets and receivables

—

81.2

—

—

—

81.2

Other non-current assets

8.5

6.6

2.8

—

—

17.9

Deferred sales commissions

13.9

26.6

—

—

—

40.5

Property and equipment, net

145.3

167.5

—

—

—

312.8

Intangible assets, net

420.6

902.2

—

—

—

1,322.8

Goodwill
2,312.8

4,161.8

433.3

—

—

6,907.9

Intercompany receivables
333.0

1,450.5

567.8

—

(2,351.3
)

—

Investment In Subsidiaries
1,228.2

5.6

5,116.3

8,465.0

(14,815.1
)

—

Total non-current assets

4,512.3

13,575.4

6,123.6

8,468.0

(17,166.4

)

15,512.9

Total assets

5,245.6

17,567.3

6,162.6

8,482.0

(18,110.5

)

19,347.0

LIABILITIES AND EQUITY

Current liabilities:

Current maturities of total debt

—

—

215.1

—

—

215.1

Unsettled fund payables

—

439.6

—

—

—

439.6

Income taxes payable

—

63.1

7.4

—

(10.9
)

59.6

Other current liabilities

144.3

685.4

11.1

0.7

—

841.5

Other current liabilities of consolidated investment products

—

175.1

—

—

—

175.1

Policyholder payables

—

1,243.5

—

—

—

1,243.5

Intercompany payables

366.5

507.5

29.9

29.3

(933.2

)

—

Total current liabilities

510.8

3,114.2

263.5

30.0

(944.1

)

2,974.4

Non-current liabilities:

Long-term debt

539.0

—

530.6

—

—

1,069.6

Long-term debt of consolidated investment products

—

5,512.9

—

—

—

5,512.9

Deferred tax liabilities, net
29.6

244.4

—

—

—

274.0

Security deposits payable
—

81.2

—

—

—

81.2

Other non-current liabilities
55.1

242.2

—

—

—

297.3

Intercompany payables
1,361.8

—

656.6

332.9

(2,351.3
)

—

Total non-current liabilities
1,985.5

6,080.7

1,187.2

332.9

(2,351.3
)

7,235.0

Total liabilities
2,496.3

9,194.9

1,450.7

362.9

(3,295.4
)

10,209.4

Equity:

Total equity attributable to common shareholders
2,749.3

7,353.9

4,711.9

8,119.1

(14,815.1
)

8,119.1

Equity attributable to noncontrolling interests in consolidated entities

—

1,018.5

—

—

—

1,018.5

Total equity
2,749.3

8,372.4

4,711.9

8,119.1

(14,815.1
)

9,137.6

Total liabilities and equity
5,245.6

17,567.3

6,162.6

8,482.0

(18,110.5
)

19,347.0

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Condensed Consolidating Statements of Income and Comprehensive Income

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the three months ended September 30, 2012						
Operating Revenues:						
Investment management fees	320.0	498.0	—	—	—	818.0
Service and distribution fees	25.3	170.8	—	—	—	196.1
Performance fees	—	3.0	—	—	—	3.0
Other	1.4	22.9	—	—	—	24.3
Intercompany Revenues	8.7	55.7	—	—	(64.4)	—
Total operating revenues	355.4	750.4	—	—	(64.4)	1,041.4
Operating expenses:						
Employee compensation	89.3	239.8	—	1.8	—	330.9
Third-party distribution, service and advisory	23.8	303.4	—	—	—	327.2
Marketing	1.4	25.0	—	—	—	26.4
Property, office and technology	30.6	38.4	—	0.1	—	69.1
General and administrative	17.0	50.2	—	1.6	—	68.8
Transaction and integration	—	3.0	—	—	—	3.0
Intercompany Expenses	55.5	8.6	—	0.3	(64.4)	—
Total operating expenses	217.6	668.4	—	3.8	(64.4)	825.4
Operating income/(loss)	137.8	82.0	—	(3.8)	—	216.0
Other income/(expense):						
Equity in earnings of unconsolidated affiliates	0.3	4.5	84.1	175.3	(259.0)	5.2
Interest and dividend income	—	22.2	13.9	0.1	(33.7)	2.5
Interest income of consolidated investment products	—	68.7	—	—	—	68.7
Other gains/(losses) of consolidated investment products, net	—	(25.2)	—	—	—	(25.2)
Interest expense	(33.7)	(0.8)	(10.3)	(1.4)	33.6	(12.6)
Interest expense of consolidated investment products	—	(41.9)	—	—	—	(41.9)
Other gains and losses, net	2.5	16.6	(1.0)	0.3	—	18.4
Income before income taxes	106.9	126.1	86.7	170.5	(259.1)	231.1
Income tax provision	(42.4)	(31.0)	(0.9)	0.1	—	(74.2)
Net income	64.5	95.1	85.8	170.6	(259.1)	156.9
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	—	13.7	—	—	—	13.7
Net income attributable to common shareholders	64.5	108.8	85.8	170.6	(259.1)	170.6
Total comprehensive income	64.5	267.6	161.3	318.9	(482.4)	329.9
Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities	—	(11.0)	—	—	—	(11.0)
Comprehensive income attributable to common shareholders	64.5	256.6	161.3	318.9	(482.4)	318.9

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Revised Condensed Consolidating Statements of Income and Comprehensive Income

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the three months ended September 30, 2011						
Operating Revenues:						
Investment management fees	278.1	501.4	—	—	—	779.5
Service and distribution fees	22.5	166.6	—	—	—	189.1
Performance fees	0.1	2.5	—	—	—	2.6
Other	19.6	24.0	—	2.7	(19.7)	26.6
Intercompany Revenues	5.9	32.9	—	—	(38.8)	—
Total operating revenues	326.2	727.4	—	2.7	(58.5)	997.8
Operating expenses:						
Employee compensation	80.3	227.9	—	—	(2.7)	305.5
Third-party distribution, service and advisory	39.1	275.3	—	—	—	314.4
Marketing	—	30.1	—	—	(17.0)	13.1
Property, office and technology	24.9	37.6	—	0.2	—	62.7
General and administrative	21.6	47.4	—	0.6	—	69.6
Transaction and integration	—	4.7	—	—	—	4.7
Intercompany Expenses	32.8	5.9	—	0.1	(38.8)	—
Total operating expenses	198.7	628.9	—	0.9	(58.5)	770.0
Operating income/(loss)	127.5	98.5	—	1.8	—	227.8
Other income/(expense):						
Equity in earnings of unconsolidated affiliates	0.6	7.1	109.0	170.0	(278.6)	8.1
Interest and dividend income	1.2	22.9	12.2	0.4	(32.9)	3.8
Interest income of consolidated investment products	—	79.6	—	—	—	79.6
Other gains/(losses) of consolidated investment products, net	—	(93.1)	—	—	—	(93.1)
Interest expense	(34.1)	(0.3)	(12.6)	(1.2)	32.9	(15.3)
Interest expense of consolidated investment products	—	(48.7)	—	—	—	(48.7)
Other gains and losses, net	(3.2)	(12.1)	(0.3)	(4.1)	—	(19.7)
Income before income taxes	92.0	53.9	108.3	166.9	(278.6)	142.5
Income tax provision	3.3	(61.5)	(0.9)	—	—	(59.1)
Net income	95.3	(7.6)	107.4	166.9	(278.6)	83.4
Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax	—	83.5	—	—	—	83.5
Net income attributable to common shareholders	95.3	75.9	107.4	166.9	(278.6)	166.9
Total comprehensive income	94.3	(261.4)	(50.3)	(105.2)	148.4	(174.2)
Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities	—	69.0	—	—	—	69.0
Comprehensive income attributable to common shareholders	94.3	(192.4)	(50.3)	(105.2)	148.4	(105.2)

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Condensed Consolidating Statements of Income and Comprehensive Income

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the nine months ended September 30, 2012						
Operating Revenues:						
Investment management fees	919.9	1,470.1	—	—	—	2,390.0
Service and distribution fees	71.4	500.8	—	—	—	572.2
Performance fees	8.4	30.5	—	—	—	38.9
Other	9.0	74.0	—	—	—	83.0
Intercompany Revenues	20.9	173.4	—	—	(194.3)	—
Total operating revenues	1,029.6	2,248.8	—	—	(194.3)	3,084.1
Operating expenses:						
Employee compensation	271.2	677.6	—	5.2	—	954.0
Third-party distribution, service and advisory	66.8	894.1	—	—	—	960.9
Marketing	3.8	75.9	—	—	—	79.7
Property, office and technology	87.4	116.8	—	0.2	—	204.4
General and administrative	56.6	170.4	—	3.8	—	230.8
Transaction and integration	—	5.6	—	—	—	5.6
Intercompany Expenses	172.6	20.9	—	0.8	(194.3)	—
Total operating expenses	658.4	1,961.3	—	10.0	(194.3)	2,435.4
Operating income/(loss)	371.2	287.5	—	(10.0)	—	648.7
Other income/(expense):						
Equity in earnings of unconsolidated affiliates	3.0	18.0	261.7	530.6	(791.5)	21.8
Interest and dividend income	1.7	65.5	38.9	0.3	(99.3)	7.1
Interest income of consolidated investment products	—	206.4	—	—	—	206.4
Other gains/(losses) of consolidated investment products, net	—	(69.9)	—	—	—	(69.9)
Interest expense	(100.8)	(0.5)	(33.6)	(3.9)	99.2	(39.6)
Interest expense of consolidated investment products	—	(134.4)	—	—	—	(134.4)
Other gains and losses, net	6.8	23.4	(2.1)	1.2	—	29.3
Income before income taxes	281.9	396.0	264.9	518.2	(791.6)	669.4
Income tax provision	(109.4)	(98.1)	(2.8)	0.2	—	(210.1)
Net income	172.5	297.9	262.1	518.4	(791.6)	459.3
Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax	—	59.1	—	—	—	59.1
Net income attributable to common shareholders	172.5	357.0	262.1	518.4	(791.6)	518.4
Total comprehensive income	174.6	460.5	335.8	683.3	(1,029.9)	624.3
Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities	—	59.0	—	—	—	59.0
Comprehensive income attributable to common shareholders	174.6	519.5	335.8	683.3	(1,029.9)	683.3

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Revised Condensed Consolidating Statements of Income and Comprehensive Income

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the nine months ended September 30, 2011						
Operating Revenues:						
Investment management fees	874.9	1,516.0	—	—	—	2,390.9
Service and distribution fees	71.9	527.3	—	—	—	599.2
Performance fees	0.2	13.8	—	—	—	14.0
Other	7.4	83.6	—	—	—	91.0
Intercompany Revenues	23.5	134.2	—	—	(157.7)	—
Total operating revenues	977.9	2,274.9	—	—	(157.7)	3,095.1
Operating expenses:						
Employee compensation	254.0	670.8	—	4.9	—	929.7
Third-party distribution, service and advisory	64.3	916.4	—	—	—	980.7
Marketing	3.5	61.4	—	—	—	64.9
Property, office and technology	78.2	109.8	—	0.6	—	188.6
General and administrative	62.9	153.1	—	4.8	—	220.8
Transaction and integration	—	23.9	—	—	—	23.9
Intercompany Expenses	133.8	23.5	—	0.4	(157.7)	—
Total operating expenses	596.7	1,958.9	—	10.7	(157.7)	2,408.6
Operating income/(loss)	381.2	316.0	—	(10.7)	—	686.5
Other income/(expense):						
Equity in earnings of unconsolidated affiliates	1.3	23.3	326.1	537.8	(862.9)	25.6
Interest and dividend income	1.9	65.1	37.1	0.8	(96.6)	8.3
Interest income of consolidated investment products	—	233.6	—	—	—	233.6
Other gains/(losses) of consolidated investment products, net	—	(243.3)	—	—	—	(243.3)
Interest expense	(102.5)	(1.3)	(37.7)	(2.6)	96.6	(47.5)
Interest expense of consolidated investment products	—	(135.2)	—	—	—	(135.2)
Other gains and losses, net	(2.1)	(4.8)	(1.0)	2.1	—	(5.8)
Income before income taxes	279.8	253.4	324.5	527.4	(862.9)	522.2
Income tax provision	(66.8)	(130.2)	(13.1)	—	—	(210.1)
Net income	213.0	123.2	311.4	527.4	(862.9)	312.1
Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax	—	215.3	—	—	—	215.3
Net income attributable to common shareholders	213.0	338.5	311.4	527.4	(862.9)	527.4
Total comprehensive income	214.3	26.5	218.7	404.3	(653.7)	210.1
Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities	—	194.2	—	—	—	194.2
Comprehensive income attributable to common shareholders	214.3	220.7	218.7	404.3	(653.7)	404.3

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Condensed Consolidating Statements of Cash Flows

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the nine months ended September 30, 2012						
Operating activities:						
Net cash provided by/(used in) operating activities	156.6	68.4	450.3	431.9	(789.5)	317.7
Investing activities:						
Capital contribution to/(from) subsidiary	—	—	—	(41.7)	41.7	—
Purchase of investments by consolidated investment products	—	(2,338.9)	—	—	—	(2,338.9)
Proceeds from sale of investments by consolidated investment products	—	2,484.5	—	—	—	2,484.5
Purchase of other investments	(7.7)	(78.4)	(1.6)	—	—	(87.7)
Other net increases/(decreases) in investing activities	(53.4)	19.0	(1.1)	13.1	—	(22.4)
Net cash (used in)/provided by investing activities	(61.1)	86.2	(2.7)	(28.6)	41.7	35.5
Financing activities:						
Capital contribution from/(to) parent	—	41.7	—	—	(41.7)	—
Purchases of treasury shares	—	—	—	(190.0)	—	(190.0)
Dividends paid	(435.0)	(354.5)	—	(211.5)	789.5	(211.5)
Capital invested into consolidated investment products	—	19.4	—	—	—	19.4
Capital distributed by consolidated investment products	—	(122.0)	—	—	—	(122.0)
Net borrowings/(repayments) of debt of consolidated investment products	—	255.4	—	—	—	255.4
Net borrowings/(repayments) under credit facility	(6.5)	—	222.0	—	—	215.5
Net intercompany borrowings/(repayments)	338.3	135.8	(454.8)	(19.3)	—	—
Repayments of senior notes	—	—	(215.1)	—	—	(215.1)
Other net increases/(decreases) in financing activities	—	13.7	—	17.2	—	30.9
Net cash used in financing activities	(103.2)	(10.5)	(447.9)	(403.6)	747.8	(217.4)
(Decrease)/increase in cash and cash equivalents	(7.7)	144.1	(0.3)	(0.3)	—	135.8
Foreign exchange movement on cash and cash equivalents	—	16.9	—	—	—	16.9
Cash and cash equivalents, beginning of year	20.6	703.2	3.1	0.5	—	727.4
Cash and cash equivalents, end of period	12.9	864.2	2.8	0.2	—	880.1

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Revised Condensed Consolidating Statements of Cash Flows

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the nine months ended September 30, 2011						
Operating activities:						
Net cash provided by/(used in) operating activities	263.3	417.2	11.2	211.3	(261.0)	642.0
Investing activities:						
Capital contribution to/(from) subsidiary	—	—	(116.0)	(23.1)	139.1	—
Purchase of investments by consolidated investment products	—	(2,594.2)	—	—	—	(2,594.2)
Proceeds from sale of investments by consolidated investment products	—	3,035.3	—	—	—	3,035.3
Purchase of other investments	(10.0)	(92.3)	—	—	—	(102.3)
Other net increases/(decreases) in investing activities	(25.3)	22.1	1.4	16.8	—	15.0
Net cash (used in)/provided by investing activities	(35.3)	370.9	(114.6)	(6.3)	139.1	353.8
Financing activities:						
Capital contribution from/(to) parent	116.0	23.1	—	—	(139.1)	—
Purchases of treasury shares	—	—	—	(333.0)	—	(333.0)
Dividends paid	—	(261.0)	—	(165.0)	261.0	(165.0)
Capital invested into consolidated investment products	—	27.9	—	—	—	27.9
Capital distributed by consolidated investment products	—	(158.8)	—	—	—	(158.8)
Net borrowings/(repayments) of debt of consolidated investment products	—	(434.9)	—	—	—	(434.9)
Net borrowings/(repayments) under credit facility	74.0	—	—	—	—	74.0
Net intercompany borrowings/(repayments)	(417.6)	27.8	105.5	284.3	—	—
Other net increases/(decreases) in financing activities	—	3.5	—	11.0	—	14.5
Net cash used in financing activities	(227.6)	(772.4)	105.5	(202.7)	121.9	(975.3)
(Decrease)/increase in cash and cash equivalents	0.4	15.7	2.1	2.3	—	20.5
Foreign exchange movement on cash and cash equivalents	—	(4.0)	—	—	—	(4.0)
Cash and cash equivalents, beginning of year	12.4	725.9	1.1	1.1	—	740.5
Cash and cash equivalents, end of period	12.8	737.6	3.2	3.4	—	757.0

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13. RELATED PARTIES

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
\$ in millions				
Affiliated operating revenues:				
Investment management fees	700.6	666.8	2,040.1	2,056.7
Service and distribution fees	181.6	189.0	557.4	598.7
Performance fees	2.0	0.8	33.8	10.0
Other	23.6	24.0	76.7	87.1
Total affiliated operating revenues	907.8	880.6	2,708.0	2,752.5

	As of September 30, 2012	December 31, 2011
Affiliated asset balances:		
Cash equivalents	200.7	257.7
Unsettled fund receivables	152.1	178.8
Accounts receivable	220.4	247.8
Current investments	326.2	248.9
Assets held for policyholders	1,139.0	1,243.1
Other current assets	26.1	22.1
Non-current investments	210.5	184.5
Other non-current assets	1.9	1.9
Affiliated asset balances	2,276.9	2,384.8
Affiliated liability balances:		
Unsettled fund payables	281.3	205.0
Other current liabilities	61.6	63.5
Other non-current liabilities	107.8	191.6
Affiliated liability balances	450.7	460.1

14. SUBSEQUENT EVENTS

On November 1, 2012, the company announced a third quarter 2012 dividend of \$0.1725 per share, payable on December 7, 2012, to shareholders of record at the close of business on November 19, 2012.

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 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, 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

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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” “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. 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 Part II, "Other Information," Item 1A., "Risk Factors."

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.

Invesco is a leading independent global investment manager with offices in more than 20 countries. As of September 30, 2012, we managed \$683.0 billion in assets for retail, institutional and high-net-worth 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 equity markets rebounded from declines experienced in the second quarter largely as a result of actions of central banks in the U.S. and Europe. The Federal Reserve in the U.S. announced additional quantitative easing measures, which are unlimited in size and duration. Additionally, the European Central Bank announced a bond buying program of its own targeting the bonds of those nations that request aid from the European Stability Mechanism. The U.S. treasury 10-year bond returns increased 0.9% during the quarter, while the 30-year treasury bond declined by only 0.3%.

The table below summarizes the returns of several major market indices for the three and nine months ended September 30, 2012 and 2011:

Index	Three months ended September 30,			Nine months ended September 30,		
	2012	2011		2012	2011	
S&P 500	5.8	% (14.3	)%	14.6	% (10.0)%
FTSE 100	3.1	% (13.7	)%	3.1	% (13.1)%
Nikkei 225	(1.5	)% (11.4	)%	4.9	% (14.9)%
MSCI Emerging Markets	7.0	% (23.2	)%	4.9	% (23.5)%

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, 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 six years, we have focused on our multi-year strategy to 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 operating platform. The depth, breadth and strength of our business have put us in a position to evolve our capital

management priorities, as further discussed in the "Liquidity and Capital Resources" and "Dividends" sections of this Management's Discussion and Analysis.

As it has been in the past, our first 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, which will 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.

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Although acquisitions are no longer a strategic priority, they may present themselves as opportunities that we will consider. In this light, the company entered into a share purchase agreement on September 27, 2012 to acquire 49.0% of Religare Asset Management Limited (“Religare”), a company incorporated in India. The purchase is subject to regulatory approval. The company expect closing to take place within 3 to 4 months of the signing date.

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

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance and are referred to as “consolidated investment products.” See Part I, Item 1, Financial Statements — Note 11, “Consolidated Investment Products,” for additional details.

The majority of the company’s consolidated investment products balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company’s minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. 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 consolidation of investment products is so significant to the presentation of the company’s financial statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company’s non-GAAP presentation. There are four distinct sections within this Management’s Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

- Results of Operations (for the three and nine months ended September 30, 2012 compared with the three and nine months ended September 30, 2011);
- Schedule of Non-GAAP Information;
- Balance Sheet Discussion; and
- Liquidity and Capital Resources.

