Invesco Ltd.
Form 10-K
February 21, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)

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

For the fiscal year ended December 31, 2013
OR

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

For the transition period from to
Commission file number 1-13908
Invesco Ltd.
(Exact Name of Registrant as Specified in Its Charter)

Bermuda (State or Other Jurisdiction of Incorporation or Organization)	98-0557567 (I.R.S. Employer Identification No.)
1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA (Address of Principal Executive Offices)	30309 (Zip Code)

Registrant's telephone number, including area code: (404) 892-0896
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes o No þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Accelerated filer o

Large accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

At June 28, 2013, the aggregate market value of the voting stock held by non-affiliates was $12.0 billion, based on the closing price of the registrant's Common Shares, par value U.S. $0.20 per share, on the New York Stock Exchange. At January 31, 2014, the most recent practicable date, the number of Common Shares outstanding was 433,151,051.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant will incorporate by reference information required in response to Part III, Items 10-14 in its definitive Proxy Statement for its annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after December 31, 2013.

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

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SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are not guarantees and they involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements.

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

- significant fluctuations in the performance of debt and equity markets worldwide;
- any inability to adjust our expenses quickly enough to match significant deterioration in markets;
- significant changes in net asset flows into or out of the accounts we manage or declines in market value of the assets in, or redemptions or other withdrawals from, those accounts;
- the investment performance of our investment products;
- variations in demand for our investment products or services, including termination or non-renewal of our investment advisory agreements;
- the effect of economic conditions and fluctuations in interest rates in the U.S. or globally;
- adverse changes in laws or regulations, or adverse results in litigation, including private civil litigation related to mutual fund fees and any similar potential regulatory or other proceedings, governmental investigations, and enforcement actions;
- our ability to attract and retain key personnel, including investment management professionals;
- harm to our reputation;
- our ability to comply with client contractual requirements and/or investment guidelines despite preventative compliance procedures and controls;
- competitive pressures in the investment management business which may force us to reduce fees we earn;
- the effect of consolidation in the investment management business;
- the effect of non-performance by our counterparties;
- our ability to acquire and integrate other companies into our operations successfully and the extent to which we can realize anticipated cost savings and synergies from such acquisitions;
- our ability to implement our ongoing company-wide transformational initiatives;
- our ability to access the capital markets in a timely manner;
- our debt and the limitations imposed by our credit facility;
- limitations or restrictions on access to distribution channels for our products;
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the occurrence of breaches and errors in the conduct of our business, including any failure to properly safeguard confidential and sensitive information;

- the effect of failures or delays in support systems or customer service functions, and other interruptions of our operations;
- the effect of political or social instability in the countries in which we invest or do business;
- the effect of terrorist attacks in the countries in which we invest or do business and the escalation of hostilities that could result therefrom;
- war and other hostilities in or involving countries in which we invest or do business;
- exchange rate fluctuations, especially as against the U.S. Dollar;
- impairment of goodwill and other intangible assets; and
- enactment of adverse state, federal or foreign legislation or changes in government policy or regulation (including accounting standards) affecting our operations, our capital requirements or the way in which our profits are taxed.

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

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

PART I

Item 1. Business

Introduction

Invesco is a leading independent global investment manager operating in more than 20 countries. As of December 31, 2013, the firm managed $778.7 billion in assets for investors around the world. By delivering the combined power of our distinctive investment management capabilities, Invesco provides a comprehensive range of enduring solutions for our clients. We have a significant presence in the institutional and retail markets within the investment management industry in North America, U.K., Europe and Asia-Pacific, serving clients in more than 100 countries.

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

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

Strategy

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

- Achieve strong, long-term investment performance across distinct investment capabilities with clearly articulated investment philosophies and processes, aligned with client needs;
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- Be instrumental to our clients' success by delivering our distinctive investment capabilities worldwide to meet their needs;
- Harness the power of our global platform by continuously improving executional effectiveness to enhance quality and productivity, and allocating our resources to the opportunities that will best benefit clients and our business; and
- Perpetuate a high-performance organization by driving greater transparency, accountability, fact-based decision making and execution at all levels.

Since 2005, when we adopted our strategy to become an integrated global asset manager, Invesco has taken a number of steps to unify our business and present the organization as a single firm to our clients around the world. We believe this work has strengthened Invesco's ability to operate more efficiently and effectively as an integrated, global organization. We take a unified approach to our business and present our financial statements and other disclosures under the single operating segment “investment management.” See Item 8, Financial Statements and Supplementary Data - Note 17, "Geographic Information,” for a geographic breakdown of our consolidated operating revenues for the years ended December 31, 2013, 2012 and 2011.

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One of Invesco's great strengths is our separate, distinct investment teams in multiple markets across the globe. A key focus of our business is fostering a strong investment culture and providing the support that enables our investment teams to maintain well-performing investment capabilities. The ability to leverage the capabilities of our investment teams to meet client demand across the globe is a significant differentiator for our firm. As an example, real estate securities and REITs managed in Dallas were first introduced to the U.S. institutional and retail markets in 1988. A few years later, we saw demand for this highly marketable capability in Japan and Australia, and made it available to investors through mutual funds in those markets. We introduced our REIT capability to the European cross-border market in August 2005 and to the Canadian retail market in 2007. We have also had success expanding our industry-leading balanced risk allocation capability globally. While this capability was initially created for institutional clients in the U.S. market, Invesco quickly expanded to the retail market with mutual funds in the U.S. and in the cross-border market. In 2013, Invesco further expanded its multi-asset capability with the addition of a dedicated multi-asset team in the U.K.

Recent Developments

Throughout 2013, we continued to execute our long-term strategy, which further improved our ability to serve clients, strengthened our investment reputation, and helped to deliver competitive levels of operating income and margins. We also took advantage of opportunities in the market and continued to invest in our products and capabilities, our brand, our global platform and our people in ways that strengthened our business and competitive position for long-term success. In late 2013, we launched the Global Targeted Return product line, with strong flows to the new fund in the U.K. market in the fourth quarter. In addition, late in 2013, we launched a number of new "liquid alternative" capabilities. These capabilities leverage the firm's 25 years of experience managing alternative assets to bring existing institutional-quality alternative investment capabilities to our retail clients. The company launched more funds in the fourth quarter of 2013 than in any year within the last five years.
On October 15, 2013, the company announced that the Head of U.K. Equities, Neil Woodford, will be leaving on April 29, 2014. Mark Barnett will succeed Mr. Woodford as Head of U.K. Equities. As of December 31, 2013, Mr. Woodford was the named lead manager for U.K. Equity AUM totaling $46.6 billion. Between October 15, 2013 and December 31, 2013, U.K. equity income AUM experienced net outflows of $4.8 billion. Our total AUM in EMEA (Europe, Middle East and Africa) at December 31, 2013 was $171.9 billion. Excluding the net outflows from U.K. equity income, EMEA long-term net inflows for the fourth quarter of 2013 were $4.3 billion.
On December 31, 2013, the company completed the sale of Atlantic Trust Private Wealth Management (Atlantic Trust) to Canadian Imperial Bank of Commerce (CIBC). The transaction offered compelling advantages to the shareholders of Invesco, including improved allocation of capital and resources to support future growth of our core investment management business, and immediate expansion of the company's net operating margin. The results of Atlantic Trust, together with expenses and gain associated with the sale, are reflected as discontinued operations in the Consolidated Statements of Income and are therefore excluded from the continuing operations of Invesco. Comparative periods shown in the Consolidated Statements of Income have been adjusted to conform with this presentation. Similarly, total AUM excludes the AUM of Atlantic Trust with comparative periods adjusted to a consistent basis.