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

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Summary Operating Information

Summary operating information is presented in the table below:

\$ in millions, other than per share amounts, operating margins, ratios and AUM	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
U.S. GAAP Financial Measures Summary				
Operating revenues	\$1,041.4	\$997.8	\$3,084.1	\$3,095.1
Operating income	\$216.0	\$227.8	\$648.7	\$686.5
Operating margin	20.7	% 22.8	% 21.0	% 22.2
Net income attributable to common shareholders	\$170.6	\$166.9	\$518.4	\$527.4
Diluted EPS	\$0.38	\$0.36	\$1.14	\$1.13
Debt/equity ratio (%)	55.9	% 74.4	% 55.9	% 74.4
Non-GAAP Financial Measures Summary				
Net revenues ⁽¹⁾	\$734.7	\$706.1	\$2,183.1	\$2,181.6
Adjusted operating income ⁽²⁾	\$250.4	\$255.7	\$768.6	\$812.6
Adjusted operating margin ⁽²⁾	34.1	% 36.2	% 35.2	% 37.2
Adjusted net income attributable to common shareholders ⁽³⁾	\$188.4	\$192.3	\$574.1	\$591.1
Adjusted diluted EPS ⁽³⁾	\$0.42	\$0.42	\$1.26	\$1.27
Debt/equity ratio excluding consolidated investment products ⁽⁴⁾	15.7	% 16.5	% 15.7	% 16.5
Assets Under Management				
Ending AUM (billions)	\$683.0	\$598.4	\$683.0	\$598.4
Average AUM (billions)	\$667.9	\$632.7	\$659.1	\$638.5

Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of the net revenues of our joint venture investments, plus management and performance fees earned from, less other revenue recorded by, consolidated investment products. See "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, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, 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, amortization of acquisition-related prepaid compensation and other intangibles, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net income attributable to common shareholders excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans, European infrastructure expenses 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.

The debt-to-equity ratio excluding consolidated investment products is a non-GAAP financial measure. See the "Liquidity and Capital Resources" section for a recalculation of this ratio and the "Balance Sheet Discussion" section for a reconciliation of debt and equity balances before and after the consolidation of investment products.

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 certain capabilities demonstrating outstanding performance. Within our equity asset class, U.S. Core, U.S. Value, U.K., and Global Ex-U.S. and Emerging Markets funds have strong long-term performance, with 80% or

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more of assets ahead of benchmarks and peer group medians on a 5- year basis. Our Balanced asset class also reflects solid long-term performance, with 95% and 78% of assets ahead of benchmarks and peers, respectively, on a 5-year basis. Within our fixed income asset class our Global and U.S. fixed income products have achieved strong long-term performance with 79% or more of AUM ahead of peers on a 5- year basis.

		Benchmark Comparison			Peer Group Comparison			
		% of AUM Ahead of			% of AUM In Top Half of			
		Benchmark			Peer Group			
		1yr	3yr	5yr	1yr	3yr	5yr	
Equities	U.S. Core	15	% 29	% 94	% 37	% 40	% 80	%
	U.S. Growth	8	% 28	% 22	% 8	% 3	% 60	%
	U.S. Value	15	% 55	% 99	% 59	% 73	% 96	%
	Sector	60	% 59	% 66	% 22	% 36	% 48	%
	U.K.	86	% 100	% 97	% 8	% 98	% 95	%
	Canadian	74	% 51	% 54	% 71	% 51	% 51	%
	Asian	28	% 44	% 46	% 22	% 32	% 31	%
	Continental							
	European	48	% 70	% 93	% 37	% 57	% 56	%
	Global	37	% 88	% 67	% 51	% 89	% 44	%
	Global Ex U.S. and Emerging Markets	84	% 83	% 96	% 82	% 83	% 86	%
Other	Alternatives	50	% 57	% 68	% 65	% 51	% 14	%
	Balanced	52	% 53	% 95	% 98	% 36	% 78	%
Money Market	Money Market	63	% 35	% 75	% 96	% 96	% 94	%
Fixed Income	U.S. Fixed Income	84	% 62	% 75	% 73	% 82	% 79	%
	Global Fixed Income	84	% 62	% 75	% 93	% 39	% 83	%
	Stable Value	100	% 100	% 100	% 100	% 100	% 100	%

AUM measured in the one-, three-, and five-year peer group rankings represents 59%, 58%, and 55% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 70%, 69%, and 65% of total Invesco AUM, respectively, as of September 30, 2012. Peer group rankings are sourced from a widely-used third party ranking agency in each fund's market (Lipper, Morningstar, Russell, Mercer, eVestment Alliance, SITCA) 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, CLOs, alternative and stable value products. 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, 2012 compared with the three months ended September 30, 2011

AUM at September 30, 2012, were \$683.0 billion (June 30, 2012: \$646.6 billion; September 30, 2011: \$598.4 billion). During the three months ended September 30, 2012, long-term net inflows increased AUM by \$9.4 billion, while market movements increased AUM by \$22.1 billion. AUM decreased \$1.7 billion during the three months ended September 30, 2012 due to a disposition of AUM related to certain European CLO products. We experienced net inflows in institutional money market funds of \$2.3 billion, and increases in AUM of \$4.3 billion due to changes in foreign exchange rates during the three months ended September 30, 2012. During the three months ended

September 30, 2011, long-term net inflows increased AUM by \$3.3 billion, while negative market movements decreased AUM by \$52.2 billion. We experienced net outflows in institutional money market funds of \$1.1 billion and decreases in AUM of \$5.3 billion due to changes in foreign exchange rates during the three months ended September 30, 2011. Average AUM during the three months ended September 30, 2012, were \$667.9 billion compared to \$632.7 billion for the three months ended September 30, 2011.

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.

Long-term net inflows during the three months ended September 30, 2012 were \$9.4 billion and included net inflows of passive AUM of \$5.8 billion. Net long-term flows were split between inflows from our retail distribution channel of \$6.3 billion and inflows from our institutional channel of \$2.9 billion, which were primarily in the fixed income and balanced asset

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classes. Our balanced asset class experienced net inflows of \$3.7 billion, including approximately \$4.5 billion in positive flows related to our balanced risk allocation strategies, for which we continue to see strong demand. These inflows were partially offset by outflows of traditional balanced products. The Invesco Balanced Risk Allocation Fund established its three-year track record during the second quarter of 2012, raising its profile in the market. This quarterly period marks the twelfth consecutive quarter of positive flows into the balanced risk allocation strategies. As discussed in the “Executive Overview” section of this Management’s Discussion and Analysis, during the three months ended September 30, 2012, the S&P 500 Index increased 5.8%, the FTSE increased 3.1%, the MSCI Emerging Markets index increased 7.0%, while the Nikkei 225 was down 1.5%. Of the \$22.1 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, with balanced, fixed income and alternative asset classes also experiencing gains. Of the \$52.2 billion decrease in AUM resulting from market losses during the three months ended September 30, 2011, \$42.3 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, 2012, was driven primarily by the strengthening of the Pound Sterling, the Euro, the Canadian Dollar and the Japanese Yen relative to the U.S. Dollar, 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 impact of the change in foreign exchange rates in the three months ended September 30, 2011, was driven by the weakening of the Pound Sterling, Canadian Dollar, and Euro relative to the U.S. Dollar, partially offset by strengthening of the Japanese Yen 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, 2012 and 2011, as compared with the rates that existed at June 30, 2012 and 2011:

	September 30, 2012	June 30, 2012	September 30, 2011	June 30, 2011
Pound Sterling (\$ per £)	1.62	1.57	1.56	1.61
Canadian Dollar (CAD per \$)	0.98	1.02	1.04	0.96
Japan (¥ per \$)	77.80	79.82	77.09	80.66
Euro (\$ per €)	1.29	1.27	1.34	1.45

Net revenue yield decreased 0.6 basis points to 44.0 basis points in the three months ended September 30, 2012, from the three months ended September 30, 2011 level of 44.6 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. Strong sales in our passive ETF products have contributed to passive AUM representing 17.3% of total AUM as at September 30, 2012, compared to 14.6% at September 30, 2011. The net revenue yield on passive AUM was approximately 10 basis points compared to approximately 51 basis points from active AUM (before performance fees) during the three months ended September 30, 2012, contributing to the overall yield reduction. Gross revenue yield on AUM decreased 0.8 basis points to 62.6 basis points in the three months ended September 30, 2012, from the three months ended September 30, 2011, level of 63.4 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management and performance fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company’s true effective fee rate from AUM. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues (gross revenues) to net revenues.

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Changes in AUM were as follows:

\$ in billions	2012			2011		
	Total AUM	Active	Passive	Total AUM	Active	Passive
June 30	646.6	539.0	107.6	653.7	561.9	91.8
Long-term inflows	42.3	26.3	16.0	45.9	27.8	18.1
Long-term outflows	(32.9)	(22.7)	(10.2)	(42.6)	(27.2)	(15.4)
Long-term net flows	9.4	3.6	5.8	3.3	0.6	2.7
Net flows in institutional money market funds	2.3	2.3	—	(1.1)	(1.1)	—
Market gains and (losses)/reinvestment	22.1	17.7	4.4	(52.2)	(45.2)	(7.0)
Acquisitions/(dispositions), net	(1.7)	(1.7)	—	—	—	—
Foreign currency translation	4.3	4.2	0.1	(5.3)	(5.2)	(0.1)
September 30	683.0	565.1	117.9	598.4	511.0	87.4
Average long-term AUM	599.8	486.2	113.6	564.3	472.9	91.4
Average institutional money market AUM	68.1	68.1	—	68.4	68.4	—
Average AUM	667.9	554.3	113.6	632.7	541.3	91.4
Gross revenue yield on AUM ⁽¹⁾	62.6bps	73.6bps	9.5bps	63.4bps	72.4bps	10.4bps
Gross revenue yield on AUM before performance fees ⁽¹⁾	62.5bps	73.4bps	9.5bps	63.2bps	72.2bps	10.4bps
Net revenue yield on AUM ⁽²⁾	44.0bps	51.1bps	9.5bps	44.6bps	50.4bps	10.4bps
Net revenue yield on AUM before performance fees ⁽²⁾	43.8bps	50.8bps	9.5bps	44.5bps	50.2bps	10.4bps

Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the three months ended September 30, 2012, for our JVs in China was \$2.9 billion (three months ended September 30, 2011: \$3.3 billion). It is appropriate to exclude (1) the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.

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

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

Total AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
June 30, 2012 AUM	646.6	396.7	231.0	18.9
Long-term inflows	42.3	33.2	8.1	1.0
Long-term outflows	(32.9	) (26.9	) (5.2	) (0.8
Long-term net flows	9.4	6.3	2.9	0.2
Net flows in institutional money market funds	2.3	—	2.3	—
Market gains and (losses)/reinvestment	22.1	16.9	4.7	0.5
Acquisitions/dispositions, net	(1.7	) —	(1.7) —
Foreign currency translation	4.3	3.5	0.8	—
September 30, 2012 AUM	683.0	423.4	240.0	19.6
June 30, 2011 AUM	653.7	401.7	234.5	17.5
Long-term inflows	45.9	35.6	9.5	0.8
Long-term outflows	(42.6	) (34.6	) (7.6	) (0.4
Long-term net flows	3.3	1.0	1.9	0.4
Net flows in institutional money market funds	(1.1	) —	(1.1) —
Market gains and (losses)/reinvestment	(52.2	) (43.9	) (7.2	) (1.1
Foreign currency translation	(5.3	) (4.4	) (0.9) —
September 30, 2011 AUM	598.4	354.4	227.2	16.8

Passive AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
June 30, 2012 AUM	107.6	86.9	20.7	—
Long-term inflows	16.0	13.5	2.5	—
Long-term outflows	(10.2	) (10.1	) (0.1) —
Long-term net flows	5.8	3.4	2.4	—
Net flows in institutional money market funds	—	—	—	—
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	—
June 30, 2011 AUM	91.8	76.7	15.1	—
Long-term inflows	18.1	16.2	1.9	—
Long-term outflows	(15.4	) (15.2	) (0.2) —
Long-term net flows	2.7	1.0	1.7	—
Net flows in institutional money market funds	—	—	—	—
Market gains and (losses)/reinvestment	(7.0	) (6.7	) (0.3) —
Foreign currency translation	(0.1	) —	(0.1) —
September 30, 2011 AUM	87.4	71.0	16.4	—

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

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 Total AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
June 30, 2012 AUM	646.6	283.8	155.6	51.5	71.0	⁽⁴⁾ 84.7
Long-term inflows	42.3	19.9	11.7	5.7	0.7	4.3
Long-term outflows	(32.9	) (20.7	) (4.5	) (2.0	) (0.9	) (4.8
Long-term net flows	9.4	(0.8	) 7.2	3.7	(0.2	) (0.5
Net flows in institutional money market funds	2.3	—	—	—	2.3	—
Market gains and (losses)/reinvestment	22.1	14.8	3.6	2.1	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	683.0	300.6	167.0	57.9	73.2	⁽⁴⁾ 84.3
June 30, 2011 AUM	653.7	301.9	145.8	44.5	74.4	87.1
Long-term inflows	45.9	23.8	10.3	2.8	0.9	8.1
Long-term outflows	(42.6	) (27.0	) (7.7	) (1.6	) (0.5	) (5.8
Long-term net flows	3.3	(3.2	) 2.6	1.2	0.4	2.3
Net flows in institutional money market funds	(1.1	) —	—	—	(1.1) —
Market gains and (losses)/reinvestment	(52.2	) (42.3	) (1.2	) (3.1	) —	(5.6
Foreign currency translation	(5.3	) (3.2	) (0.5	) (1.1	) (0.1	) (0.4
September 30, 2011 AUM	598.4	253.2	146.7	41.5	73.6	83.4

 Passive AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
June 30, 2012 AUM	107.6	54.6	33.9	—	—	19.1
Long-term inflows	16.0	10.6	3.9	—	—	1.5
Long-term outflows	(10.2	) (9.0	) (0.5	) —	—	(0.7
Long-term net flows	5.8	1.6	3.4	—	—	0.8
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (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
June 30, 2011 AUM	91.8	45.7	26.7	—	—	19.4
Long-term inflows	18.1	12.6	2.9	—	—	2.6
Long-term outflows	(15.4	) (12.6	) (0.6	) —	—	(2.2
Long-term net flows	2.7	—	2.3	—	—	0.4
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	(7.0	) (6.0	) 0.5	—	—	(1.5
Foreign currency translation	(0.1	) —	—	—	—	(0.1
September 30, 2011 AUM	87.4	39.7	29.5	—	—	18.2

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

Table of ContentsTotal AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
June 30, 2012 AUM	646.6	447.3	23.5	92.8	34.4	48.6
Long-term inflows	42.3	30.9	0.8	3.4	4.6	2.6
Long-term outflows	(32.9)	(20.9)	(1.1)	(3.7)	(3.0)	(4.2)
Long-term net flows	9.4	10.0	(0.3)	(0.3)	1.6	(1.6)
Net flows in institutional money market funds	2.3	2.4	0.1	(0.1)	(0.1)	—
Market gains and (losses)/reinvestment	22.1	14.8	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	683.0	474.5	25.0	99.6	35.6	48.3
June 30, 2011 AUM	653.7	439.9	27.5	97.1	37.9	51.3
Long-term inflows	45.9	31.9	0.6	3.5	4.3	5.6
Long-term outflows	(42.6)	(28.5)	(1.2)	(3.3)	(5.5)	(4.1)
Long-term net flows	3.3	3.4	(0.6)	0.2	(1.2)	1.5
Net flows in institutional money market funds	(1.1)	(0.9)	—	—	(0.2)	—
Market gains and (losses)/reinvestment	(52.2)	(31.4)	(2.1)	(8.1)	(3.5)	(7.1)
Foreign currency translation	(5.3)	—	(2.0)	(2.5)	(1.1)	0.3
September 30, 2011 AUM	598.4	411.0	22.8	86.7	31.9	46.0

Passive AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
June 30, 2012 AUM	107.6	100.7	—	—	1.4	5.5
Long-term inflows	16.0	15.7	—	—	—	0.3
Long-term outflows	(10.2)	(9.9)	—	—	(0.2)	(0.1)
Long-term net flows	5.8	5.8	—	—	(0.2)	0.2
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (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
June 30, 2011 AUM	91.8	88.0	—	—	1.4	2.4
Long-term inflows	18.1	18.0	—	—	0.1	—
Long-term outflows	(15.4)	(15.3)	—	—	(0.1)	—
Long-term net flows	2.7	2.7	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	(7.0)	(6.6)	—	—	(0.2)	(0.2)
Foreign currency translation	0.1	—	—	—	—	(0.1)
September 30, 2011 AUM	87.6	84.1	—	—	1.2	2.1

(1)

Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client investments into funds available to the public with shares or units. Institutional AUM originated from individual corporate clients, endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.

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- (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 Premia Capture.
- (4) Ending Money Market AUM includes \$69.3 billion in institutional money market AUM and \$3.9 billion in retail money market AUM.
- (5) Client domicile disclosure groups AUM by the domicile of the underlying clients.

Results of Operations for the three months ended September 30, 2012 compared with the three months ended September 30, 2011

Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, “Consolidation” The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements — Note 11, “Consolidated Investment Products,” for additional details.

The majority of the company’s consolidated investment products balances were CLO-related as of September 30, 2012. 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 discussion that follows will separate consolidated investment product results of operations from the company’s investment management operations through the use of non-GAAP financial measures. See “Schedule of Non-GAAP Information” for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Summary of Income Statement Impact of Consolidated Investment Products

\$ in millions	Impact of Consolidated Investment Products	Invesco Ltd. Consolidated
Three months ended September 30, 2012		
Total operating revenues	(11.5	) 1,041.4
Total operating expenses	2.3	825.4
Operating income	(13.8	) 216.0
Equity in earnings of unconsolidated affiliates	(0.5	) 5.2
Interest and dividend income	65.3	71.2
Other investment income/(losses)	(33.9	) (6.8)
Interest expense	(41.9	) (54.5)
Income before income taxes	(24.8	) 231.1
Income tax provision	—	(74.2)
Net income	(24.8	) 156.9
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	13.7	13.7
Net income attributable to common shareholders	(11.1) 170.6

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\$ in millions	Impact of Consolidated Investment Products	Invesco Ltd. Consolidated
Three months ended September 30, 2011		
Total operating revenues	(12.3	) 997.8
Total operating expenses	2.9	770.0
Operating income	(15.2	) 227.8
Equity in earnings of unconsolidated affiliates	(0.1	) 8.1
Interest and dividend income	77.1	83.4
Other investment income/(losses)	(93.1	) (112.8
Interest expense	(48.7	) (64.0
Income before income taxes	(80.0	) 142.5
Income tax provision	—	(59.1
Net income	(80.0	) 83.4
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	83.5	83.5
Net income attributable to common shareholders	3.5	166.9

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,		\$ Change	% Change	
	2012	2011			
Investment management fees	818.0	779.5	38.5	4.9	%
Service and distribution fees	196.1	189.1	7.0	3.7	%
Performance fees	3.0	2.6	0.4	15.4	%
Other	24.3	26.6	(2.3	) (8.6)%
Total operating revenues	1,041.4	997.8	43.6	4.4	%
Third-party distribution, service and advisory expenses	(327.2	) (314.4	) (12.8	) 4.1	%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	9.0	10.4	(1.4	) (13.5)%
Management fees earned from consolidated investment products	11.1	11.9	(0.8	) (6.7)%
Performance fees earned from consolidated investment products	0.4	0.4	—	—	%
Net revenues	734.7	706.1	28.6	4.1	%

Operating revenues increased by \$43.6 million (4.4%) in the three months ended September 30, 2012 to \$1,041.4 million (three months ended September 30, 2011: \$997.8 million). Net revenues increased by \$28.6 million (4.1%) in the three months ended September 30, 2012 to \$734.7 million (three months ended September 30, 2011: \$706.1 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, consolidated investment products. See “Schedule of Non-GAAP Information” for additional important disclosures regarding the use of net revenues.

A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. Foreign exchange rate movements offset the increase in operating revenues by \$5.3 million during the three months September 30, 2012 when compared to the three months ended September 30, 2011. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed

above. 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.