Invesco's continued progress against a multi-year strategy set a firm foundation for the company's many achievements throughout the year. Specifically, the firm:

- Maintained strong, long-term investment performance - 83% of actively managed assets ahead of peers* on a 3-year basis at year-end;
- Made solid progress toward building world-class fixed income capabilities anchored by a scaled global fixed income center and key hires;
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- Continued to meet client demand by broadening our investment capabilities, including the introduction of new multi-asset capabilities and liquid alternative products;
- Completed the outsourcing of our European transfer agency processes;
- Completed the divestiture of Atlantic Trust to CIBC; and
- Successfully closed the acquisition of a minority joint venture investment in Religare Invesco Asset Management, a company in the fast-growing India market.

Together, these efforts drove meaningful organic growth across the firm, with positive net flows of $34.4 billion for our business in 2013.

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* As of December 31, 2013, 83% of ranked assets were performing ahead of peers on a 3-year basis. Of total Invesco AUM, 61% were ranked at year-end. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Investment Capabilities Performance Overview,” for more discussion of AUM rankings by investment capability.

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Certain Demographic and Industry Trends

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

- As the “baby boomer” generation continues to mature, there is a large segment of the world population that is reaching retirement age. Economic growth in some emerging market countries has created a large and rapidly expanding middle class with accelerating levels of wealth. As a result, there is a high degree of global demand for an array of investment solutions that span the breadth of investment capabilities, with a particular emphasis on savings vehicles for retirement. We believe Invesco, as one of the few truly global, independent investment managers, is very well positioned to attract these retirement assets through its products that are focused on long-term investment performance.
- Given the dynamics of the global markets over the past year, we have seen increased demand for investment solutions that provide reasonable returns in volatile markets. Investors increasingly recognize the need for reducing downside risk while maintaining upside participation. Invesco has been growing rapidly in this market space and has a market-leading asset allocation capability.
- Investors are increasingly seeking to invest outside their domestic markets in order to increase their returns and mitigate risk. They seek firms that operate globally and have investment expertise in markets around the world. Although the U.S. and Europe are currently the two largest markets for financial assets by a wide margin, other markets in the world, such as China and India, are rapidly growing. As these population-heavy markets mature, we believe investment managers that are truly global will be in the best position to capture this growth. Additionally,
- population age differences between emerging and developed markets will result in differing investment needs and horizons among countries. Asset allocation and pension type also differ substantially among countries. We believe firms such as Invesco, with diversified investment capabilities and product types, are best positioned to meet clients' needs in these markets. Invesco has a meaningful and expanding market presence in many of the world's most attractive regions, including the U.S., Canada, Western Europe and the U.K., the Middle East and Asia-Pacific. We believe our strong and growing presence in established and emerging markets provides significant long-term growth potential for our business.
- The global trend towards the provision of defined contribution retirement plans continues, although significant opportunity remains for managers to increase defined benefit market share. Invesco has the capability to serve both the defined benefit and defined contribution markets globally.

We believe Invesco is well positioned to take advantage of opportunities created by global demographic and industry trends. Our comprehensive range of investment capabilities and broad diversification enable us to continue building our business and strengthening our competitive position through a variety of economic and market environments. Our multi-year strategy is designed to leverage our global presence, our distinctive investment management capabilities and our talented people to further grow our business and foster our long-term success.

Investment Management Capabilities

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

We believe that the proven strength of our distinct and globally located investment centers and their well-defined investment disciplines and risk management provide us with a competitive advantage. There are few independent investment managers with teams as globally diverse as Invesco's and with the same breadth and depth of investment capabilities and vehicles. We offer multiple investment objectives within the various asset classes and products that we manage. Our asset classes, broadly defined, include money market, balanced, equity, fixed income, and alternatives. Approximately 49% of our AUM as of December 31, 2013, were invested in equity securities and 51% in fixed income and other investments (December 31, 2012: 44.3% in equity and 55.7% in fixed income and other investments).