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Investment management fees

Investment management fees increased by \$38.5 million (4.9%) in the three months ended September 30, 2012 to \$818.0 million (three months ended September 30, 2011: \$779.5 million) due primarily to increases in mutual fund fees, institutional fees and collective fees. Foreign exchange rate movements offset the increase in investment management fees by \$4.6 million during the three months ended September 30, 2012, compared to the three months ended September 30, 2011. As discussed above, the net revenue yield is lower in the current period due to changes in the composition of our AUM. The weighting of AUM flows into passive products has lowered the net revenue yield, despite the average AUM increasing. This is partly offset by the lapse of fee waiver agreements related to U.S. mutual fund mergers that commenced in June 2011. Some of these fee waivers lapsed in mid-2012 and, as a result, revenue increased in the three months ended September 30, 2012, compared to the three months ended September 30, 2011. See the company's disclosures regarding the changes in AUM during the three months ended September 30, 2012 in the "Assets Under Management" section above for additional information regarding the movements in AUM. Investment management fees were also impacted by foreign exchange rate movement in AUM.

Service and distribution fees

In the three months ended September 30, 2012, service and distribution fees increased by \$7.0 million (3.7%) to \$196.1 million, (three months ended September 30, 2011: \$189.1 million) due to increases in distribution and redemption fees of \$4.4 million, transfer agent fees of \$2.1 million, and administration fees of \$0.8 million. The impact of foreign exchange rate movements offset increase the in service and distribution fees by \$0.3 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Performance fees

Of our \$683.0 billion in AUM at September 30, 2012, approximately \$48.9 billion, or 7.2%, have the potential to earn performance fees. In the three months ended September 30, 2012 recognized performance fees were \$3.0 million, an increase of \$0.4 million from the comparative period (three months ended September 30, 2011: \$2.6 million). The performance fees generated in the three months ended September 30, 2012 arose primarily from products managed by the UK group and the Asia Pacific group. The performance fees generated in the three months ended September 30, 2011 arose primarily due to products managed by the UK group and the real estate group.

Other revenues

In the three months ended September 30, 2012, other revenues decreased by \$2.3 million (8.6%) to \$24.3 million (three months ended September 30, 2011: \$26.6 million). The decrease in other revenues was driven by a decrease in transaction commissions of \$1.9 million, UIT revenues of \$1.3 million, and acquisition and disposition fees of \$0.7 million. These decreases were offset by increases in mutual fund front end fees of \$1.3 million and other revenues of \$0.4 million during the period. The impact of foreign exchange rate movements offset the increase in other revenues by \$0.1 million during the three months ended September 30, 2012, compared to the three months ended September 30, 2011.

Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses increased by \$12.8 million (4.1%) in the three months ended September 30, 2012 to \$327.2 million (three months ended September 30, 2011: \$314.4 million). The increase in third-party distribution, service and advisory expenses is closely linked to the increase in service and distribution fees and investment management fees over this period. The increased expenses include increases in distribution fees of \$12.2 million and administration fees of \$0.6 million.

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

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See "Schedule of Non-GAAP Information" for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses decreased by \$1.4 million (13.5%) to \$9.0 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$10.4 million). Our share of the Invesco Great Wall joint venture's average AUM in the three months ended September 30, 2012 was \$2.9 billion (three months ended September 30, 2011: \$3.3 billion).

Management and performance fees earned from consolidated investment products

Management believes that the consolidation of investment products may impact a reader's analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external

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credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. Such fees were \$11.5 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$12.3 million). See "Schedule of Non-GAAP Information" for additional disclosures regarding the use of net revenues.

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,				
	2012	2011	\$ Change	% Change	
Employee compensation	330.9	305.5	25.4	8.3	%
Third-party distribution, service and advisory	327.2	314.4	12.8	4.1	%
Marketing	26.4	13.1	13.3	101.5	%
Property, office and technology	69.1	62.7	6.4	10.2	%
General and administrative	68.8	69.6	(0.8)	(1.1))%
Transaction and integration	3.0	4.7	(1.7)	(36.2))%
Total operating expenses	825.4	770.0	55.4	7.2	%

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	September 30, 2011	Operating Expenses	Operating Revenues	Operating Expenses	Operating Revenues	
\$ in millions	2012			2011					
Employee compensation	330.9	40.1	% 31.8	% 305.5	39.7	% 30.6	%		
Third-party distribution, service and advisory	327.2	39.6	% 31.4	% 314.4	40.8	% 31.5	%		
Marketing	26.4	3.2	% 2.5	% 13.1	1.7	% 1.3	%		
Property, office and technology	69.1	8.4	% 6.6	% 62.7	8.1	% 6.3	%		
General and administrative	68.8	8.3	% 6.6	% 69.6	9.0	% 7.0	%		
Transaction and integration	3.0	0.4	% 0.4	% 4.7	0.7	% 0.5	%		
Total operating expenses	825.4	100.0	% 79.3	% 770.0	100.0	% 77.2	%		

During the three months ended September 30, 2012, operating expenses increased by \$55.4 million (7.2%) to \$825.4 million (three months ended September 30, 2011 \$770.0 million). The impact of foreign exchange rate movements offset increase the in operating expenses by \$6.4 million during the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

Employee Compensation

Employee compensation increased \$25.4 million (8.3%) to \$330.9 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$305.5 million). The increase in employee compensation is primarily due to increases in base salaries and variable compensation of \$20.7 million during the three months ended September 30, 2012 from the three months ended September 30, 2011. Additionally, included in compensation expenses are share-based compensation costs, which increased \$7.7 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The increase in share-based compensation costs during the period reflects a previous change in our vesting service period from three to four years, which results in 2012 being the first year with four award tranches being expensed, as compared to three award tranches in previous years. The impact of foreign exchange rate movements offset the increase in employee

compensation expense by \$3.0 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Headcount at September 30, 2012 was 6,101 (September 30, 2011: 6,192).

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Third-Party Distribution, Service and Advisory Expenses

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

Marketing expenses increased by \$13.3 million (101.5%) in the three months ended September 30, 2012 to \$26.4 million (three months ended September 30, 2011: \$13.1 million). The increase during the three months ended September 30, 2012 is primarily driven by increases in corporate sponsorship expenses of \$10.6 million, driven by the termination in the comparative period of the company's sponsorship and naming rights commitments related to a sports stadium in Denver, Colorado, which resulted in a marketing expense reduction of \$10.4 million recognized in that period, and reduced advertising expenses of \$2.9 million, as compared to the three months ended September 30, 2011. The impact of foreign exchange rate movements offset the increase in marketing expense by \$0.3 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Property, Office and Technology

Property, office and technology expenses increased by \$6.4 million (10.2%) to \$69.1 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$62.7 million). Property and office expenses increased \$1.7 million over the comparable 2011 period, due primarily to an increase of \$1.4 million in depreciation and improvements. Technology and communications expenses increased \$5.5 million compared to the three months ended September 30, 2011, primarily due increases in technology expenses associated with continued investment in fixed income trading, portfolio management and risk reporting systems, together with increased outsourced administration expenses. The impact of foreign exchange rate movements offset the increase in property, office and technology expenses by \$0.8 million during the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

General and Administrative

General and administrative expenses decreased by \$0.8 million (1.1%) to \$68.8 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$69.6 million). The impact of foreign exchange rate movements decreased general and administrative expenses by \$0.8 million during the three months ended September 30, 2012.

Transaction and integration

Transaction and integration charges were \$3.0 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$4.7 million) and relate to the business acquired in 2010. Transaction and integration expenses during the three months ended September 30, 2012 relate to the final round of open-ended fund mergers and include professional services and shareholder communications costs. Transaction and integration expenses for the three months ended September 30, 2011 included \$2.2 million of professional services and other costs, principally legal, proxy solicitation, consultancy, mutual fund and insurance, \$1.8 million of property and office costs, \$0.4 million of employee compensation costs, \$0.2 million of marketing and client services and \$0.1 million of technology and communication.

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

Operating income decreased by \$11.8 million (5.2%) to \$216.0 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$227.8 million). Operating margin (operating income divided by operating revenues), decreased from 22.8% in the three months ended September 30, 2011 to 20.7% in the three months ended September 30, 2012. The decrease in operating income and margin resulted from a lower relative increase in operating revenues (4.4%) than in operating expenses (7.2%). Adjusted operating income decreased by \$5.3 million (2.1%) to \$250.4 million in the three months ended September 30, 2012 from \$255.7 million in the three months ended September 30, 2011. Adjusted operating margin decreased to 34.1% in the three months ended September 30, 2012 from 36.2% in the three months ended September 30, 2011. 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.

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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,		\$ Change	% Change
	2012	2011		
Equity in earnings of unconsolidated affiliates	5.2	8.1	(2.9)	(35.8)%
Interest and dividend income	2.5	3.8	(1.3)	(34.2)%
Interest income of consolidated investment products	68.7	79.6	(10.9)	(13.7)%
Other gains/(losses) of consolidated investment products, net	(25.2)	(93.1)	67.9	N/A
Interest expense	(12.6)	(15.3)	2.7	(17.6)%
Interest expense of consolidated investment products	(41.9)	(48.7)	6.8	(14.0)%
Other gains and losses, net	18.4	(19.7)	38.1	N/A
Total other income and expenses	15.1	(85.3)	100.4	N/A

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates decreased by \$2.9 million (35.8%) to \$5.2 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$8.1 million). The decrease in equity in earnings is impacted by a decrease of \$1.8 million in our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital Inc., and a net decrease of \$1.1 million in the joint venture investments in China from the comparative period.

Interest and dividend income and interest expense

Interest and dividend income decreased by \$1.3 million (34.2%) to \$2.5 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$3.8 million). The decrease in interest and dividend income for the three months ended September 30, 2012 is driven by a decrease of \$1.0 million in dividend income on investments held to hedge economically deferred compensation plans.

Interest expense decreased by \$2.7 million (17.6%) to \$12.6 million in the three months ended September 30, 2012 (three months ended September 30, 2011: \$15.3 million) due to a combination of lower average debt balances and lower borrowing costs versus the comparative period.

Other gains and losses, net

Other gains and losses, net were a net gain of \$18.4 million in the three months ended September 30, 2012 as compared to a net loss of \$19.7 million in the three months ended September 30, 2011. Included in other gains and losses for the third quarter of 2012 is a net gain of \$9.7 million resulting from the appreciation of investments held for our deferred compensation plans (three months ended September 30, 2011: \$20.0 million net loss), a net gain on the sale of CLO management contracts of \$8.3 million, and net gains from seed and other investments of \$1.3 million (three months ended September 30, 2011: \$0.9 million net realized gains). These gains are offset by a net loss of \$1.4 million related to the mark-to-market of 12-month 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. In the three months ended September 30, 2012, we incurred \$0.5 million in net foreign exchange gains on inter-group loans (three months ended September 30, 2011: \$0.7 million in net foreign exchange losses).

Non-operating income and expense of consolidated investment products

In the three months ended September 30, 2012, interest income of consolidated investment products decreased by \$10.9 million (13.7%) to \$68.7 million (three months ended September 30, 2011: \$79.6 million) primarily due the impact of deconsolidated CLOs and the impact of certain CLOs entering their amortization period. Interest expense of consolidated investment products decreased by \$6.8 million (14.0%) to \$41.9 million (three months ended September 30, 2011: \$48.7 million) primarily due to the impact of deconsolidated CLOs.

Included in other gains/(losses) of consolidated investment products, net, are realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the three months ended September 30,

2012, other gains/(losses) of consolidated investment products were a net loss of \$25.2 million, as compared to a net loss of \$93.1 million in the three months ended September 30, 2011. The net loss in the 2012 period is 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.

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The net loss in the 2011 period is primarily due to the loss in the market value of the investments of consolidated investment products exceeding the gain in the market value of the long term debt of the consolidated investment products.

Net impact of consolidated investment products and related noncontrolling interests in noncontrolling entities As illustrated in the Summary of Income Statement Impact of Consolidated Investment Products for the three months ended September 30, 2012 and 2011 at the beginning of this Results of Operations section, the consolidation of investment products during the three months ended September 30, 2012 resulted in an decrease to net income of \$24.8 million before attribution to noncontrolling interests (three months ended September 30, 2011: \$80.0 million decrease to net income). Invesco invests in only a portion of these products, and as a result this net loss is offset by noncontrolling interests of \$13.7 million (three months ended September 30, 2011: \$83.5 million), resulting in a net decrease in net income of the company of \$11.1 million (three months ended September 30, 2011: \$3.5 million net increase).

Consolidated investment products 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 consolidated investment products.

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. 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 consolidated investment products.

Additionally, consolidated investment products represent approximately 1% of the company's AUM. Therefore, the net gains or losses of consolidated investment products is not indicative of the performance of the company's aggregate assets under management.

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.

UK Finance Act 2012 proposed to reduce the U.K. statutory corporate tax rate to 24% effective April 1, 2012 and 23% effective April 1, 2013. The Act received Royal Assent on July 17, 2012, and therefore was enacted for U.S. GAAP purposes during the third quarter. The rate reduction did not have a material impact on our effective tax rate in the quarter. The 2012 U.K. Budget proposes to further reduce the rate to 22% beginning April 1, 2014. As of September 30, 2012, the Canadian federal and provincial statutory tax rate was 26.5%. The U.S. federal statutory tax rate was 35%.

Our effective tax rate, for the three months ended September 30, 2012, was 32.1%, down from 41.5% for the three months ended September 30, 2011. The inclusion of losses from non-controlling interests in consolidated entities increased our effective tax rate by 1.8% in 2012 and 15.3% in 2011. The three months ended September 30, 2012 rate reflects an unfavorable impact from the gain on sale of CLO management contracts in the quarter. The three month ended September 30, 2011 rate reflects a favorable impact from the release of a provision for uncertain tax positions as a result of the statute of limitation closing in the quarter.

Assets Under Management movements for the nine months ended September 30, 2012 compared with the nine months ended September 30, 2011

AUM at September 30, 2012 were \$683.0 billion (September 30, 2011: \$598.4 billion). During the nine months ended September 30, 2012, long-term net inflows increased AUM by \$11.5 billion, while positive market movements increased AUM by \$43.9 billion. AUM decreased \$1.7 billion during the nine months ended September 30, 2012 due to a disposition of AUM related to certain European CLO products. We experienced no change in AUM related to net flows in institutional money market funds, and increases in AUM of \$4.0 billion due to changes in foreign exchange rates during the nine months ended September 30, 2012. During the nine months ended September 30, 2011, long-term net inflows increased AUM by \$13.6 billion, while negative market movements decreased AUM by \$36.1

billion. We experienced net inflows in institutional money market funds of \$5.0 billion and decreases in AUM of \$0.6 billion due to changes in foreign exchange rates during the nine months ended September 30, 2011. Average AUM during the nine months ended September 30, 2012 were \$659.1 billion compared to \$638.5 billion for the nine months ended September 30, 2011.

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.

Long-term net inflows during the nine months ended September 30, 2012 were \$11.5 billion and included net inflows of Passive AUM of \$12.0 billion, offset by outflows of Active AUM of \$0.5 billion. Net long-term flows were driven by net

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inflows into our retail and high net worth distribution channels of \$10.8 billion and \$1.0 billion, respectively, while our institutional distribution channel experienced net outflows of \$0.3 billion. On an asset class basis, the inflows were in the balanced and fixed income asset classes, offset by outflows primarily in equities and alternatives. Our balanced asset class experienced net inflows of \$9.1 billion, including approximately \$10.9 billion in positive flows related to our balanced risk allocation strategies, for which we continue to see strong demand, which was partially offset by outflows from traditional balanced products. The Invesco Balanced Risk Allocation Fund established its three-year track record during the nine months ended September 30, 2012, raising its profile in the market. The three months ended September 30, 2012 marks the twelfth consecutive quarter of positive flows into the balanced risk allocation strategies.

Net flows in the nine months ended September 30, 2011 included net inflows into our Retail and Institutional distribution channels of \$7.9 billion and \$5.0 billion, respectively.

As discussed in the “Executive Overview” section of this Management's Discussion and Analysis, the S&P 500, the FTSE 100, the Nikkei 225 and the MSCI Emerging Markets index increased 14.6%, 3.1%, 4.9% and 4.9%, respectively during the nine months ended September 30, 2012. During the nine months ended September 30, 2012, our equity AUM increased in line with equity markets globally. Of the \$43.9 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. Our other asset classes were also impacted positively by the change in market valuations during the period. Of the \$36.1 billion decrease in AUM resulting from market movements during the nine months ended September 30, 2011, \$31.8 billion of this decrease 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, 2012 was driven primarily by the strengthening of the Pound Sterling and Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Sterling-based and Canadian Dollar-based AUM into U.S. Dollars, offset by the weakening of the Euro and the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Euro-based and Yen-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the nine months ended September 30, 2011 was driven by the weakening of the U.S. Dollar relative to the the Pound Sterling, the Euro, the Canadian Dollar and the Japanese Yen.

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, 2012 and 2011, as compared with the rates that existed at December 31, 2011 and 2010:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
Pound Sterling (\$ per £)	1.62	1.56	1.56	1.56
Canadian Dollar (CAD per \$)	0.98	1.02	1.04	0.99
Japan (¥ per \$)	77.80	76.95	77.09	81.08
Euro (\$ per €)	1.29	1.30	1.34	1.34

Net revenue yield decreased to 44.2 basis points in the nine months ended September 30, 2012 from the nine months ended September 30, 2011 level of 45.6 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Strong sales in our passive ETF products have contributed to passive AUM representing 17.3% of total AUM as at September 30, 2012, compared to 14.6% at September 30, 2011. The net revenue yield on passive AUM was approximately 9 basis points compared to approximately 51 basis points from active AUM (before performance fees) during the nine months ended September 30, 2012, contributing to the overall yield reduction. Gross revenue yield on AUM decreased 2.3 basis points to 62.7 basis points in the nine months ended September 30, 2012 from the nine months ended September 30, 2011 level of 65.0 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management and performance fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of

the company's true effective fee rate from AUM. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues (gross revenues) to net revenues.

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Changes in AUM were as follows:

\$ in billions	2012			2011		
	Total AUM	Active	Passive	Total AUM	Active	Passive
January 1	625.3	529.0	96.3	616.5	535.7	80.8
Long-term inflows	122.3	77.5	44.8	136.5	84.7	51.8
Long-term outflows	(110.8)	(78.0)	(32.8)	(122.9)	(82.8)	(40.1)
Long-term net flows	11.5	(0.5)	12.0	13.6	1.9	11.7
Net flows in institutional money market funds	—	—	—	5.0	5.0	—
Market gains and (losses)/reinvestment	43.9	34.3	9.6	(36.1)	(31.0)	(5.1)
Acquisitions/dispositions, net	(1.7)	(1.7)	—	—	—	—
Foreign currency translation	4.0	4.0	—	(0.6)	(0.6)	—
September 30	683.0	565.1	117.9	598.4	511.0	87.4
Average long-term AUM	590.3	481.2	109.1	570.6	480.1	90.5
Average institutional money market AUM	68.8	68.8	—	67.9	67.9	—
Average AUM	659.1	550.0	109.1	638.5	548.0	90.5
Gross revenue yield on AUM ⁽¹⁾	62.7bps	73.4bps	9.1bps	65.0bps	74.0bps	10.9bps
Gross revenue yield on AUM before performance fees ⁽¹⁾	61.9bps	72.4bps	9.1bps	64.7bps	73.6bps	10.9bps
Net revenue yield on AUM ⁽²⁾	44.2bps	51.1bps	9.1bps	45.6bps	51.3bps	10.9bps
Net revenue yield on AUM before performance fees ⁽²⁾	43.4bps	50.2bps	9.1bps	45.3bps	50.9bps	10.9bps

Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the nine months ended September 30, 2012 for our JVs in China was \$3.0 billion (nine months ended September 30, 2011: \$3.4 billion). It is appropriate to exclude the (1) average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.

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

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

Total AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
January 1, 2012 AUM	625.3	373.9	233.5	17.9
Long-term inflows	122.3	98.9	20.5	2.9
Long-term outflows	(110.8)	(88.1)	(20.8)	(1.9)
Long-term net flows	11.5	10.8	(0.3)	1.0
Net flows in institutional money market funds	—	—	—	—
Market gains and (losses)/reinvestment	43.9	34.7	8.5	0.7
Acquisitions/dispositions, net	(1.7)	—	(1.7)	—
Foreign currency translation	4.0	4.0	—	—
September 30, 2012 AUM	683.0	423.4	240.0	19.6
January 1, 2011 AUM	616.5	378.1	221.4	17.0
Long-term inflows	136.5	105.2	28.8	2.5
Long-term outflows	(122.9)	(97.3)	(23.8)	(1.8)
Long-term net flows	13.6	7.9	5.0	0.7
Net flows in institutional money market funds	5.0	—	5.0	—
Market gains and (losses)/reinvestment	(36.1)	(30.4)	(4.8)	(0.9)
Foreign currency translation	(0.6)	(1.2)	0.6	—
September 30, 2011 AUM	598.4	354.4	227.2	16.8

Passive AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
January 1, 2012 AUM	96.3	76.9	19.4	—
Long-term inflows	44.8	40.2	4.6	—
Long-term outflows	(32.8)	(31.9)	(0.9)	—
Long-term net flows	12.0	8.3	3.7	—
Net flows in institutional money market funds	—	—	—	—
Market gains and (losses)/reinvestment	9.6	9.5	0.1	—
Foreign currency translation	—	—	—	—
September 30, 2012 AUM	117.9	94.7	23.2	—
January 1, 2011 AUM	80.8	70.6	10.2	—
Long-term inflows	51.8	44.3	7.5	—
Long-term outflows	(40.1)	(39.2)	(0.9)	—
Long-term net flows	11.7	5.1	6.6	—
Net flows in institutional money market funds	—	—	—	—
Market gains and (losses)/reinvestment	(5.1)	(4.7)	(0.4)	—
Foreign currency translation	—	—	—	—
September 30, 2011 AUM	87.4	71.0	16.4	—

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

Table of ContentsTotal AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
January 1, 2012 AUM	625.3	271.0	149.0	44.6	74.0	86.7
Long-term inflows	122.3	62.1	29.4	15.2	2.1	13.5
Long-term outflows	(110.8)	(65.7)	(19.7)	(6.1)	(2.7)	(16.6)
Long-term net flows	11.5	(3.6)	9.7	9.1	(0.6)	(3.1)
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	43.9	30.4	7.7	3.5	(0.2)	2.5
Acquisitions/dispositions, net	(1.7)	—	—	—	—	(1.7)
Foreign currency translation	4.0	2.8	0.6	0.7	—	(0.1)
September 30, 2012 AUM	683.0	300.6	167.0	57.9	73.2	⁽⁵⁾ 84.3
January 1, 2011 AUM	616.5	294.0	132.0	43.5	68.3	78.7
Long-term inflows	136.5	71.6	32.4	7.6	1.6	23.3
Long-term outflows	(122.9)	(80.3)	(19.7)	(6.2)	(1.4)	(15.3)
Long-term net flows	13.6	(8.7)	12.7	1.4	0.2	8.0
Net flows in institutional money market funds	5.0	—	—	—	5.0	—
Market gains and (losses)/reinvestment ⁽⁶⁾	(36.1)	(31.8)	1.9	(3.0)	0.2	(3.4)
Foreign currency translation	(0.6)	(0.3)	0.1	(0.4)	(0.1)	0.1
September 30, 2011 AUM	598.4	253.2	146.7	41.5	73.6	83.4

Passive AUM by Asset Class⁽²⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives ⁽³⁾
January 1, 2012 AUM	96.3	45.6	30.0	—	—	20.7
Long-term inflows	44.8	32.2	8.7	—	—	3.9
Long-term outflows	(32.8)	(26.7)	(1.7)	—	—	(4.4)
Long-term net flows	12.0	5.5	7.0	—	—	(0.5)
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (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
January 1, 2011 AUM	80.8	42.8	19.8	—	—	18.2
Long-term inflows	51.8	33.8	10.4	—	—	7.6
Long-term outflows	(40.1)	(32.3)	(1.4)	—	—	(6.4)
Long-term net flows	11.7	1.5	9.0	—	—	1.2
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	(5.1)	(4.6)	0.7	—	—	(1.2)
Foreign currency translation	—	—	—	—	—	—
September 30, 2011 AUM	87.4	39.7	29.5	—	—	18.2

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

Table of ContentsTotal AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
January 1, 2012 AUM	625.3	430.0	23.4	89.8	32.0	50.1
Long-term inflows	122.3	85.8	2.5	10.1	14.8	9.1
Long-term outflows	(110.8)	(72.1)	(3.7)	(11.8)	(11.0)	(12.2)
Long-term net flows	11.5	13.7	(1.2)	(1.7)	3.8	(3.1)
Net flows in institutional money market funds	—	0.2	0.2	—	—	(0.4)
Market gains and (losses)/reinvestment	43.9	30.6	1.7	8.5	1.4	1.7
Acquisitions/dispositions, net	(1.7)	—	—	—	(1.7)	—
Foreign currency translation	4.0	—	0.9	3.0	0.1	—
September 30, 2012 AUM	683.0	474.5	25.0	99.6	35.6	48.3
January 1, 2011 AUM	616.5	415.4	27.9	92.1	35.3	45.8
Long-term inflows	136.5	92.2	2.0	11.3	14.0	17.0
Long-term outflows	(122.9)	(82.1)	(4.4)	(10.8)	(15.0)	(10.6)
Long-term net flows	13.6	10.1	(2.4)	0.5	(1.0)	6.4
Net flows in institutional money market funds	5.0	5.5	0.1	(0.5)	(0.1)	—
Market gains and (losses)/reinvestment	(36.1)	(20.0)	(1.6)	(5.1)	(2.2)	(7.2)
Foreign currency translation	(0.6)	—	(1.2)	(0.3)	(0.1)	1.0
September 30, 2011 AUM	598.4	411.0	22.8	86.7	31.9	46.0

Passive AUM by Client Domicile⁽⁵⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
January 1, 2012 AUM	96.3	89.6	—	—	1.3	5.4
Long-term inflows	44.8	44.2	—	—	0.2	0.4
Long-term outflows	(32.8)	(32.3)	—	—	(0.4)	(0.1)
Long-term net flows	12.0	11.9	—	—	(0.2)	0.3
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	9.6	9.3	—	—	0.2	0.1
Foreign currency translation	—	—	—	—	—	—
September 30, 2012 AUM	117.9	110.8	—	—	1.3	5.8
January 1, 2011 AUM	80.8	77.3	—	—	1.2	2.3
Long-term inflows	51.8	51.4	—	—	0.4	—
Long-term outflows	(40.1)	(39.8)	—	—	(0.3)	—
Long-term net flows	11.7	11.6	—	—	0.1	—
Net flows in institutional money market funds	—	—	—	—	—	—
Market gains and (losses)/reinvestment	(5.1)	(4.8)	—	—	(0.1)	(0.2)
Foreign currency translation	—	—	—	—	—	—
September 30, 2011 AUM	87.4	84.1	—	—	1.2	2.1

Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client (1) investments into funds available to the public with shares or units. Institutional AUM originated from individual corporate clients,

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endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.

(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 Premia Capture.

(4) Ending Money Market AUM includes \$69.3 billion in institutional money market AUM and \$3.9 billion in retail money market AUM.

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

(6) As a result of fund mergers in the second quarter of 2011, the market gains and losses / reinvestment line includes \$0.9 billion transferred from the balanced to the equity asset class.

Results of Operations for the nine months ended September 30, 2012 compared with the nine months ended September 30, 2011

Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, "Consolidation" The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products," for additional details.

The guidance now encompassed in ASC Topic 810, which was effective January 1, 2010, had a significant impact on the presentation of the company's financial statements, as its provisions required the company to consolidate certain CLOs that were not previously consolidated.

The majority of the company's consolidated investment products balances were CLO-related as of September 30, 2012. 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 discussion that follows will separate consolidated investment product results of operations from the company's investment management operations through the use of non-GAAP financial measures. See "Schedule of Non-GAAP Information" for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

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Summary of Income Statement Impact of Consolidated Investment Products

\$ in millions	Impact of Consolidated Investment Products	Invesco Ltd. Consolidated	
Nine months ended September 30, 2012			
Total operating revenues	(32.4	)	3,084.1
Total operating expenses	23.1		2,435.4
Operating income	(55.5	)	648.7
Equity in earnings of unconsolidated affiliates	0.1		21.8
Interest and dividend income	196.1		213.5
Other investment income/(losses)	(78.5	)	(40.6)
Interest expense	(134.4	)	(174.0)
Income before income taxes	(72.2	)	669.4
Income tax provision	—		(210.1)
Net income	(72.2	)	459.3
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	59.1		59.1
Net income attributable to common shareholders	(13.1	)	518.4
\$ in millions	Impact of Consolidated Investment Products	Invesco Ltd. Consolidated	
Nine months ended September 30, 2011			
Total operating revenues	(35.5	)	3,095.1
Total operating expenses	10.2		2,408.6
Operating income	(45.7	)	686.5
Equity in earnings of unconsolidated affiliates	(1.0	)	25.6
Interest and dividend income	228.3		241.9
Other investment income/(losses)	(243.3	)	(249.1)
Interest expense	(135.2	)	(182.7)
Income before income taxes	(196.9	)	522.2
Income tax provision	—		(210.1)
Net income	(196.9	)	312.1
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	215.2		215.3
Net income attributable to common shareholders	18.3		527.4

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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	Nine months ended		\$ Change	% Change	
	2012	2011			
Investment management fees	2,390.0	2,390.9	(0.9) —	%
Service and distribution fees	572.2	599.2	(27.0	) (4.5)%
Performance fees	38.9	14.0	24.9	177.9	%
Other	83.0	91.0	(8.0	) (8.8)%
Total operating revenues	3,084.1	3,095.1	(11.0	) (0.4)%
Third-party distribution, service and advisory expenses	(960.9	) (980.7	) 19.8	(2.0)%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	27.5	31.6	(4.1	) (13.0)%
Management fees earned from consolidated investment products	31.2	35.2	(4.0	) (11.4)%
Performance fees earned from consolidated investment products	1.2	0.4	0.8	N/A	
Net revenues	2,183.1	2,181.6	1.5	0.1	%

Operating revenues decreased by \$11.0 million (0.4%) in the nine months ended September 30, 2012 to \$3,084.1 million (nine months ended September 30, 2011: \$3,095.1 million). Net revenues increased by \$1.5 million (0.1%) in the nine months ended September 30, 2012 to \$2,183.1 million (nine months ended September 30, 2011: \$2,181.6 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, consolidated investment products. See “Schedule of Non-GAAP Information” for additional important disclosures regarding the use of net revenues. A significant portion of our business and managed AUM are based outside of the U.S. 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 \$27.0 million, and was 0.9% of total operating revenues, during the nine months ended September 30, 2012 when compared to the nine months ended September 30, 2011. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed above.

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. Investment management fees

Investment management fees decreased by \$0.9 million in the nine months ended September 30, 2012 to \$2,390.0 million (nine months ended September 30, 2011: \$2,390.9 million) due primarily to changes in the mix of AUM between asset classes, together with the impact of foreign exchange rate movement. The impact of foreign exchange rate movements decreased investment management fees by \$23.7 million during the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011. As discussed above, the net revenue yield is lower in the current period due to changes in the composition of our AUM. The weighting of AUM flows into passive products has lowered the net revenue yield, despite the increase in average AUM. In addition, management fees were reduced in the first half of 2012 due to the acquisition integration-related U.S. mutual fund mergers that commenced in June 2011, some of these lapsed in mid-2012 and revenue increased in the last 3 months of the year-to-date period. As previously discussed, acquisition integration-related fee waivers amounted to approximately \$30 million on an annualized basis. See the company's disclosures regarding the changes in AUM and revenue yields during the nine months ended September 30, 2012 in the “Assets Under Management” section above for additional information regarding the movements in AUM.

Service and distribution fees

In the nine months ended September 30, 2012, service and distribution fees decreased by \$27.0 million (4.5%) to \$572.2 million, (nine months ended September 30, 2011: \$599.2 million) due primarily to decreases in transfer agency fees of \$9.2 million, distribution and redemption fees of \$8.5 million, and administration and custodial fees of \$7.2 million. The fee reductions are attributable to the fund mergers and fee waivers associated with the U.S. mutual fund product realignment, the continued conversion of B-share fee structures to class A-shares that generate a lower annual service fee, and other changes in the AUM mix as a larger percentage of AUM charges no or lower distribution fees. The impact of foreign exchange rate movements accounted for \$2.1 million of decrease in service and distribution fees during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

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Performance fees

Of our \$683.0 billion in AUM at September 30, 2012, only approximately \$48.9 billion, or 7.2%, could potentially earn performance fees. In the nine months ended September 30, 2012 recognized performance fees were \$38.9 million, an increase of \$24.9 million from the comparative period (nine months ended September 30, 2011: \$14.0 million). The performance fees generated in the nine months ended September 30, 2012 arose primarily from a bank loan partnership managed by our fixed income group, the UK group, the European real estate group, and the Asia Pacific group. The performance fees generated in the nine months ended September 30, 2011 arose primarily due to products managed in the U.K., in our private equity group and in Asia Pacific.

Other revenues

In the nine months ended September 30, 2012, other revenues decreased by \$8.0 million (8.8%) to \$83.0 million (nine months ended September 30, 2011: \$91.0 million). Other revenues include decreases in UIT revenues of \$5.1 million, mutual funds front end fees of \$3.8 million, transaction commissions of \$2.4 million, and other revenues of \$1.4 million, offset by increase in acquisition and disposition fees of \$5.5 million during the nine months ended September 30, 2012 compared to nine months ended September 30, 2011. The impact of foreign exchange rate movements accounted for \$0.8 million (10.0%) of the decrease in other revenues during the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011.

Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses decreased by \$19.8 million (2.0%) in the nine months ended September 30, 2012 to \$960.9 million (nine months ended September 30, 2011: \$980.7 million). The decrease in third-party distribution, service and advisory expenses is closely linked to the reduction in service and distribution fees over this period. The reduction in third-party distribution, service and advisory expenses includes decreases in renewal commissions of \$8.5 million, external commissions of \$5.2 million, and sub advisory fees of \$4.0 million. The decreases are offset by increases in transfer agent fees of \$3.7 million, and administration fees of \$0.9 million. The impact of foreign exchange rate movements accounted for \$9.2 million of the decrease in third-party distribution, service and advisory expenses

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

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses decreased by \$4.1 million (13.0%) to \$27.5 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$31.6 million). Our share of the Invesco Great Wall joint venture’s average AUM in the nine months ended September 30, 2012 was \$3.0 billion (nine months ended September 30, 2011: \$3.4 billion).

Management and performance fees earned from consolidated investment products

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

Management and performance fees earned from consolidated investment products decreased by \$3.2 million (9.0%) to \$32.4 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$35.6 million), primarily due to the impact of funds deconsolidated as of September 30, 2012.

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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	Nine months ended			
	September 30,		\$ Change	% Change
	2012	2011		
Employee compensation	954.0	929.7	24.3	2.6 %
Third-party distribution, service and advisory	960.9	980.7	(19.8)	(2.0)%
Marketing	79.7	64.9	14.8	22.8 %
Property, office and technology	204.4	188.6	15.8	8.4 %
General and administrative	230.8	220.8	10.0	4.5 %
Transaction and integration	5.6	23.9	(18.3)	(76.6)%
Total operating expenses	2,435.4	2,408.6	26.8	1.1 %

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:

Nine months ended:

\$ in millions	September 30, 2012	% of Total		September 30, 2011		% of Total		% of		
		Operating Expenses	%	Operating Revenues	%	Operating Expenses	%	Operating Revenues	%	
Employee compensation	954.0	39.2	%	30.9	%	929.7	38.6	%	30.0	%
Third-party distribution, service and advisory	960.9	39.4	%	31.2	%	980.7	40.7	%	31.7	%
Marketing	79.7	3.3	%	2.6	%	64.9	2.7	%	2.1	%
Property, office and technology	204.4	8.4	%	6.6	%	188.6	7.8	%	6.1	%
General and administrative	230.8	9.5	%	7.5	%	220.8	9.2	%	7.1	%
Transaction and integration	5.6	0.2	%	0.2	%	23.9	1.0	%	0.8	%
Total operating expenses	2,435.4	100.0	%	79.0	%	2,408.6	100.0	%	77.8	%

During the nine months ended September 30, 2012, operating expenses increased by \$26.8 million (1.1%) to \$2,435.4 million (nine months ended September 30, 2011: \$2,408.6 million). The impact of foreign exchange rate movements offset the increase in operating expenses by \$27.0 million during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

Employee Compensation

Employee compensation increased \$24.3 million (2.6%) to \$954.0 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$929.7 million). Direct compensation increased \$45.3 million due to increases in base salaries and variable compensation of \$26.9 million and share-based costs of \$18.4 million during the nine months ended September 30, 2012 compared to nine months ended September 30, 2011. The increase in share-based compensation costs during the period reflects a previous change in our vesting service period from three to four years, which results in 2012 being the first year with four award tranches being expensed, as compared to three award tranches in previous years. The increase in employee compensation is offset by decreases in staff benefits expense of \$8.3 million due primarily to a \$15.0 million reduction in amortization of prepaid compensation related to the 2006 acquisition of W.L. Ross & Co., which was fully amortized in 2011. Other decreases are in staff related costs, including payroll taxes and termination costs, of \$1.6 million during the nine months ended September 30, 2012 from the nine months ended September 30, 2011. The impact of foreign exchange rate movements offset the increase in employee compensation by \$11.1 million, during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

Headcount at September 30, 2012 was 6,101 (September 30, 2011: 6,192).

Third-Party Distribution, Service and Advisory Expenses

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

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Marketing

Marketing expenses increased by \$14.8 million (22.8%) in the nine months ended September 30, 2012 to \$79.7 million (nine months ended September 30, 2011: \$64.9 million). The increase during the nine months ended September 30, 2012 includes increases in corporate sponsorships of \$7.6 million, driven by the termination in the comparative period of the company's sponsorship and naming rights commitments related to a sports stadium in Denver, Colorado, which resulted in a marketing expense reduction of \$10.4 million recognized in that period. Other marketing expenses increases were advertising expense of \$6.2 million, client event expense of \$1.7 million, and other marketing costs of \$0.7 million as compared to the nine months ended September 30, 2011. The impact of foreign exchange rate movements offset the increase in marketing expenses by \$1.2 million during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

Property, Office and Technology

Property, office and technology expenses increased by \$15.8 million (8.4%) to \$204.4 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$188.6 million). Property and office expenses increased \$7.2 million over the comparable 2011 period, due to increases in rent expense of \$3.9 million and depreciation and improvements of \$3.2 million. The increase in rent expense includes a \$1.7 million exit charge for leased space, related to consolidation of office space. Technology and communications expenses increased \$11.1 million primarily due to continued investment in portfolio management and client engagement technology initiatives, which also contributed to increase in depreciation and maintenance expenses of \$6.8 million, together with increased outsourced administration costs of \$3.4 million. The impact of foreign exchange rate movements offset the increase in property, office and technology expenses by \$2.5 million during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

General and Administrative

General and administrative expenses increased by \$10.0 million (4.5%) to \$230.8 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$220.8 million). Increase in general and administrative expense is largely due to expenses of our consolidated investment products, including legal and fund launch costs for the nine months ended September 30, 2012, as compared to the nine months ended September 30, 2011. The impact of foreign exchange rate movements offset the increase in general and administrative expenses by \$3.0 million during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

Transaction and integration

Transaction and integration charges were \$5.6 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$23.9 million) and relate to the business acquired in 2010. Transaction and integration expenses during the nine months ended September 30, 2012 include \$5.4 million relating to the final round of open-ended fund mergers and include professional services and shareholder communications costs and \$0.2 million in marketing and property, office and technology costs. Transaction and integration expenses for the nine months ended September 30, 2011 include \$16.6 million of professional services and other costs, principally legal, proxy solicitation, consultancy and insurance, \$3.0 million of property and office, \$2.8 million of employee compensation costs, \$1.1 million of technology and communication costs and \$0.4 million of marketing and client services.

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

Operating income decreased by \$37.8 million (5.5%) to \$648.7 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$686.5 million). Operating margin (operating income divided by operating revenues), decreased from 22.2% in the nine months ended September 30, 2011 to 21.0% in the nine months ended September 30, 2012. The decrease in operating income and margin resulted from a lower relative increase in operating revenues (0.4%) than in operating expenses (1.1%) during the period. Adjusted operating income, decreased by \$44.0 million (5.4%) to \$768.6 million in the nine months ended September 30, 2012 from \$812.6 million in the nine months ended September 30, 2011. Adjusted operating margin is equal to adjusted operating income divided by net revenues. Adjusted operating margin decreased to 35.2% in the nine months ended September 30, 2012 from 37.2% in the nine months ended September 30, 2011. 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.