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The following sets forth our managed investment objectives by asset class:

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

Distribution Channels

Retail AUM originates from clients investing into funds available to the public in the form of shares or units. Institutional AUM originates from individual corporate clients, endowments, foundations, government authorities, universities, or charities. AUM disclosure by distribution channel represents consolidated AUM distributed by type of sales team (the company's internal distribution channels). AUM amounts disclosed as retail channel AUM represents AUM distributed by the company's retail sales team; whereas AUM amounts disclosed as institutional channel AUM represents AUM distributed by the company's institutional sales team.

Since 2005, when the company adopted its strategy to become an integrated global asset manager, one of the steps taken was to unify the business and present the organization as a single firm to clients around the world. These efforts included increased efforts to cross-sell investment capabilities globally and better integrate internal sales forces. As a result, the company's retail and institutional sales forces are able to sell products that cross over traditional delineations of retail or institutional vehicle types. Therefore, not all products sold in the disclosed retail distribution channel are "retail" products, and not all products sold in the disclosed institutional channel are "institutional" products. This aggregation, however, is viewed as a proxy for presenting AUM in the retail and institutional markets in which we operate.

Retail

Invesco is a significant provider of retail investment solutions to clients in all major markets including the U.S., U.K., Canada, Continental Europe and Asia. Retail AUM was $519.6 billion at December 31, 2013. We offer retail products within all of the major asset classes. Our retail products are primarily distributed through third-party financial intermediaries, including traditional broker-dealers, fund “supermarkets,” retirement platforms, financial advisors, banks, insurance companies and trust companies.

The U.K., U.S. and Canadian retail operations rank among the largest by AUM in their respective markets. As of December 31, 2013, Invesco Perpetual was one of the largest retail fund providers in the U.K.; Invesco's U.S. retail business was among the 10 largest non-proprietary fund complexes in the U.S. by long-term assets, including the Invesco Powershares franchise; and Invesco Canada was among the top 10 largest retail fund managers in Canada by long-term assets. Invesco Great Wall, our joint venture in China, was one of the largest Sino-foreign managers of equity products in China, with AUM of approximately $10.1 billion as of December 31, 2013. We provide our retail clients with one of the industry's most robust and comprehensive product lines.

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Institutional

We provide investment solutions to institutional investors globally, with a major presence in the U.S., U.K., Continental Europe and Asia with $259.1 billion in AUM as of December 31, 2013. We offer a broad suite of domestic and global strategies, including traditional equities, structured equities, fixed income (including money market funds for institutional clients), real estate, private equity, distressed equities, financial structures and absolute return strategies. Regional sales forces distribute our products and provide services to clients and intermediaries around the world. We have a diversified client base that includes major public entities, corporations, unions, non-profit organizations, endowments, foundations, pension funds and financial institutions. Invesco's institutional money market funds serve some of the largest financial institutions and corporations in the world.

The following lists our investment vehicles by distribution channel:

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

AUM Diversification

One of Invesco's greatest competitive strengths is the diversification in its AUM by client domicile, distribution channel and asset class. Our distribution network has attracted assets of 67% retail and 33% institutional as of December 31, 2013. By client domicile, 33% of client AUM are outside the U.S., and we serve clients in more than 100 countries. The following tables present a breakdown of AUM by client domicile, distribution channel and asset class as of December 31, 2013. Additionally, the fourth table below illustrates the split of our AUM as Passive and Active. Passive AUM includes ETFs, unit investment trusts (UITs), leveraged fund balances upon which we do not earn a fee, and other passive mandates. Active AUM is total AUM less Passive AUM.

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By Client Domicile

($ in billions)	Total	1-Yr Change
c U.S.	521.3	15.2 %
c Canada	27.1	7.5 %
c U.K.	114.8	12.7 %
c Continental Europe	60.9	57.0 %
c Asia	54.6	11.4 %
Total	778.7	

By Distribution Channel

($ in billions)	Total	1-Yr Change
c Retail	519.6	22.0 %
c Institutional	259.1	7.2 %
Total	778.7	

By Asset Class

($ in billions)	Total	1-Yr Change
c Equity	383.1	29.6 %
c Fixed Income	171.7	(0.1)%
c Balanced	53.3	22.2 %
c Money Market	82.7	12.8 %
c Alternatives	87.9	5.9 %
Total	778.7	

Active vs. Passive

($ in billions)	Total	1-Yr Change
c Active	639.0	15.5 %
c Passive	139.7	22.5 %
Total	778.7	

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Employees

As of December 31, 2013, on a continuing operations basis, the company had 5,932 employees across the globe. As of December 31, 2012 and 2011, we had 5,889 and 5,917 employees, respectively. As of December 31, 2012 and 2011, we had 6,128 and 6,162 employees including employees of the Atlantic Trust business, respectively. None of our employees are covered under collective bargaining agreements.

Competition

The investment management business is highly competitive, with points of differentiation including investment performance, the range of products offered, brand recognition, business reputation, financial strength, the depth and continuity of relationships, quality of service and the level of fees charged for services. We compete with a large number of investment management firms, commercial banks, investment banks, broker dealers, hedge funds, insurance companies and other financial institutions. We believe that the quality and diversity of our investment styles, product types and channels of distribution enable us to compete effectively in the investment management business. We also believe being an independent investment manager is a competitive advantage, as our business model avoids conflicts that are inherent within institutions that both manage and distribute and/or service those products. Lastly, we believe continued execution against our multi-year strategy will further strengthen our long-term competitive position.

Management Contracts

We derive substantially all of our revenues from investment management contracts with funds and other clients. Fees vary with the type 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, money market and stable value accounts, as well as certain ETFs. Investment management contracts are generally terminable upon thirty or fewer days' notice. Typically, retail investors may withdraw their funds at any time without prior notice. Institutional clients may elect to terminate their relationship with us or reduce the aggregate amount of assets under management with very short notice periods.

Available Information

We file current and periodic reports, proxy statements and other information with the SEC, copies of which can be obtained from the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, at www.sec.gov. We make available free of charge on our Web site, www.invesco.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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.

In recent years, capital and credit markets have experienced substantial volatility. In this regard:

- In the event of extreme circumstances, including economic, political, or business crises, such as a widespread systemic failure or disruptions 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 AUM and severe liquidity or valuation issues in managed 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, illiquidity and/or volatility of the global fixed income and/or equity markets could negatively affect our ability to manage client inflows and outflows 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.

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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 AUM, loss of shareholder confidence and reputational harm. Regulators in the U.S. have proposed mandating a variable ("floating") NAV for money market funds.

- Even if legislative or regulatory initiatives or other efforts continue to stabilize 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.

Our revenues and profitability would be adversely affected by any reduction in AUM 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 AUM. AUM 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 AUM (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 our AUM are concentrated. Approximately 49% of our total AUM were invested in equity securities and approximately 51% were invested in fixed income and other investments at December 31, 2013. Our AUM as of January 31, 2014 were $764.9 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 AUM 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 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, stable return accounts, and certain ETFs. Our revenues may decline if clients continue to shift their investments to lower fee accounts.

On October 15, 2013, the company announced that the Head of U.K. Equities, Neil Woodford, will be leaving on April 29, 2014. Mark Barnett will succeed Mr. Woodford as Head of U.K. Equities. As of December 31, 2013, Mr. Woodford was the named lead manager for U.K. Equity AUM totaling $46.6 billion. Between October 15, 2013 and December 31, 2013, U.K. equity income AUM experienced net outflows of $4.8 billion.

Investments in international markets. Investment products that we manage may have significant investments in international markets that are subject to significant risks of loss from political, economic, and diplomatic developments, currency fluctuations, social instability, changes in governmental policies, expropriation, nationalization, asset confiscation and changes in legislation related to non-U.S. ownership. International trading markets, particularly emerging markets and frontier markets, are often smaller, less liquid, less regulated and significantly more volatile than those in the U.S.