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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	Nine months ended			
	September 30,		\$ Change	% Change
	2012	2011		
Equity in earnings of unconsolidated affiliates	21.8	25.6	(3.8)	(14.8)%
Interest and dividend income	7.1	8.3	(1.2)	(14.5)%
Interest income of consolidated investment products	206.4	233.6	(27.2)	(11.6)%
Other gains/(losses) of consolidated investment products, net	(69.9)	(243.3)	173.4	(71.3)%
Interest expense	(39.6)	(47.5)	7.9	(16.6)%
Interest expense of consolidated investment products	(134.4)	(135.2)	0.8	(0.6)%
Other gains and losses, net	29.3	(5.8)	35.1	N/A
Total other income and expenses	20.7	(164.3)	185.0	(112.6)%

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates decreased by \$3.8 million (14.8%) to \$21.8 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$25.6 million). The decrease in equity in earnings is driven by the declines in our pre-tax earnings of our joint venture investments in China of \$2.9 million and decrease of \$0.9 million in our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital Inc.

Interest and dividend income and interest expense

Interest and dividend income decreased by \$1.2 million (14.5%) to \$7.1 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$8.3 million). The decrease in interest and dividend income is due to decrease in dividend income of \$1.2 million on investments held to hedge economically deferred compensation plans. This dividend income is passed through to employee participants in the deferred compensation plans. See "Schedule of Non-GAAP Information" for additional details. Interest expense decreased by \$7.9 million (16.6%) to \$39.6 million in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$47.5 million) due to a combination of lower average debt balances and lower borrowing costs versus the comparative period.

Other gains and losses, net

Other gains and losses, net were a net gain of \$29.3 million in the nine months ended September 30, 2012 as compared to a net loss of \$5.8 million in the nine months ended September 30, 2011. Included in other gains and losses for the nine months ended September 30, 2012 is a net gain of \$17.4 million resulting from the appreciation of investments held for our deferred compensation plans (nine months ended September 30, 2011: \$12.6 million net loss), a gain on the sale of CLO management contracts of \$8.3 million, a \$3.5 million gain on an acquisition-related loan note held to hedge the company's net interest in a consolidated investment products, and net gains from seed and other investments of \$2.8 million (nine months ended September 30, 2011: \$7.2 million net gains). These gains were offset by a net loss of \$2.4 million related to the mark-to-market of 12-month 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. We incurred \$0.8 million in other-than-temporary impairment charges related to seed money investments during the nine months ended September 30, 2012 (nine months ended September 30, 2011: none). In addition, for the nine months ended September 30, 2012, we incurred \$0.5 million in net foreign exchange gains on inter-group loans (nine months ended September 30, 2011: \$0.4 million in net foreign exchange losses).

Non-operating income and expense of consolidated investment products

In the nine months ended September 30, 2012, interest income of consolidated investment products decreased by \$27.2 million (11.6%) to \$206.4 million (nine months ended September 30, 2011: \$233.6 million) primarily due to the impact of CLO deconsolidation and the impact of certain CLOs entering their amortization period. Interest expense of consolidated investment products decreased by \$0.8 million (0.6%) to \$134.4 million (nine months ended September 30, 2011: \$135.2 million) primarily due to CLO deconsolidation.

Included in other gains/(losses) of consolidated investment products, net, are realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the nine months ended September 30, 2012, other gains/(losses) of consolidated investment products were a net loss of \$69.9 million, as compared to a net loss of \$243.3 million in the nine months ended September 30, 2011. The net loss in the 2012 period is primarily due to losses associated with real estate investments and increases in the market value long-term debt of CLOs that more than offset gains in the market value of

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investments held by CLOs. The net loss in the 2011 period is primarily due to an increase in the market value of long term debt of consolidated investment products which exceeded the increase in the market value of investments of consolidated investment products.

Net impact of consolidated investment products and related noncontrolling interests in noncontrolling entities
As illustrated in the Summary of Income Statement Impact of Consolidated Investment Products for the nine months ended September 30, 2012 and 2011 at the beginning of this Results of Operations section, the consolidation of investment products during the nine months ended September 30, 2012 resulted in a decrease to net income of \$72.2 million before attribution to noncontrolling interests (nine months ended September 30, 2011: \$196.9 million decrease to net income). Invesco invests in only a portion of these products, and as a result this net loss is offset by noncontrolling interests of \$59.1 million (nine months ended September 30, 2011: \$215.2 million offset to net loss), resulting in a net decrease in net income of the company of \$13.1 million (nine months ended September 30, 2011: \$18.3 million net increase).

Consolidated investment products 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 consolidated investment products.

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. 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 consolidated investment products.

Additionally, consolidated investment products represent approximately 1% of the company's AUM. Therefore, the net gains or losses of consolidated investment products is not indicative of the performance of the company's aggregate assets under management.

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.

UK Finance Act 2012 proposed to reduce the U.K. statutory corporate tax rate to 24% effective April 1, 2012 and 23% effective April 1, 2013. The Act received Royal Assent on July 17, 2012, and therefore was enacted for U.S. GAAP purposes during the third quarter. The rate reduction did not have a material impact on our effective tax rate in the quarter. The 2012 U.K. Budget proposes to further reduce the rate to 22% beginning April 1, 2014. As of September 30, 2012, the Canadian federal and provincial statutory tax rate was 26.5%. The U.S. federal statutory tax rate was 35%.

Our effective tax rate, for the nine months ended September 30, 2012, was 31.4%, down from 40.2% for the nine months ended September 30, 2011. The inclusion of losses from non-controlling interests in consolidated entities increased our effective tax rate by 2.5% in 2012 and 11.7% in 2011. The nine months ended September 30, 2012 rate reflects an unfavorable impact from the gain on sale of CLO management contracts in the quarter offset by a more favorable profit mix. The nine months ended September 30, 2011 rate reflects a favorable impact from the release of a provision for uncertain tax positions as a result of the statute of limitation closing in the quarter.

Schedule of Non-GAAP Information

We are presenting the following non-GAAP performance measures: net revenue (and by calculation, net revenue yield on AUM), adjusted operating income (and by calculation, adjusted operating margin), adjusted net income attributable to common shareholders (and by calculation, adjusted diluted earnings per share (EPS)). We believe these non-GAAP measures provide greater transparency into our business and allow more appropriate comparisons with industry peers. Management uses these performance measures to evaluate the business, and they are consistent with internal management reporting. The most directly comparable U.S. GAAP measures are operating revenues (and by calculation, gross revenue yield on AUM), operating income (and by calculation, operating margin), net income (and by calculation, diluted EPS). Each of these measures is discussed more fully below.

These non-GAAP measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP and may not be comparable to other similarly titled measures of other companies. Additional reconciling items may be added in the future to these non-GAAP measures if deemed appropriate. The Schedule of Non-GAAP Information contained in the company's most recent annual report on Form 10-K contains expanded definitions of reconciling items from U.S. GAAP to non-GAAP information, including the reasons why management believes that the presentation of our non-GAAP measures provides useful information to investors.

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The following are reconciliations of operating revenues, operating income (and by calculation, operating margin), and net income (and by calculation, diluted EPS) on a U.S. GAAP basis to net revenues, adjusted operating income (and by calculation, adjusted operating margin), and adjusted net income attributable to common shareholders (and by calculation, adjusted EPS):

	Three months ended		Nine months ended	
	September 30,		September 30,	
\$ in millions, except per share data	2012	2011	2012	2011
Operating revenues, U.S. GAAP basis	1,041.4	997.8	3,084.1	3,095.1
Third-party distribution, service and advisory expenses ⁽¹⁾	(327.2)	(314.4)	(960.9)	(980.7)
Proportional share of net revenues from joint venture arrangements ⁽²⁾	9.0	10.4	27.5	31.6
Management fees earned from consolidated investment products eliminated upon consolidation ⁽³⁾	11.1	11.9	31.2	35.2
Performance fees earned from consolidated investment products eliminated upon consolidation ⁽³⁾	0.4	0.4	1.2	0.4
Net revenues	734.7	706.1	2,183.1	2,181.6
Operating income, U.S. GAAP basis	216.0	227.8	648.7	686.5
Proportional share of operating income from joint venture investments ⁽²⁾	3.6	4.7	11.6	14.9
Transaction and integration charges ⁽⁴⁾	3.0	4.7	5.6	23.9
Amortization of acquisition-related prepaid compensation ⁽⁴⁾	—	5.0	—	15.0
Amortization of other intangibles ⁽⁴⁾	5.3	14.2	24.7	36.1
Change in contingent consideration estimates ⁽⁴⁾	—	(4.4)	(2.3)	(10.8)
Compensation expense related to market valuation changes in deferred compensation plans ⁽⁵⁾	4.7	(6.3)	11.0	0.3
Consolidation of investment products ⁽³⁾	13.8	15.1	55.4	45.6
Other reconciling items ⁽⁷⁾	4.0	(5.1)	13.9	1.1
Adjusted operating income	250.4	255.7	768.6	812.6
Operating margin*	20.7	% 22.8	% 21.0	% 22.2
Adjusted operating margin**	34.1	% 36.2	% 35.2	% 37.2
Net income attributable to common shareholders, U.S. GAAP basis	170.6	166.9	518.4	527.4
Transaction and integration charges, net of tax ⁽⁴⁾	1.9	2.9	3.5	14.8
Amortization of acquisition-related prepaid compensation ⁽⁴⁾	—	5.0	—	15.0
Amortization of other intangibles, net of tax ⁽⁴⁾	4.9	13.1	22.5	32.7
Change in contingent consideration estimates ⁽⁴⁾	—	(4.4)	(2.3)	(10.8)
Deferred compensation plan market valuation changes and dividend income less compensation expense, net of tax ⁽⁵⁾	(4.5)	7.9	(7.2)	5.7
Deferred income taxes on intangible assets ⁽⁴⁾	6.6	6.0	19.6	20.7
Consolidation of investment products ⁽³⁾	11.1	(3.5)	13.1	(18.3)
Gain on sale of management contracts, net of tax ⁽⁶⁾	(5.8)	—	(5.8)	—
Other reconciling items ⁽⁷⁾	3.6	(1.6)	12.3	3.9
Adjusted net income attributable to common shareholders	188.4	192.3	574.1	591.1
Average shares outstanding — diluted	452.8	461.0	454.6	466.8
Diluted EPS	\$0.38	\$0.36	\$1.14	\$1.13
Adjusted diluted EPS***	\$0.42	\$0.42	\$1.26	\$1.27

* Operating margin is equal to operating income divided by operating revenues.

** Adjusted operating margin is equal to adjusted operating income divided by net revenues.

*** Adjusted diluted EPS is equal to adjusted net income attributable to common shareholders divided by the weighted average shares outstanding amount used in the calculation of diluted EPS.

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(1) Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses include renewal commissions, management fee rebates and distribution costs (12b-1 and marketing support) paid to brokers and independent financial advisors. While the terms used for these types of expense vary by geography, they are all expense items that are closely linked to the value of AUM and the revenue earned by Invesco from AUM. Since the company has been deemed to be the principal in the third-party arrangements, the company must reflect these expenses gross of operating revenues under U.S. GAAP. Management believes that the deduction of third-party distribution, service and advisory expenses from operating revenues in the computation of net revenues (and by calculation, net revenue yield on AUM) and the related computation of adjusted operating income (and by calculation, adjusted operating margin) appropriately reflects the nature of these expenses as revenue-sharing activities, as these costs are passed through to external parties who perform functions on behalf of, and distribute, the company's managed funds. Further, these expenses vary extensively by geography due to the differences in distribution channels. The net presentation assists in identifying the revenue contribution generated by the business, removing distortions caused by the differing distribution channel fees and allowing for a fair comparison with U.S. peer investment managers and within Invesco's own investment units. Additionally, management evaluates net revenue yield on AUM, which is equal to net revenues divided by average AUM during the reporting period. This financial measure is an indicator of the basis point net revenues we receive for each dollar of AUM we manage and is useful when evaluating the company's performance relative to industry competitors and within the company for capital allocation purposes.

(2) Proportional share of net revenues and operating income from joint venture investments

The company has two joint venture investments in China. Enhancing our operations in China is one effort that we believe could improve our competitive position over time. Accordingly, we believe that it is appropriate to evaluate the contribution of our joint venture investments to the operations of the business.

(3) Consolidated investment products

See Part I, Item 1, Financial Statements, Note 11, "Consolidated Investment Products" for a detailed analysis of the impact to the company's Condensed Consolidated Financial Statements from the consolidation of investment products. The reconciling items add back the management and performance fees earned by Invesco from the consolidated products and remove the revenues and expenses recorded by the consolidated products that have been included in the U.S. GAAP Condensed Consolidated Statements of Income. Additionally, before the consolidation of investment products, the company's interest is accounted for as equity method (private equity and real estate partnership funds) available-for-sale (CLOs) investments. Reconciling items for the three and nine months ended September 30, 2012 also include the cumulative gains that were recorded in other accumulated comprehensive income before consolidation upon the sale of the equity interests in certain CLOs during the period.

(4) Acquisition-related reconciling items

Acquisition-related adjustments include transaction and integration expenses and intangible asset amortization related to acquired assets, amortization of prepaid compensation related to the 2006 acquisition of W.L. Ross & Co., and tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. These charges reflect the legal, regulatory, advisory, valuation, integration-related employee incentive awards and other professional or consulting fees, general and administrative costs, including travel costs related to the transaction and the costs of temporary staff involved in executing business combinations, and the post closing costs of integrating acquired businesses into the company's existing operations including incremental costs associated with achieving synergy savings. Transaction and integration expenses include legal costs related to the defense of auction rate preferred securities complaints raised in the pre-acquisition period with respect to various closed-end funds included in the acquisition. See Part I, Item 1, Financial Statements, Note 10, "Commitments and Contingencies" for additional information. Additionally, acquisition-related reconciling items include changes in estimates of acquisition earn-out liabilities booked from prior acquisitions, which is offset in the period by increased amortization related to the write-off of related management contract intangible assets.

(5) Market movement on deferred compensation plan liabilities

Certain deferred compensation plan awards involve a return to the employee linked to the appreciation (depreciation) of specified investments, typically the funds managed by the employee. Invesco hedges economically the exposure to market movements by holding these investments on its balance sheet. U.S. GAAP requires the appreciation (depreciation) in the compensation liability to be expensed over the award vesting period in proportion to the vested amount of the award as part of compensation expense. The full value of the investment appreciation (depreciation) is immediately recorded below operating income in other gains and losses. This creates a timing

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difference between the recognition of the compensation expense and the investment gain or loss impacting net income attributable to common shareholders and diluted EPS which will reverse over the life of the award and net to zero at the end of the multi-year vesting period. During periods of high market volatility these timing differences impact compensation expense, operating income and operating margin in a manner which, over the life of the award, will ultimately be offset by gains and losses recorded below operating income on the Condensed Consolidated Statements of Income. The non-GAAP measures exclude the mismatch created by differing U.S. GAAP treatments of the market movement on the liability and the investments.

Additionally, dividend income from investments held to hedge economically deferred compensation plans is recorded as dividend income and as compensation expense on the company's Condensed Consolidated Statements of Income on the record dates. This dividend income is passed through to the employee participants in the plan and is not retained by the company. The non-GAAP measures exclude this dividend income and related compensation expense.

(6) Gain on sale of management contracts

Included in other gains and losses, net in the third quarter of 2012 is a gain of \$8.3 million (\$5.8 million, net of tax) related to the sale of the management contracts for certain European collateralized loan obligation products (CLOs). To aid comparability of our results period to period, and aid comparability with peer companies that may not have similar disposition-related gains, this gain and the associated taxation have been excluded in arriving at the company's non-GAAP results. The company's tax income provision included a taxation charge of \$2.5 million in the third quarter related to this gain.

(7) Other reconciling items

European infrastructure transformational initiative: As announced in 2011, the company is outsourcing its European transfer agency and is making certain structural changes to product and distribution platforms. Expenses incurred related to the European infrastructure activities are excluded in arriving at the non-GAAP financial information. For the three and nine months ended September 30, 2012, this adjustment includes \$1.3 million and \$3.6 million in compensation expenses, primarily due to severance costs (three and nine months ended September 30, 2011: \$3.1 million and \$6.4 million); \$1.4 million and \$5.2 million in general and administrative costs, primarily related to professional contractor services and mutual fund costs (three and nine months ended September 30, 2011: \$1.3 million and \$3.9 million); \$0.6 million and \$1.5 million in shareholder communication-related costs (three and nine months ended September 30, 2011: none); and \$0.7 million and \$3.5 million of property, office and technology costs (three and nine months ended September 30, 2011: \$0.2 million and \$0.9 million). The company's income tax provision included tax benefits of \$0.7 million and \$2.7 million in the third quarter 2012 relating to this charge (three and nine months ended September 30, 2011: \$0.6 million and \$1.2 million).

Included within other gains and losses, net is a loss of \$0.4 million and \$1.4 million for the three and nine months ended September 30, 2012 (three and nine months ended September 30, 2011: none), related to the mark-to-market of four 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. The cost to the company of these contracts was \$2.5 million at their inception date, which represents the company's maximum exposure to loss from the contracts over the 12-month cumulative contract period, and contract maturity ranges from September 25, 2012 to June 25, 2013. The adjustment from U.S. GAAP to non-GAAP earnings removes the impact of market volatility; therefore, the company's non-GAAP results include only the amortization of the cost of the contracts during the contract period. The company's income tax provision included tax benefits of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2012, relating to this loss.

During the three months ended September 30, 2011, the company terminated its sponsorship and associated naming rights commitments related to a sports stadium in Denver, Colorado, resulting in a marketing expense reduction of \$10.4 million recognized in the period from the reversal of a cumulative deferred credit. The company's income tax provision included a taxation charge of \$4.0 million in the third quarter 2011 relating to the credit. Due to the unique character and magnitude of this expense reduction, the company is reversing this gain in its reconciliation of operating income to adjusted operating income.

Included within general and administrative expenses in the first quarter of 2011 was an additional charge of \$0.4 million relating to a levy from the U.K. Financial Services Compensation Scheme. Assessments were levied upon all

Financial Services Authority (FSA)-registered investment management companies in proportion to their “eligible income” (as defined by the FSA) to cover claims resulting from failures of non-affiliated investment firms. The company's income tax provision included tax benefits of \$0.1 million in the first quarter of 2011 relating to this charge.

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Due to the unique character and/or magnitude of these items, their impact has been excluded in calculating the non-GAAP financial measures.

Balance Sheet Discussion

Summary of Balance Sheet Impact of Consolidated Investment Products is presented below and reflects the consolidation of investment products. The majority of the company's consolidated investment products ("CIP") were CLOs as of September 30, 2012. 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, 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.

Summary of Balance Sheet Impact of Consolidated Investment Products

\$ in millions	September 30, 2012		December 31, 2011		September 30, 2011	
	Impact of Consolidated investment products	Consolidated Total	Impact of Consolidated investment products	Consolidated Total	Impact of Consolidated investment products	Consolidated Total
ASSETS						
Current assets						
Cash and cash equivalents	—	880.1	—	727.4	—	757.0
Cash and cash equivalents of CIP	552.7	552.7	382.3	382.3	356.7	356.7
Unsettled fund receivables	—	596.0	—	444.4	—	605.5
Accounts receivable	(5.4)	406.1	(10.2)	424.4	(10.6)	431.5
Accounts receivable of CIP	58.3	58.3	98.5	98.5	89.3	89.3
Investments	(34.2)	364.2	—	283.7	—	295.2
Prepaid assets	—	55.8	—	51.2	0.2	56.7
Other current assets	—	81.7	10.8	150.0	18.7	105.5
Deferred tax asset, net	—	26.5	—	28.7	—	29.7
Assets held for policyholders	—	1,139.3	—	1,243.5	—	1,255.3
Total current assets	571.4	4,160.7	481.4	3,834.1	454.3	3,982.4
Non-current assets						
Investments	(76.0)	223.5	(92.6)	200.8	(93.3)	186.9
Investments of CIP	4,717.9	4,717.9	6,629.0	6,629.0	6,970.9	6,970.9
Security deposit assets and receivables	—	30.1	—	81.2	—	92.7
Other non-current assets	—	17.2	—	17.9	—	27.8
Deferred sales commissions	—	46.0	—	40.5	—	40.4
Property and equipment, net	—	329.9	—	312.8	—	275.8
Intangible assets, net	—	1,295.8	—	1,322.8	—	1,303.4
Goodwill	—	7,039.9	—	6,907.9	—	6,857.5
Total non-current assets	4,641.9	13,700.3	6,536.4	15,512.9	6,877.6	15,755.4
Total assets	5,213.3	17,861.0	7,017.8	19,347.0	7,331.9	19,737.8

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Summary of Balance Sheet Impact of Consolidated Investment Products(continued)

\$ in millions	September 30, 2012		December 31, 2011		September 30, 2011	
	Impact of Consolidated investment products	Consolidated Total	Impact of Consolidated investment products	Consolidated Total	Impact of Consolidated investment products	Consolidated Total
LIABILITIES AND EQUITY						
Current liabilities						
Current maturities of total debt	—	333.5	—	215.1	—	215.1
Unsettled fund payables	—	598.2	—	439.6	—	605.6
Income taxes payable	—	64.4	—	59.6	—	54.9
Other current liabilities	(8.8)	719.1	(19.6)	841.5	(18.8)	744.9
Other current liabilities of CIP	329.8	329.8	175.1	175.1	237.4	237.4
Policyholder payables	—	1,139.3	—	1,243.5	—	1,255.3
Total current liabilities	321.0	3,184.3	155.5	2,974.4	218.6	3,113.2
Non-current liabilities						
Long-term debt	—	951.6	—	1,069.6	—	1,174.6
Long-term debt of CIP	3,855.0	3,855.0	5,512.9	5,512.9	5,866.3	5,866.3
Deferred tax liabilities, net	—	313.5	—	274.0	—	274.7
Security deposits payable	—	30.1	—	81.2	—	92.7
Other non-current liabilities	—	329.1	—	297.3	—	248.8
Total non-current liabilities	3,855.0	5,479.3	5,512.9	7,235.0	5,866.3	7,657.1
Total liabilities	4,176.0	8,663.6	5,668.4	10,209.4	6,084.9	10,770.3
Equity						
Equity attributable to common shareholders						
Common shares	—	98.1	—	98.1	—	98.1
Additional paid-in-capital	—	6,122.6	—	6,180.6	—	6,175.9
Treasury shares	—	(1,323.0)	—	(1,280.4)	—	(1,196.9)
Retained earnings	18.9	2,720.1	31.9	2,413.2	30.2	2,266.8
Retained earnings appropriated for investors in CIP	159.1	159.1	334.3	334.3	232.8	232.8
Accumulated other comprehensive income, net of tax	(18.4)	538.2	(30.8)	373.3	(29.8)	372.4
Total equity attributable to common shareholders	159.6	8,315.1	335.4	8,119.1	233.2	7,949.1
Equity attributable to noncontrolling interests in consolidated entities	877.7	882.3	1,014.0	1,018.5	1,013.8	1,018.4
Total equity	1,037.3	9,197.4	1,349.4	9,137.6	1,247.0	8,967.5
Total liabilities and equity	5,213.3	17,861.0	7,017.8	19,347.0	7,331.9	19,737.8

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The company's Condensed Consolidated Statement of Changes in Equity in Part I, Item 1, "Financial Statements," contains a detailed analysis of the changes in balance sheet equity line items. The following discussion presents a comparative analysis of significant balance sheet assets and liabilities.

Cash and Cash Equivalents

See "Liquidity and Capital Resources — Cash Flows Discussion" for details of the movements in the company's cash and cash equivalents balances in the periods presented.

Unsettled Fund Receivables

Unsettled fund receivables increased by \$151.6 million from \$444.4 million at December 31, 2011 to \$596.0 million at September 30, 2012, due primarily to higher transaction activity between funds and investors in September 2012 when compared to December 2011 in our U.K. and offshore funds, together with \$21.7 million of unsettled balances associated with the unit investment trust (UIT) products.

Investments (current and non-current)

As of September 30, 2012, we had \$587.7 million in investments, of which \$364.2 million were current investments and \$223.5 million were non-current investments. Included in current investments are \$113.2 million of seed money investments in affiliated funds used to seed funds as we launch new products, and \$211.7 million of investments related to assets held for deferred compensation plans, which are also held primarily in affiliated funds. Seed investments increased by \$49.7 million during the nine months to September 30, 2012, due primarily to seed money investment additions and market improvement increases, offset by disposals of seed money investments. Investments held to hedge deferred compensation awards increased by \$27.3 million during the nine month period, primarily attributable to additional investments in affiliated funds to hedge economically new employee plan awards. Included in non-current investments are \$202.9 million in equity method investments in our Chinese joint ventures and in certain of the company's private equity partnerships, real estate partnerships and other co-investments (December 31, 2011: \$193.1 million). The increase of \$9.8 million in equity method investments is primarily driven by an increase of \$22.1 million due to capital calls in co-investments, including Asian real estate funds of \$7.8 million, Private Wealth funds of \$6.6 million and U.S real estate funds of \$5.3 million and an increase in valuation of \$16.2 million. The increases in partnership investments are offset by distributions and capital returns of \$27.4 million during the period. The value of the joint venture investments has decreased by \$1.1 million during the period as a result of current year earnings of \$10.6 million, \$1.3 million in positive impact of foreign exchange rate movements, offset by dividends paid of \$13.0 million.

Assets Held for Policyholders and Policyholder Payables

The decrease in the balance of assets held for policyholders and the offsetting policyholder payables from \$1,243.5 million at December 31, 2011, to \$1,139.3 million at September 30, 2012 was the result of a third party transfer of administration contracts to another provider, offset by the increase in the market values of these assets and liabilities.

Intangible assets, net

Intangible assets reflect a net decrease of \$27.0 million from \$1,322.8 million at December 31, 2011, to \$1,295.8 million at September 30, 2012. The decrease in intangible assets, net is due to amortization of \$24.6 million, \$3.0 million adjustment for sale of CLO management contracts, offset by increase in foreign currency translation of \$0.6 million.

Goodwill

Goodwill increased by \$132.0 million from \$6,907.9 million at December 31, 2011, to \$7,039.9 million at September 30, 2012. The increase is due to the impact of foreign currency translation for certain subsidiaries whose functional currency differs from that of the Parent.

Current Portion of total debt

The current portion of total debt increased by \$118.4 million from December 31, 2011 as a result of the reclassification of the \$333.5 million 5.375% senior notes that mature on February 27, 2013 out of long-term and into current, net of the April 2012 repayment of the \$215.1 million of outstanding 5.625% Senior Notes, offset by the net draw on credit facility of \$0.4 million.

Long-term debt

The non-current portion of our total debt was \$951.6 million at September 30, 2012 (December 31, 2011: \$1,069.6 million). The decrease during the nine months ended September 30, 2012 is due to the reclassification of the \$333.5 million 5.375% senior notes that mature on February 27, 2013 out of long term into current, offset by a net draw on the credit facility of \$0.4 million.

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Liquidity and Capital Resources

Our capital structure, together with available cash balances, cash flows generated from operations, existing capacity under our credit facility, proceeds from public offering of our shares and further capital market activities, if necessary, should provide us with sufficient resources to meet present and future cash needs, including operating, debt and other obligations as they come due and anticipated future capital requirements. On April 17, 2012, the company repaid the \$215.1 million of outstanding 5.625% senior notes that matured on that date. The repayment was funded from the credit facility and existing cash on hand. The company's 5.375% senior notes, which have a carrying value of \$333.5 million at September 30, 2012, mature on February 27, 2013. We have reduced our leverage at September 30, 2012, from a year ago, as illustrated by the change in our debt-to-equity ratios in the table below.

As discussed in the "Executive Overview" of this Management's Discussion and Analysis, our capital management priorities have evolved with the growth and success of our business and include:

- reinvestment in the business;
- steady annual growth of dividends (as illustrated and further discussed in the "Dividends" section below);
- share repurchase; and
- establishment of an approximate \$1 billion cash buffer in excess of regulatory requirements.

These priorities are executed in a manner consistent with our desire to maintain a strong, investment-grade credit rating.

During the three and nine months ended September 30, 2012 there were 1.8 million and 8.1 million, respectively, of common shares purchased in the market at a cost of \$190.0 million.

Our ability to continue to access the capital markets in a timely manner depends on a number of factors, including our Moody's and Standard & Poor's credit ratings of A3/Stable and A-/Stable, respectively, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

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. A sub-group of Invesco subsidiaries, including all of our regulated EU subsidiaries, is subject to consolidated capital requirements under applicable European Union (EU) directives, and capital is maintained within this sub-group to satisfy these regulations. These requirements mandate the retention of liquid resources in those jurisdictions, which we meet in part by holding cash and cash equivalents. This retained cash can be used for general business purposes in the European sub-group or in the countries where it is located. Due to the capital restrictions, the ability to transfer cash between certain jurisdictions may be limited. In addition, transfers of cash between international jurisdictions may have adverse tax consequences that may substantially limit such activity. At September 30, 2012, the European sub-group had cash and cash equivalent balances of \$578.0 million (December 31, 2011: \$440.0 million), much of which is used to satisfy these regulatory requirements. We are in compliance with all regulatory minimum net capital requirements. The total amount of non-U.S. cash and cash equivalents was \$706.4 million at September 30, 2012 (December 31, 2011: \$551.8 million).

In addition, the company is required to hold cash deposits with clearing organizations or to otherwise segregate cash to maintain compliance with federal and other regulations in connection with its UIT broker dealer entity, which was included in the acquired business. At September 30, 2012 these cash deposits totaled \$11.3 million.

The consolidation of \$4.4 billion and \$3.9 billion of total assets and long-term debt of certain CLO products as of September 30, 2012, respectively, did not impact the company's liquidity and capital resources. 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, these products, which are eliminated upon consolidation. 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 an obligation of the company. See Part I, Item 1, "Financial Statements — Note 11, "Consolidated Investment

Products,” for additional details.

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Selected balance sheet information is reflected in the table below:

	Excluding Consolidated Investment Products (CIP)(Non-GAAP) ⁽¹⁾			Including Consolidated Investment Products (CIP)(U.S. GAAP)			
	September 30, 2012	December 31, 2011	September 30, 2011	September 30, 2012	December 31, 2011	September 30, 2011	
\$ in millions							
Cash and cash equivalents	880.1	727.4	757.0	880.1	727.4	757.0	
Investments of CIP	—	—	—	4,717.9	6,629.0	6,970.9	
Total assets ⁽¹⁾	12,647.7	12,329.2	12,405.9	17,861.0	19,347.0	19,737.8	
Current maturities of total debt	333.5	215.1	215.1	333.5	215.1	215.1	
Long-term debt	951.6	1,069.6	1,174.6	951.6	1,069.6	1,174.6	
Long-term debt of CIP	—	—	—	3,855.0	5,512.9	5,866.3	
Total debt / Total debt plus CIP debt	1,285.1	1,284.7	1,389.7	5,140.1	6,797.6	7,256.0	
Total liabilities ⁽¹⁾	4,487.6	4,541.0	4,685.4	8,663.6	10,209.4	10,770.3	
Total equity ⁽¹⁾	8,160.1	7,788.2	7,720.5	9,197.4	9,137.6	8,967.5	
Debt/Equity % ^{(1) (2)}	15.7	% 16.5	% 18.0	% 55.9	% 74.4	% 80.9	%

The balance sheet line items excluding consolidated investment products are non-GAAP financial measures. See (1) the "Balance Sheet Discussion" section for a fully expanded balance sheet before and after the consolidation of investment products.

The debt-to-equity ratio excluding CIP is a non-GAAP financial measure. The debt-to-equity ratio is calculated as total debt divided by total equity for the balance sheet excluding CIP and total debt plus long-term debt of CIP divided by equity for the balance sheet including CIP. Management believes that it is important to illustrate for (2) users of our financial statements that calculating a balance sheet measure, such as the debt-to-equity ratio, including the impact of CIP causes the company to appear far more indebted than is the case. As disclosed above, the debt of CIP is not the company's debt, nor do the noteholders of the CIP debt have any recourse to the company.

Cash Flows Discussion

The ability to consistently generate cash from operations in excess of capital expenditures and dividend payments is one of our company's fundamental financial strengths. Operations continue to be financed from current earnings and borrowings. Our principal uses of cash, other than for operating expenses, include dividend payments, capital expenditures, acquisitions, purchase of our shares in the open market and investments in certain new investment products.

Cash flows of consolidated investment products (discussed in Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products") (CIPs) are reflected in Invesco's cash used in operating activities, provided by investing activities and provided by financing activities. Cash held by consolidated investment products is not available for general use by Invesco, nor is Invesco cash available for general use by its consolidated investment products. Accordingly, the table below presents the consolidated total cash flows of the company and separately presents the impact to the cash flows from the consolidation of investment products. The cash flows of consolidated investment products do not form part of the company's cash flow management processes, nor do they form part of the company's significant liquidity evaluations and decisions for the reasons noted. The discussion that follows the table will focus on the company's cash flows.

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Summary of Cash Flow Statement Impact of Consolidated Investment Products

\$ in millions	Nine Months Ended September 30, 2012		
	Impact of Consolidated Investment Products	Consolidated Total	
Operating activities			
Net income	(72.2	)	459.3
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:			
Amortization and depreciation	—		72.5
Share-based compensation expense	—		102.9
Gains on disposals of property, equipment, and software, net	—		(0.5)
Purchase of trading investments	—		(7,573.2)
Proceeds from sale of trading investments	—		7,564.6
Other gains and losses, net	8.7		(29.3)
Losses/(gains) of consolidated investment products, net	69.9		69.9
Tax benefit from share-based compensation	—		47.7
Excess tax benefits from share-based compensation	—		(13.7)
Equity in earnings of unconsolidated affiliates	(0.1	)	(21.8)
Dividends from unconsolidated affiliates	—		14.7
Changes in operating assets and liabilities			
Decrease/(increase) in cash held by CIP	(296.0	)	(296.0)
Decrease/(increase) in receivables	23.8		151.9
(Decrease)/increase in payables	(21.9	)	(231.3)
Net cash provided by/(used in) operating activities	(287.8	)	317.7
Investing activities			
Purchase of property and equipment	—		(68.4)
Disposal of property and equipment	—		0.6
Purchase of available-for-sale investments	11.0		(73.9)
Proceeds from available-for-sale investments	(13.4	)	32.9
Purchase of investments by CIP	(2,338.9	)	(2,338.9)
Proceeds from sale of investments by CIP	2,484.5		2,484.5
Purchase of other investments	0.5		(87.7)
Proceeds from sale of other investments	—		63.4
Returns of capital and distributions from equity method investments	(8.7	)	12.2
Acquisition earn-out payments	—		(5.6)
Sale of management contracts	—		16.4
Net cash provided by/(used in) investing activities	135.0		35.5
Financing activities			
Proceeds from exercises of share options	—		17.2
Purchases of treasury shares	—		(190.0)
Dividends paid	—		(211.5)
Excess tax benefits from share-based compensation	—		13.7
Capital invested into CIP	19.4		19.4
Capital distributed by CIP	(122.0)	(122.0)

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Net borrowings/(repayments) of debt of CIP	255.4	255.4	
Net borrowings/(repayments) under credit facility	—	215.5	
Repayments of senior notes	—	(215.1)
Net cash (used in)/provided by financing activities	152.8	(217.4)
(Decrease)/increase in cash and cash equivalents	—	135.8	
Foreign exchange movement on cash and cash equivalents	—	16.9	
Cash and cash equivalents, beginning of period	—	727.4	
Cash and cash equivalents, end of period	—	880.1	

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Summary of Cash Flow Statement Impact of Consolidated Investment Products (continued)

\$ in millions	Nine Months Ended September 30, 2011	
	Impact of Consolidated Investment Products	Consolidated Total
Operating activities		
Net income	(197.0	) 312.1
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Amortization and depreciation	—	95.3
Share-based compensation expense	—	86.0
Gains on disposals of property, equipment, and software, net	—	—
Purchase of trading investments	—	(8,120.7
Proceeds from sale of trading investments	—	8,103.6
Other gains and losses, net	—	5.8
Losses/(gains) of consolidated investment products, net	243.3	243.3
Tax benefit from share-based compensation	—	74.2
Excess tax benefits from share-based compensation	—	(15.8
Equity in earnings of unconsolidated affiliates	1.1	(25.6
Dividends from unconsolidated affiliates	—	20.1
Changes in operating assets and liabilities	—	
Decrease/(increase) in cash held by CIP	296.3	296.3
Decrease/(increase) in receivables	19.0	41.3
(Decrease)/increase in payables	(238.0	) (473.9
Net cash provided by/(used in) operating activities	124.7	642.0
Investing activities		
Purchase of property and equipment	—	(60.6
Disposal of property and equipment	—	12.6
Purchase of available-for-sale investments	—	(31.1
Proceeds from available-for-sale investments	(3.4	) 50.2
Purchase of investments by CIP	(2,594.2	) (2,594.2
Proceeds from sale of investments by CIP	3,035.3	3,035.3
Purchase of other investments	6.6	(102.3
Proceeds from sale of other investments	—	35.7
Returns of capital and distributions from equity method investments	(3.2	) 28.5
Sale of management contracts	—	(14.9
Acquisition earn-out payments	—	(5.4
Net cash provided by/(used in) investing activities	441.1	353.8
Financing activities		
Proceeds from exercises of share options	—	11.0
Purchases of treasury shares	—	(333.0
Dividends paid	—	(165.0
Excess tax benefits from share-based compensation	—	15.8
Capital invested into CIP	27.9	27.9
Capital distributed by CIP	(158.8) (158.8

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Net borrowings/(repayments) of debt of CIP	(434.9) (434.9)
Net borrowings/(repayments) under credit facility	—	74.0	
Repayments of senior notes	—	—	
Acquisition of noncontrolling interest in CIP	—	(12.3)
Net cash (used in)/provided by financing activities	(565.8	) (975.3)
(Decrease)/increase in cash and cash equivalents	—	20.5	
Foreign exchange movement on cash and cash equivalents	—	(4.0)
Cash and cash equivalents, beginning of period	—	740.5	
Cash and cash equivalents, end of period	—	757.0	

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Operating Activities

During the nine months ended September 30, 2012, cash provided by operating activities decreased \$324.3 million to \$317.7 million from cash provided by operating activities of \$642.0 million during the nine months ended September 30, 2011. The impact of consolidated investment products to cash provided by operating activity was \$287.8 million of cash used during the nine months ended September 30, 2012 compared to \$124.7 million of cash generated in the nine months ended September 30, 2011. The sum of the operating, investing and financing cash flows of consolidated investment products offsets to a zero impact to the company's change in cash and cash equivalent balances from period to period. Excluding the impact of consolidated investment products, cash provided by operations was \$605.5 million in the nine months ended September 30, 2012 compared to cash provided by operations of \$517.3 million in the nine months ended September 30, 2011.

The \$605.5 million of cash provided by operations during the nine months ended September 30, 2012 included: net purchases of trading investments of \$8.6 million. Trading investments are held to provide an economic hedge against staff deferred compensation plan awards together with investments held for a short period, often only a few days, for the purpose of creating a UIT.

net cash provided by other operating activities of \$614.1 million, representing net income, as adjusted for non-cash items, and the changes in operating assets and liabilities. This nine month period included the use of \$373.2 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on annual share award vesting, and annual pension contributions.

The \$517.3 million of cash provided by operations during the nine months ended September 30, 2011, included:

net purchases of trading investments of \$17.1 million, primarily to provide an economic hedge against staff deferred compensation plan awards, and

net cash provided by other operating activities of \$534.4 million, representing net income as adjusted for non-cash items and the changes in operating assets and liabilities. This nine month period included the use of \$384.8 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on then annual share award vesting, and annual pension contributions, all of which result in increased operating cash utilization in the first half of the calendar year.

A \$22.4 million increase in net income together with increased realization of accounts receivables into cash and the receipt of the \$45.0 million this period related to the legal settlement accrued in 2011, contributed to the increase of \$88.2 million of cash provided by operations in the nine months ended September 30, 2012 from the nine months ended September 30, 2011. The \$22.4 million increase in net income reflects the exclusion of the impact of consolidated investment products.

Investing Activities

Net cash provided by investing activities totaled \$35.5 million for the nine months ended September 30, 2012 (nine months ended September 30, 2011: net cash provided of \$353.8 million). The impact of consolidated investment products on investing activities, including investment purchases, sales and returns of capital, was \$135.0 million contributed (nine months ended September 30, 2011: \$441.1 million contributed). Excluding the impact of these consolidated investment product cash flows, net cash used in investing activities was \$99.5 million (nine months ended September 30, 2011: net cash used of \$87.3 million).

During the nine months ended September 30, 2012 the company purchased available-for-sale investments and other investments of \$173.1 million (nine months ended September 30, 2011: \$140.0 million) and had capital expenditures of \$68.4 million (nine months ended September 30, 2011: \$60.6 million). These cash outflows were partly offset from collected proceeds of \$130.6 million from sales and returns of capital of investments in the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$121.0 million).

Our capital expenditures related principally in each year to technology initiatives, including enhancements to platforms from which we maintain our portfolio management systems and fund accounting systems, improvements in computer hardware and software desktop products for employees, new telecommunications products to enhance our internal information flow, and back-up disaster recovery systems. Also, in each year, a portion of these costs related to leasehold improvements made to the various buildings and workspaces used in our offices. These projects have been funded with proceeds from our operating cash flows.

During the nine months ended September 30, 2012, net acquisition payments were \$5.6 million, compared to \$20.3 million during the nine months ended September 30, 2011. The sale of CLO management contracts contributed \$16.4 million during the nine months ended September 30, 2012.

Financing Activities

Net cash used in financing activities totaled \$217.4 million for the nine months ended September 30, 2012 (nine months ended September 30, 2011: \$975.3 million net cash used). As shown in the table above, the financing activities of the consolidated investment products provided cash of \$152.8 million (nine months ended September 30, 2011: \$565.8 million used). Excluding the impact of consolidated investment products, financing activities used cash of \$370.2 million in the nine

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months ended September 30, 2012 (nine months ended September 30, 2011: \$409.5 million net cash used). Other financing cash flows during the nine months ended September 30, 2012 included a \$215.1 million payment of a senior note (nine months ended September 30, 2011: none), \$215.5 million net borrowings from the credit facility (nine months ended September 30, 2011: \$74.0 million), \$211.5 million of dividend payments for the dividends declared in January, April and July (nine months ended September 30, 2011: dividends paid of \$165.0 million), the purchase of treasury shares through market transactions totaling \$190.0 million (nine months ended September 30, 2011: \$333.0 million), cash inflows from the exercise of options of \$17.2 million (nine months ended September 30, 2011: \$11.0 million) and excess tax benefits cash inflows from share-based compensation of \$13.7 million (nine months ended September 30, 2011: \$15.8 million).

Dividends

Invesco declares and pays dividends on a quarterly basis in arrears. On July 26, 2012, the company's Board of Directors declared a second quarter 2012 cash dividend of 17.25 cents per share, which was paid on September 7, 2012 to shareholders of record at the close of business on August 22, 2012. On November 1, 2012, the company announced a third quarter 2012 cash dividend of 17.25 cents per share, which is payable on December 7, 2012 to shareholders of record at the close of business on November 19, 2012.

Share Repurchase Plan

During the three and nine months ended September 30, 2012, the company repurchased 1.8 million and 8.1 million common shares, respectively, in the market at a cost of \$40.0 million and \$190.0 million, respectively (nine months ended September 30, 2011: 13.4 million shares were repurchased at a cost of \$333.0 million), leaving approximately \$542 million authorized at September 30, 2012 (September 30, 2011: \$835.4 million). Separately, an aggregate of 1.9 million shares were withheld on vesting events during the nine months ended September 30, 2012, to meet employees' tax obligations (nine months ended September 30, 2011: 2.7 million). The fair value of these shares withheld at the respective withholding dates was \$44.4 million (nine months ended September 30, 2011: \$71.9 million).

Debt

Our total indebtedness at September 30, 2012 was \$1,285.1 million (December 31, 2011 is \$1,284.7 million) and was comprised of the following:

\$ in millions	September 30, 2012	December 31, 2011
Unsecured Senior Notes:		
5.625% — due April 17, 2012	—	215.1
5.375% — due February 27, 2013	333.5	333.5
5.375% — due December 15, 2014	197.1	197.1
Floating rate credit facility expiring June 3, 2016	754.5	539.0
Total debt	1,285.1	1,284.7
Less: current maturities of total debt	(333.5	) (215.1
Long-term debt	951.6	1,069.6

For the nine months ended September 30, 2012 the company's weighted average cost of debt was 3.18% (nine months ended September 30, 2011: 3.45%). Total debt increased from \$1,284.7 million at December 31, 2011, to \$1,285.1 million at September 30, 2012, as the increase in the credit facility borrowings exceeded the retirement of the 2012 Senior Note.

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 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. As of September 30, 2012, we were in compliance with our financial covenants. At September 30, 2012 our leverage ratio was 1.04:1.00

(December 31, 2011: 1.01:1.00), and our interest coverage ratio was 23.86:1.00 (December 31, 2011: 20.93:1.00).

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The September 30, 2012 coverage ratio calculations are as follows:

\$ millions	Total	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Net income attributable to common shareholders	720.7	170.6	153.9	193.9	202.3
Net (income)/loss attributable to consolidated investment products	11.2	11.1	6.2	(4.2)	(1.9)
Tax expense	286.1	74.2	62.3	73.6	76.0
Amortization/depreciation	94.6	21.6	26.6	24.3	22.1
Interest expense	53.9	12.6	13.4	13.6	14.3
Share-based compensation expense	132.0	35.9	37.0	30.0	29.1
Unrealized (gains) and losses from investments, net*	(12.7)	(6.3)	4.5	(7.1)	(3.8)
EBITDA**	1,285.8	319.7	303.9	324.1	338.1
Adjusted debt**	\$1,331.3				
Leverage ratio (Debt/EBITDA — maximum 3.25:1.00)	1.04				
Interest coverage (EBITDA/Interest Expense — minimum 4.00:1.00)	23.86				

Adjustments for unrealized gains and losses from investments, as defined in our credit facility, include non-cash *gains and losses on investments to the extent that they do not represent anticipated future cash receipts or expenditures.

EBITDA and Adjusted debt are non-GAAP financial measures; however management does not use these measures for anything other than these debt covenant calculations. The calculation of EBITDA above (a reconciliation from **net income attributable to common shareholders) is defined by our credit agreement, and therefore net income attributable to common shareholders is the most appropriate GAAP measure from which to reconcile to EBITDA.

The calculation of adjusted debt is defined in our credit facility and equals total long-term debt of \$1,285.1 million plus \$46.2 million in letters of credit.

Off Balance Sheet Commitments

See Part I, Item 1, Financial Statements - Note 10, “Commitments and Contingencies - Off Balance Sheet Commitments,” for more information regarding undrawn capital commitments and support agreements.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, financing and operating leases, long-term defined benefit pension and post-retirement medical plans, and acquisition contracts. During the nine months ended September 30, 2012, there were no significant changes to these obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2011.

Critical Accounting Policies and Estimates

There have been no significant changes to the accounting policies that we believe are the most critical to an understanding of our results of operations and financial condition, which are disclosed in our most recent Form 10-K for the year ended December 31, 2011.

Recent Accounting Standards

See Part I, Item 1, “Financial Statements — Note 1, Accounting Policies — Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of its business, the company is primarily exposed to market risk in the form of securities market risk, interest rate risk, and foreign exchange rate risk.

AUM Market Price Risk

The company’s investment management revenues are comprised of fees based on a percentage of the value of AUM. Declines in equity or fixed income security market prices could cause revenues to decline because of lower investment

management fees by:

• Causing the value of AUM to decrease,

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• Causing the returns realized on AUM to decrease (impacting performance fees).

• Causing clients to withdraw funds in favor of investments in markets that they perceive to offer greater opportunity and that the company does not serve,

• Causing clients to rebalance assets away from investments that the company manages into investments that the company does not manage, and/or

• Causing clients to reallocate assets away from products that earn higher revenues into products that earn lower revenues.

Underperformance of client accounts relative to competing products could exacerbate these factors.

Securities Market Risk

The company has investments in sponsored investment products that invest in a variety of asset classes. Investments are generally made to establish a track record or to hedge exposure to certain deferred compensation plans. The company's exposure to market risk arises from its investments. A 20% increase or decrease in the fair value of investments exposed to market risk is not material to the operating results of the company.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk primarily through its external debt and cash and cash equivalent investments. On September 30, 2012, the interest rates on 41% of the company's borrowings were fixed for a weighted average period of 1.1 years. Borrowings under the credit facility, which represent 59% of the company's borrowings, have floating interest rates. A 1% change in the level of interest rates on current debt levels would change annualized interest expense by \$7.5 million but would not have a material impact on the ability of the company to continue to service its indebtedness.

Foreign Exchange Rate Risk

The company has transactional currency exposures that occur when any of the company's subsidiaries receives or pays cash in a currency different from its functional currency. Such exposure arises from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currencies. These exposures are not actively managed. The company also has certain investments in foreign operations, whose net assets and results of operations are exposed to foreign currency translation risk when translated into U.S. dollars upon consolidation into Invesco Ltd. The company generally does not hedge these exposures; however, in the three months ended June 30, 2012, the company purchased four put option contracts to hedge economically foreign currency risk on the translation of its pound sterling-denominated earnings into U.S. dollars. 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 from a Greek Euro exit or other major European economic events. See Note 2, "Fair Value of Assets and Liabilities," for additional details. The company is exposed to foreign exchange revaluation into the income statement on monetary assets and liabilities that are held by subsidiaries in different functional currencies than the subsidiaries' functional currencies. Net foreign exchange revaluation losses were \$1.3 million for nine months ended September 30, 2012 and \$1.0 million losses for the comparable prior year period, and are included in general and administrative and other gains and losses, net on the Condensed Consolidated Statements of Income. We continue to monitor our exposure to foreign exchange revaluation.

Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the company is required to disclose in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in the reports that the company files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2012. There are inherent limitations to the effectiveness of

any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required

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to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated any change in our internal control over financial reporting that occurred during the nine months ended September 30, 2012 and have concluded that there was no change that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Part I, Item 1, Note 10, "Commitments and Contingencies," for information regarding legal proceedings.

Item 1A. Risk Factors

Volatility and disruption in world capital and credit markets, as well as adverse changes in the global economy, can negatively affect Invesco's revenues, operations, financial condition and liquidity and may continue to do so.

The capital and credit markets continue to experience substantial volatility. In this regard:

In the event of extreme circumstances, including economic, political, or business crises, such as a widespread systemic failure in the global financial system or additional failures of firms that have significant obligations as counterparties on financial instruments, we may suffer significant declines in assets under management and severe liquidity or valuation issues in the short-term sponsored investment products in which client and company assets are invested, all of which would adversely affect our operating results, financial condition, liquidity, credit ratings, ability to access capital markets, and retention and ability to attract key employees. Additionally, these factors could impact our ability to realize the carrying value of our goodwill and other intangible assets.

In addition to the impact of the market volatility on client portfolios, the illiquidity and volatility of both the global fixed income and equity markets could negatively affect our ability to manage client inflows and outflows from pooled investment vehicles or to timely meet client redemption requests.

Our money market funds have always maintained a \$1.00 net asset value (NAV); however, we do not guarantee such level. Market conditions could lead to severe liquidity issues in money market products, which could affect their NAVs. If the NAV of one of our money market funds were to decline below \$1.00 per share, such funds could experience significant redemptions in assets under management, loss of shareholder confidence and reputational harm. In 2010, the SEC adopted new rules governing U.S. registered money market funds. These rules are designed to significantly strengthen the regulatory requirements governing money market funds, increase the resilience of such funds to economic stresses, and reduce the risk of runs on these funds. Regulators in the U.S. continue to evaluate whether to propose mandating a variable ("floating") NAV for money market funds. The company believes such a change would have significant adverse consequences on the money market funds industry and the short-term credit markets.

Even if legislative or regulatory initiatives or other efforts successfully stabilize and add liquidity to the financial markets, we may need to modify our strategies, businesses or operations, and we may incur increased capital requirements and constraints or additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment.

We may not adjust our expenses quickly enough to match significant deterioration in global financial markets.

If we are unable to effect appropriate expense reductions in a timely manner in response to declines in our revenues, or if we are otherwise unable to adapt to rapid changes in the global marketplace, our profitability, financial condition

and results of operations would be adversely affected.

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Our revenues and profitability would be adversely affected by any reduction in assets under our management as a result of either a decline in market value of such assets or net outflows, which would reduce the investment management fees we earn.

We derive substantially all of our revenues from investment management contracts with clients. Under these contracts, the investment management fees paid to us are typically based on the market value of assets under management (“AUM”). Assets under management may decline for various reasons. For any period in which revenues decline, our income and operating margin may decline by a greater proportion because certain expenses remain fixed. Factors that could decrease assets under management (and therefore revenues) include the following:

Declines in the market value of the assets in the funds and accounts managed. These could be caused by price declines in the securities markets generally or by price declines in the market segments in which those assets are concentrated. Approximately 44% of our total assets under management were invested in equity securities and approximately 56% were invested in fixed income and other investments at September 30, 2012. Our AUM as of September 30, 2012, were \$683.0 billion. We cannot predict whether volatility in the markets will result in substantial or sustained declines in the securities markets generally or result in price declines in market segments in which our assets under management are concentrated. Any of the foregoing could negatively impact our revenues, income and operating margin.

Redemptions and other withdrawals from, or shifting among, the funds and accounts managed. These could be caused by investors (in response to adverse market conditions or pursuit of other investment opportunities) reducing their investments in funds and accounts in general or in the market segments on which Invesco focuses; investors taking profits from their investments; poor investment performance of the funds and accounts managed by Invesco; and portfolio risk characteristics, which could cause investors to move assets to other investment managers. Poor performance relative to other investment management firms tends to result in decreased sales, increased redemptions of fund shares, and the loss of private institutional or individual accounts, with corresponding decreases in our revenues. Failure of our funds and accounts to perform well could, therefore, have a material adverse effect on us. Furthermore, the fees we earn vary with the types of assets being managed, with higher fees earned on actively managed equity and balanced accounts, along with real estate and alternative asset products, and lower fees earned on fixed income and stable return accounts. Therefore, our revenues may decline if clients shift their investments to lower fee accounts.

Declines in the value of seed capital and partnership investments. The company has investments in sponsored investment products that invest in a variety of asset classes, including, but not limited to equities, fixed income products, private equity, and real estate. Investments in these products are generally made to establish a track record, meet purchase size requirements for trading blocks, or demonstrate economic alignment with other investors in our funds. Adverse market conditions may result in the need to write down the value of these seed capital and partnership investments. As of September 30, 2012, the company had \$254.7 million in seed capital and partnership investments.

Our investment advisory agreements are subject to termination or non-renewal, and our fund and other investors may withdraw their assets at any time.

Substantially all of our revenues are derived from investment advisory agreements. Investment advisory agreements are generally terminable upon 30 or fewer days' notice. Agreements with U.S. mutual funds may be terminated with notice, or terminated in the event of an “assignment” (as defined in the Investment Company Act of 1940, as amended), and must be renewed annually by the disinterested members of each fund's board of directors or trustees, as required by law. In addition, the board of trustees or directors of certain other fund accounts of Invesco or our subsidiaries generally may terminate these investment advisory agreements upon written notice for any reason. Mutual fund and unit trust investors may generally withdraw their funds at any time without prior notice. Institutional clients may elect

to terminate their relationships with us or reduce the aggregate amount of assets under our management, and individual clients may elect to close their accounts, redeem their shares in our funds, or shift their funds to other types of accounts with different fee structures. Any termination of or failure to renew a significant number of these agreements, or any other loss of a significant number of our clients or assets under management, would adversely affect our revenues and profitability.

Our revenues and profitability from money market and other fixed income assets may be harmed by interest rate, liquidity and credit volatility.

Certain institutional investors using money market products and other short-term duration fixed income products for cash management purposes may shift these investments to direct investments in comparable instruments in order to realize higher yields than those available in money market and other fund products holding lower yielding instruments. These redemptions would reduce managed assets, thereby reducing our revenues. In addition, rising interest rates will tend to reduce the market

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value of bonds held in various investment portfolios and other products. Thus, increases in interest rates could have an adverse effect on our revenues from money market portfolios and from other fixed income products. If securities within a money market portfolio default, or investor redemptions force the portfolio to realize losses, there could be negative pressure on its net asset value. Although money market investments are not guaranteed instruments, the company might decide, under such a scenario, that it is in its best interest to provide support in the form of a support agreement, capital infusion, or other methods to help stabilize a declining net asset value. Some of these methods could have an adverse impact on our profitability. Additionally, we have \$30.8 million invested in Invesco Mortgage Capital Inc., \$43.1 million of equity at risk invested in our collateralized loan obligation products, and \$46.2 million invested in fixed income seed money at September 30, 2012, the valuation of which could change with changes in interest and default rates.

We operate in an industry that is highly regulated in many countries, and any enforcement action or adverse changes in the laws or regulations governing our business could decrease our revenues and profitability.

As with all investment management companies, our activities are highly regulated in almost all countries in which we conduct business. Laws and regulations applied at the national, state or provincial and local level generally grant governmental agencies and industry self-regulatory authorities broad administrative discretion over our activities, including the power to limit or restrict our business activities, conduct examinations, risk assessments, investigations and capital adequacy reviews, and impose remedial programs to address perceived deficiencies. Subsidiaries operating in the European Union (“EU”) also are subject to various EU Directives, which are implemented by member state national legislation. As a result of regulatory oversight, we could face requirements which negatively impact the way in which we conduct business, impose additional capital requirements and involve enforcement actions which could lead to sanctions including the revocation of licenses to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of our business organizations or their key personnel, or the imposition of fines and censures on us or our employees. Judgments or findings of wrongdoing by regulatory or governmental authorities, or in private litigation against us could affect our reputation, increase our costs of doing business and/or negatively impact our revenues, any of which could have a material negative impact on our results of operations, financial condition or liquidity.

Certain of our subsidiaries are required to maintain minimum levels of capital and such capital requirements may be increased from time-to-time. 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. A sub-group of Invesco subsidiaries, including all of our regulated EU subsidiaries, is subject to consolidated capital requirements under EU Directives, and capital is maintained within this sub-group to satisfy these regulations. At September 30, 2012, the European sub-group had cash and cash equivalent balances of \$578.0 million (September 30, 2011: \$501.6 million), much of which is used to satisfy these regulatory requirements. Complying with our regulatory commitments may result in an increase in the capital requirements applicable to the European sub-group. As a result of corporate restructuring and regulatory requirements, certain of these EU subsidiaries may be required to limit their dividends to the parent company, Invesco Ltd.

The regulatory environment in which we operate frequently changes and has seen significant increased regulation in recent years. Various changes in law and regulation have been enacted or adopted and are being implemented or otherwise developed in multiple jurisdictions globally in response to the crisis in the financial markets that began in 2007. Various other proposals remain under consideration by legislators, regulators, and other government officials and other public policy commentators. Certain enacted provisions and certain other proposals are potentially far reaching and, depending upon their implementation, could have a material impact on Invesco's business. While many of these provisions appear designed to address perceived problems in the banking sector, certain of the provisions will or may be applied to other financial services companies, including investment managers. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. To the extent that existing regulations are amended or future regulations are adopted that reduce the sale, or increase the redemptions, of our products and services, or that negatively affect the investment performance of our products, our aggregate assets under management and our revenues could be adversely affected. In

addition, regulatory changes have imposed and may continue to impose additional costs, which could negatively impact our profitability.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law on July 21, 2010. While Invesco does not believe that the Dodd-Frank Act will fundamentally change the investment management industry or cause Invesco to reconsider its basic strategy, certain provisions will, and other provisions may, require us to change or impose new limitations on the manner in which we conduct business; they also will or may increase regulatory burdens and related compliance costs. In addition, the scope and impact of many provisions of the Dodd-Frank Act will be determined by implementing regulations, some of which require lengthy proposal and promulgation periods. Moreover, the Dodd-Frank Act mandates many regulatory studies, some of which pertain directly to the investment management industry, which could lead to additional legislation or regulation. As a result of these uncertainties regarding implementation of the

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Dodd-Frank Act and such other future potential legislative or regulatory changes, the impact of the Dodd-Frank Act on the investment management industry and Invesco cannot be predicted at this time.

The European Union has promulgated or is considering various new or revised directives pertaining to financial services, including investment managers. Such directives are progressing at various stages, and are being or will or would be implemented by national legislation in member states. As with the Dodd-Frank Act, Invesco does not believe implementation of these directives will fundamentally change our industry or cause us to reconsider our fundamental strategy, but it does appear certain provisions will, and other provisions may, require us to change or impose new limitations on the manner in which we conduct business; they also will or may increase regulatory burdens and compliance costs. Similar developments are being implemented or considered in other jurisdictions where we do business; such developments could have similar effects.

Potential developments under enacted and proposed legal and regulatory changes, and related matters, include, without limitation:

• Expanded prudential regulation over investment management firms.

• New or increased capital requirements and related regulation (including new capital requirements pertaining to money market funds).

• Additional change to the regulation of money market funds in the U.S. The SEC in 2010 adopted changes to Rule 2a-7, the primary securities regulation governing U.S. registered money market funds. These new rules were designed to significantly strengthen the regulatory requirements governing money market funds, increase the resilience of such funds to economic stresses, and reduce the risk of runs on these funds. Regulators in the U.S. continue to evaluate whether to propose additional legal and regulatory changes impacting money market funds. Invesco believes certain potential changes that have been the subject of media reports would have significant adverse consequences on the money market funds industry and the short-term credit markets.

• Changes to the distribution of investment funds and other investment products. In the U.S., the SEC previously has proposed and may repropose significant changes to Rule 12b-1. Invesco believes these proposals could increase operational and compliance costs. The U.K. Financial Services Authority is implementing its Retail Distribution Review, which is expected to reshape the manner in which retail investment funds are sold in the U.K. The EU adopted the Alternative Investment Fund Manager Directive; implementing legislation in member states could, among other elements, impose restrictions on the marketing and sale within the EU of private equity and other alternative investment funds sponsored by non-EU managers. Various regulators have promulgated or are considering other new disclosure and suitability requirements pertaining to the distribution of investment funds and other investment products, including enhanced standards and requirements pertaining to disclosures made to retail investors at the point of sale.

• Guidelines regarding the structure and components of compensation, including under the Dodd-Frank Act and various EU Directives.

• New and potentially complex and burdensome tax reporting and tax withholding obligations and related compliance activities pertaining to sponsored investment products, including obligations under the Foreign Account Tax Compliance Act (FATCA) and similar requirements which may be imposed by other countries.

• Heightened regulatory examinations and inspections, including enforcement reviews, and a more aggressive posture regarding commencing enforcement proceedings resulting in fines, penalties and additional remedial activities.

• Without limiting the generality of the foregoing, regulators in the United States and the United Kingdom have taken and can be expected to continue to take a more aggressive posture on bringing enforcement proceedings.

• Changes impacting certain other products or markets (e.g., retirement savings).

• Enhanced licensing and qualification requirements for key personnel.

• Other additional rules and regulations and disclosure requirements. Certain provisions impose additional disclosure burdens on public companies, including Invesco. Certain proposals could impose requirements for more widespread disclosures of compensation to highly-paid individuals. Depending upon the scope of any such requirements, Invesco could be disadvantaged in retaining key employees vis-à-vis private companies, including hedge fund sponsors.

• Strengthening standards regarding various ethical matters, including enhanced focus of U.S. regulators and law enforcement agencies on compliance with the Foreign Corrupt Practices Act and the enactment of the U.K. Bribery

Act.
Other changes impacting the identity or the organizational structure of regulators with supervisory authority over Invesco.
Invesco cannot at this time predict the full impact of potential legal and regulatory changes or possible enforcement proceedings on its business. It is possible such changes could impose new compliance costs or capital requirements or impact

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Invesco in other ways that could have a material adverse impact on Invesco's results of operations, financial condition or liquidity. Similarly, regulatory enforcement actions which impose significant penalties or compliance obligations or which result in significant reputational harm could have similar material adverse effects on Invesco. Moreover, certain legal or regulatory changes could require us to modify our strategies, businesses or operations, and we may incur other new constraints or costs in order to satisfy new regulatory requirements or to compete in a changed business environment.

To the extent that existing or future regulations affecting the sale of our products and services or our investment strategies cause or contribute to reduced sales or increased redemptions of our products or impair the investment performance of our products, our aggregate assets under management and results of operations might be adversely affected.

Civil litigation and governmental investigations and enforcement actions could adversely affect our assets under management and future financial results, and increase our costs of doing business.

Invesco and certain related entities have in recent years been subject to various legal proceedings, including civil litigation and governmental investigations and enforcement actions. These actions can arise from normal business operations and/or matters that have been the subject of previous regulatory actions. See Part I, Item 1, Note 10, "Commitments and Contingencies," for additional information. Judgments in civil litigation or findings of wrongdoing by regulatory or governmental authorities against us could affect our reputation, increase our costs of doing business and/or negatively impact our revenues, any of which could have a material negative impact on our results of operations, financial condition or liquidity.

Our investment management professionals and other key employees are a vital part of our ability to attract and retain clients, and the loss of key individuals or a significant portion of those professionals could result in a reduction of our revenues and profitability.

Retaining highly skilled technical and management personnel is important to our ability to attract and retain clients and retail shareholder accounts. The market for investment management professionals is competitive and has grown more so in recent periods as the investment management industry has experienced growth. The market for investment managers is also increasingly characterized by the movement of investment managers among different firms. Our policy has been to provide our investment management professionals with a supportive professional working environment and compensation and benefits that we believe are competitive with other leading investment management firms. However, we may not be successful in retaining our key personnel, and the loss of key individuals or significant investment management personnel could reduce the attractiveness of our products to potential and current clients and could, therefore, adversely affect our revenues and profitability.

If our reputation is harmed, we could suffer losses in our business, revenues and net income.

Our business depends on earning and maintaining the trust and confidence of clients, regulators and other market participants, and our good reputation is critical to our business. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries, investigations or findings of wrongdoing, material errors in public reports, employee dishonesty or other misconduct and rumors, among other things, can substantially damage our reputation, even if they are baseless or eventually satisfactorily addressed. Further, our business requires us to continuously manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client or those of Invesco. The willingness of clients to enter into transactions in which such a conflict might arise may be affected, if we fail - or appear to fail - to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

We have procedures and controls that are designed to address and manage these risks, but this task can be complex and difficult, and if our procedures and controls fail our reputation could be damaged. Any damage to our reputation could impede our ability to attract and retain clients and key personnel, and lead to a reduction in the amount of our assets under management, any of which could have a material adverse effect on our results of operations, financial condition or liquidity.

Failure to comply with client contractual requirements and/or investment guidelines could result in damage awards against us and loss of revenues due to client terminations.

Many of the investment management agreements under which we manage assets or provide products or services specify investment guidelines or contractual requirements that Invesco is required to observe in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to our reputation or in our clients seeking to recover losses, withdrawing their assets or terminating their contracts, any of which could cause our revenues and net income to decline. We maintain various compliance procedures and other controls to prevent, detect and correct such errors. When an

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error is detected, we typically will make a payment into the applicable client account to correct it. Significant errors could impact our results of operations.

Competitive pressures may force us to reduce the fees we charge to clients, increase commissions paid to our financial intermediaries or provide more support to those intermediaries, all of which could reduce our profitability.

The investment management business is highly competitive, and we compete based on a variety of factors, including investment performance, the range of products offered, brand recognition, business reputation, financial strength, stability and continuity of client and intermediary relationships, quality of service, level of fees charged for services and the level of compensation paid and distribution support offered to financial intermediaries. We continue to face market pressures regarding fee levels in certain products.

We face strong competition in every market in which we operate. Our competitors include a large number of investment management firms, commercial banks, investment banks, broker-dealers, hedge funds, insurance companies and other financial institutions. Some of these institutions have greater capital and other resources, and offer more comprehensive lines of products and services, than we do. Our competitors seek to expand their market share in many of the products and services we offer. If these competitors are successful, our revenues and profitability could be adversely affected. In addition, there are relatively few barriers to entry by new investment management firms, and the successful efforts of new entrants into our various distribution channels around the world have also resulted in increased competition.

In recent years there have been several instances of industry consolidation, both in the area of distributors and manufacturers of investment products. Further consolidation may occur in these areas in the future. The increasing size and market influence of certain distributors of our products and of certain direct competitors may have a negative impact on our ability to compete at the same levels of profitability in the future, should we find ourselves unable to maintain relevance in the markets in which we compete.

We may engage in strategic transactions that could create risks.

As part of our business strategy, we regularly review, and from time to time have discussions with respect to, potential strategic transactions, including potential acquisitions, dispositions, consolidations, joint ventures or similar transactions, some of which may be material. There can be no assurance that we will find suitable candidates for strategic transactions at acceptable prices, have sufficient capital resources to pursue such transactions, be successful in negotiating the required agreements, or successfully close transactions after signing such agreements.

Acquisitions also pose the risk that any business we acquire may lose customers or employees or could underperform relative to expectations. We could also experience financial or other setbacks if pending transactions encounter unanticipated problems, including problems related to closing or integration. Following the completion of an acquisition, we may have to rely on the seller to provide administrative and other support, including financial reporting and internal controls, to the acquired business for a period of time. There can be no assurance that such sellers will do so in a manner that is acceptable to us.

Our ability to access the capital markets in a timely manner should we seek to do so depends on a number of factors.

Our access to the capital markets depends significantly on our credit ratings. We have received credit ratings of A3/Stable and A-/Stable from Moody's and Standard & Poor's credit rating agencies, respectively, as of the date hereof. We believe that rating agency concerns include but are not limited to the fact that our revenues are exposed to equity market volatility and the potential impact from regulatory changes to the industry. Additionally, the rating agencies could decide to downgrade the entire investment management industry, based on their perspective of future

growth and solvency. Material deterioration of these factors, and others defined by each rating agency, could result in downgrades to our credit ratings, thereby limiting our ability to generate additional financing. Our credit facility borrowing rates are tied to our credit ratings. Management believes that solid investment grade ratings are an important factor in winning and maintaining institutional business and strives to manage the company to maintain such ratings.

A reduction in our long-term credit ratings could increase our borrowing costs, could limit our access to the capital markets, and may result in outflows thereby reducing AUM and revenues. Continued volatility in global finance markets may also affect our ability to access the capital markets should we seek to do so. If we are unable to access capital markets in a timely manner, our business could be adversely affected.

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Our indebtedness could adversely affect our financial position or results of operations.

As of September 30, 2012, we had outstanding total debt of \$1,285.1 million, excluding long-term debt of consolidated investment products, and total equity attributable to common shareholders of \$8,156.0 million, excluding retained earnings appropriated for investors in consolidated investment products. The amount of indebtedness we carry could limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes, increase our vulnerability to adverse economic and industry conditions, limit our flexibility in planning for, or reacting to, changes in our business or industry, and place us at a disadvantage in relation to our competitors. Any or all of the above factors could materially adversely affect our financial position or results of operations.

Our credit facility imposes restrictions on our ability to conduct business and, if amounts borrowed under it were subject to accelerated repayment, we might not have sufficient assets to repay such amounts in full.

Our credit facility requires us to maintain specified financial ratios, including maximum debt-to-earnings and minimum interest coverage ratios. This credit facility also contains customary affirmative operating covenants and negative covenants that, among other things, restrict certain of our subsidiaries' ability to incur debt and restrict our ability to transfer assets, merge, make loans and other investments and create liens. The breach of any covenant (either due to our actions or due to a significant and prolonged market-driven decline in our operating results) would result in a default under the credit facility. In the event of any such default, lenders that are party to the credit facility could refuse to make further extensions of credit to us and require all amounts borrowed under the credit facility, together with accrued interest and other fees, to be immediately due and payable. If any indebtedness under the credit facility were subject to accelerated repayment, we might not have sufficient liquid assets to repay such indebtedness in full.

Changes in the distribution channels on which we depend could reduce our revenues and hinder our growth.

We sell a significant portion of our investment products through a variety of financial intermediaries, including major wire houses, regional broker-dealers, banks and financial planners in North America, and independent brokers and financial advisors, banks and financial organizations in Europe and Asia. Increasing competition for these distribution channels could cause our distribution costs to rise, which would lower our net revenues. Following the financial crisis, there has been consolidation of banks and broker-dealers, particularly in the U.S., and a limited amount of migration of brokers and financial advisors away from major banks to independent firms focused largely on providing advice. If these trends continue, our distribution costs could increase as a percentage of our revenues generated. Additionally, particularly outside of the U.S., certain of the intermediaries upon whom we rely to distribute our investment products also sell their own competing proprietary funds and investment products, which could limit the distribution of our products. Increasingly, investors, particularly in the institutional market, rely on external consultants and other unconflicted third parties for advice on the choice of investment manager. These consultants and third parties tend to exert a significant degree of influence and they may favor a competitor of Invesco as better meeting their particular client's needs. There is no assurance that our investment products will be among their recommended choices in the future. If one of our major distributors were to cease operations, it could have a significant adverse effect on our revenues and profitability. Any failure to maintain strong business relationships with these distribution sources and the consultant community would impair our ability to sell our products, which in turn could have a negative effect on our revenues and profitability.

We could be subject to losses if we fail to properly safeguard confidential and sensitive information.

We maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations as part of our regular operations. Our systems could be attacked by unauthorized users or corrupted by computer viruses or other malicious software code, or authorized persons could inadvertently or

intentionally release confidential or proprietary information.

Such disclosure could, among other things, damage our reputation, allow competitors to access our proprietary business information, result in liability for failure to safeguard our clients' data, result in the termination of contracts by our existing customers, subject us to regulatory action, or require material capital and operating expenditures to investigate and remediate the breach.

Our business is vulnerable to deficiencies and failures in support systems and customer service functions that could lead to breaches and errors, resulting in loss of customers or claims against us or our subsidiaries.

The ability to consistently and reliably obtain accurate securities pricing information, process client portfolio and fund shareholder transactions and provide reports and other customer service to fund shareholders and clients in other accounts

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managed by us is essential to our continuing success. In recent periods, illiquid markets for certain types of securities have required increased use of fair value pricing, which is dependent on certain subjective judgments that have the potential to be challenged. Any delays or inaccuracies in obtaining pricing information, processing such transactions or such reports, other breaches and errors, and any inadequacies in other customer service, could result in reimbursement obligations or other liabilities, or alienate customers and potentially give rise to claims against us. Our customer service capability, as well as our ability to obtain prompt and accurate securities pricing information and to process transactions and reports, is highly dependent on communications and information systems and on third-party vendors. These systems or vendors could suffer deficiencies, failures or interruptions due to various natural or man-made causes, and our back-up procedures and capabilities may not be adequate to avoid extended interruptions in operations. Certain of these processes involve a degree of manual input, and thus similar problems could occur from time to time due to human error.

If we are unable to successfully recover from a disaster or other business continuity problem, we could suffer material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

If we were to experience a local or regional disaster or other business continuity problem, such as a pandemic or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, our operational size, the multiple locations from which we operate, and our existing back-up systems would provide us with an important advantage. Nevertheless, we could still experience near-term operational challenges with regard to particular areas of our operations, such as key executive officers or technology personnel. Further, as we strive to achieve cost savings by shifting certain business processes to lower-cost geographic locations such as India, the potential for particular types of natural or man-made disasters, political, economic or infrastructure instabilities, or other country- or region-specific business continuity risks increases. Although we seek to regularly assess and improve our existing business continuity plans, a major disaster, or one that affected certain important operating areas, or our inability to recover successfully should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Since many of our subsidiary operations are located outside of the United States and have functional currencies other than the U.S. dollar, changes in the exchange rates to the U.S. dollar affect our reported financial results from one period to the next.

The largest component of our net assets, revenues and expenses, as well as our assets under management, is presently denominated in U.S. Dollars. However, we have a large number of subsidiaries outside of the United States whose functional currencies are not the U.S. dollar. As a result, fluctuations in the exchange rates to the U.S. dollar affect our reported financial results from one period to the next. We do not actively manage our exposure to such effects. Consequently, significant strengthening of the U.S. dollar relative to the U.K. Pound Sterling, Euro, or Canadian dollar, among other currencies, could have a material negative impact on our reported financial results.

The carrying value of goodwill and other intangible assets on our balance sheet could become impaired, which would adversely affect our results of operations.

We have goodwill and indefinite-lived intangible assets on our balance sheet that are subject to annual impairment reviews. We also have definite-lived intangible assets on our balance sheet that are subject to impairment testing if indicators of impairment are identified. Goodwill and intangible assets totaled \$7,039.9 million and \$1,295.8 million, respectively, at September 30, 2012 (December 31, 2011: \$6,907.9 million and \$1,322.8 million, respectively). We may not realize the value of such assets. We perform impairment reviews of the book values of these assets on an annual basis or more frequently if impairment indicators are present. A variety of factors could cause such book

values to become impaired. Should valuations be deemed to be impaired, a write-down of the related assets would occur, adversely affecting our results of operations for the period. See Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Goodwill” and “- Intangibles,” in our Annual Report on Form 10-K for additional details of our goodwill impairment analysis process.

Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.

Our shareholders may have more difficulty protecting their interests than shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bermuda company, we are governed by the Companies Act 1981 of Bermuda (Companies Act). The Companies Act differs in some material respects from laws generally applicable to United States corporations and shareholders, including provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, shareholder lawsuits and indemnification of directors.

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Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company, and may only do so in limited circumstances. Directors and officers may owe duties to a company's creditors in cases of impending insolvency. Directors and officers of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company and must exercise the care and skill that a reasonably prudent person would exercise in comparable circumstances. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any material contract or proposed material contract with the company or any of its subsidiaries. If a director or officer of a Bermuda company is found to have breached his duties to that company, he may be held personally liable to the company in respect of that breach of duty.

Our Bye-Laws provide for indemnification of our directors and officers in respect of any loss arising or liability attaching to them in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to us other than in respect of his own fraud or dishonesty, which is the maximum extent of indemnification permitted under the Companies Act. Under our Bye-Laws, each of our shareholders agrees to waive any claim or right of action, both individually and on our behalf, other than those involving fraud or dishonesty, against us or any of our officers, directors or employees. The waiver applies to any action taken by a director, officer or employee, or the failure of such person to take any action, in the performance of his duties, except with respect to any matter involving any fraud or dishonesty on the part of the director, officer or employee. This waiver limits the right of shareholders to assert claims against our directors, officers and employees unless the act or failure to act involves fraud or dishonesty.

We have anti-takeover provisions in our Bye-Laws that may discourage a change of control.

Our Bye-Laws contain provisions that could make it more difficult for a third-party to acquire us or to obtain majority representation on our board of directors without the consent of our board. As a result, shareholders may be limited in their ability to obtain a premium for their shares under such circumstances.

Legislative and other measures that may be taken by U.S. and/or other governmental authorities could materially increase our tax burden or otherwise adversely affect our financial conditions, results of operations or cash flows.

Under current laws, as the company is domiciled and tax resident in Bermuda, taxation in other jurisdictions is dependent upon the types and the extent of the activities of the company undertaken in those jurisdictions. There is a risk that changes in either the types of activities undertaken by the company or changes in tax rules relating to tax residency could subject the company and its shareholders to additional taxation.

We continue to assess the impact of various U.S. federal and state legislative proposals, and modifications to existing tax treaties between the United States and foreign countries, that could result in a material increase in our U.S. federal and state taxes. Proposals have been introduced in the U.S. Congress that, if ultimately enacted, could either limit treaty benefits on certain payments made by our U.S. subsidiaries to non-U.S. affiliates, treat the company as a U.S. corporation and thereby subject the earnings from non-U.S. subsidiaries of the company to U.S. taxation, or both. We cannot predict the outcome of any specific legislative proposals. However, if such proposals were to be enacted, or if modifications were to be made to certain existing tax treaties, the consequences could have a materially adverse impact on the company, including increasing our tax burden, increasing costs of our tax compliance or otherwise adversely affecting our financial condition, results of operations or cash flows.

Examinations and audits by tax authorities could result in additional tax payments for prior periods.

The company and its subsidiaries are subject to income taxes as well as non-income based taxes, in both the United States and various foreign jurisdictions and are subject to ongoing tax audits in various jurisdictions. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional income taxes will be due. We adjust these liabilities in light of changing facts and circumstances. Due to the complexity of some of these uncertainties, however, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

The following table sets forth information regarding purchases of our common shares by us and any affiliated purchases during the three months ended September 30, 2012:

Month	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number at end of period (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾ (millions)
July 1-31, 2012	928,647	22.22	925,000	\$561.4
August 1-31, 2012	891,864	22.12	879,000	\$542.0
September 1-30, 2012	71,658	23.66	—	\$542.0
Total	1,892,169		1,804,000	

(1) An aggregate of 88,169 shares were surrendered to us by Invesco employees to satisfy tax withholding obligations or loan repayments in connection with the vesting of equity awards.

(2) On April 23, 2008, our board of directors authorized a share repurchase authorization of up to \$1.5 billion of our common shares with no stated expiration date.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

Exhibit Index

- 3.1 Memorandum of Association of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.1 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 3.2 Amended and Restated Bye-Laws of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.2 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 31.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Loren M. Starr pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Loren M. Starr pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.LAB XBRL Labels Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document

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SIGNATURES

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

November 1, 2012
INVESCO LTD.
/s/ MARTIN L. FLANAGAN
Martin L. Flanagan
President and Chief Executive Officer

November 1, 2012
/s/ LOREN M. STARR
Loren M. Starr
Senior Managing Director and Chief Financial Officer