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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 boards of trustees or directors of certain other fund accounts 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 AUM. 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 AUM, 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 value of fixed income investments and fixed income derivatives 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 NAV. 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 NAV. Some of these methods could have an adverse impact on our profitability. Additionally, at December 31, 2013, we have $28.2 million invested in Invesco Mortgage Capital Inc., $38.4 million of equity at risk invested in our collateralized loan obligation products, and $100.3 million seed money in fixed income funds, the valuation of which could change with changes in interest and default rates.

Performance fees may increase revenue and earnings volatility.

A portion of the company’s revenues is derived from performance fees on investment advisory assignments. Performance fees represented $55.9 million, or 1.2%, of total revenue for the year ended December 31, 2013. In most cases, performance fees are based on relative or absolute investment returns, although in some cases they are based on achieving specific service standards. Generally, the company is entitled to performance fees only if the returns on the related portfolios exceed agreed-upon periodic or cumulative return targets. If these targets are not exceeded, performance fees for that period will not be earned and, if targets are based on cumulative returns, the company may not earn performance fees in future periods. Performance fees will vary from period to period in relation to volatility in investment returns and the timing of revenue recognition, causing earnings to be more volatile.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We, and the products and accounts that we manage, have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, clearing organizations, mutual and hedge funds, and other institutional clients. Many of these transactions expose us or the funds and accounts that we manage to credit risk in the event of default of its counterparty. While we regularly conduct assessments of such risk posed by our counterparties, the risk of non-performance by such parties is subject to sudden swings in the financial and credit markets.

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Our financial condition and liquidity would be adversely affected by losses on our 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, commoditized, derivatives, and similar financial instruments, 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. A reduction in the value of these investments may adversely affect our liquidity. As of December 31, 2013, the company had $528.7 million in seed capital and co-investments, including direct investments in consolidated investment products (CIP) and consolidated sponsored investment products (CSIP).

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/or involve enforcement actions which could lead to sanctions up to and 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.

A substantial portion of the products and services we offer are regulated by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), the Commodities Future Trading Commission (CFTC), the National Futures Association (NFA) and the Office of the Comptroller of the Currency (OCC) in the United States and by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) in the United Kingdom. Our operations elsewhere in the world are regulated by similar regulatory organizations.

The regulatory environment in which we operate frequently changes and has seen a significant increase in regulation in recent years. Various changes in laws and regulations have been enacted 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 to address perceived problems in the banking sector, certain of the provisions will or may be applied more broadly and affect other financial services companies, including investment managers. We may be adversely affected as a result of the 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 AUM 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 have required, and other provisions will or may require, us to change or impose new limitations on the manner in which we conduct business; they also have increased regulatory burdens and related compliance costs, and will or may continue to do so. Furthermore, certain provisions, including the so-called "Volker Rule," may have unintended adverse consequences on the liquidity or structure of the financial markets. 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 mandated 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 Dodd-Frank Act and such other future potential legislative or regulatory changes, the full impact of the Dodd-Frank Act on the investment management industry and Invesco cannot be fully understood at this time.

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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 have been, 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 certain provisions have required, and other provisions will or may require, us to change or impose new limitations on the manner in which we conduct business; they also have increased regulatory burdens and compliance costs, and will or may continue to do so. Certain provisions may have unintended adverse consequences on the liquidity or structure of the financial markets. Similar developments are being implemented or considered in other jurisdictions where we do business; such developments could have similar effects.

Developments under regulatory changes may include, without limitation:

- Expanded regulation over investment management firms.
- New or increased capital requirements and related regulation.
- Additional change to the regulation of money market funds in the U.S. and the EU, including in the U.S. mandating a floating net asset value (NAV) or the imposition of redemption limits or “gates” for certain types of money market funds, and in the EU, requiring capital buffers.
- Limitations on holdings of certain commodities under proposed regulations of the CFTC which could result in capacity constraints for our balanced risk products and other products that employ commodities as part of their investment strategy.
- 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 Conduct Authority has implemented its Retail Distribution Review ("RDR"), which reshaped the manner in which retail investment funds are sold in the U.K. RDR changed how retail clients pay for investment advice given in respect of all retail investment products, including mutual funds. RDR restructured the manner in which fund distributors are compensated for the services they provide. The EU has implemented the Alternative Investment Fund Manager Directive ("AIFMD"); implementing legislation in member states has, among other elements, imposed restrictions on the marketing and sale within the EU of private equity and other alternative investment funds sponsored by non-EU managers. Various regulators 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.
- The AIFMD also regulates managers of alternative investment funds not authorized as retail funds under the EU's Undertakings for Collective Investment in Transferrable Securities Directive (UCITS). The AIFMD includes, among other matters, capital requirements, leverage, valuation and stakes in EU companies.
- Guidelines regarding the structure and components of compensation, including under the Dodd-Frank Act, AIFMD and various other EU Directives.
- New requirements pertaining to the trading of securities and other financial instruments, such as swaps and other derivatives, including certain provisions of the Dodd-Frank Act and European Market Infrastructure Regulation; these include a significant amount of new reporting requirements, designated trading venues, mandated central clearing arrangements, restrictions on proprietary trading by certain financial institutions, other conduct requirements and potentially new taxes or similar fees.
- New and potentially complex and burdensome tax reporting and tax withholding obligations and related compliance activities pertaining to managed investment products, including obligations under the Foreign Account Tax Compliance Act ("FATCA") and similar requirements which have been or may be imposed by other countries. FATCA is intended to address tax compliance issues related to U.S. tax payers holding accounts outside of the U.S. FATCA requires non-U.S. financial institutions to report information about financial accounts held by U.S. persons and impose withholding, documentation and reporting requirements.
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- Broadening of the reach of regulatory bodies into areas where they have not been previously (e.g. the required registration of hedge funds and other private funds with the SEC).
- 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 to firms and to individuals. 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.
- 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. 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.

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- 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.

The Enforcement Division of the FCA is conducting an ongoing review of certain matters pertaining to the company's compliance with FCA rules and regulations for the period May 2008 to November 2012. The company is cooperating fully with the FCA review and is seeking to resolve this investigation on a consensual basis, although there can be no assurance that the company's efforts to do so will succeed. The company believes that its current systems and controls now are adequate and in compliance with applicable regulations. The company is not able at this time to estimate the amount of any potential fine arising from the resolution of this matter; however, the company believes that any fine would not have a material adverse effect on its financial position or liquidity.

Invesco cannot at this time predict the full impact of potential legal and regulatory changes or possible other enforcement proceedings on its business. It is possible such changes could impose new compliance costs or capital requirements or impact 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, including the investment of significant management time and resources 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 AUM and results of operations might be adversely affected.

Net capital requirements may impede the business operations of our subsidiaries.
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. At December 31, 2013, our minimum net capital requirements aggregated to approximately $282 million. 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 December 31, 2013, the European sub-group had cash and cash equivalent balances of $632.3 million (December 31, 2012: $528.3 million). 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.

Civil litigation and governmental investigations and enforcement actions could adversely affect our AUM 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 Item 8, Financial Statements and Supplementary Data, Note 18, "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.

The Enforcement Division of the FCA is conducting an ongoing review of certain matters pertaining to the company’s compliance with FCA rules and regulations for the period May 2008 to November 2012. The company is cooperating fully with the FCA review and is seeking to resolve this investigation on a consensual basis, although there can be no assurance that the company's efforts to do so will succeed. The company believes that its current systems and controls now are adequate and in compliance with applicable regulations. The company is not able at this time to estimate the amount of any potential fine arising from the resolution of this matter; however, the company believes that any fine would not have a material adverse effect on its financial position or liquidity.

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We are exposed to a number of risks arising from our international operations.

We operate in a number of jurisdictions outside of the United States. We have offices in numerous countries and many cross border and local proprietary funds that are domiciled outside the United States and may face difficulties in managing, operating and marketing our international operations. Our international operations expose us to the political and economic consequences of operating in foreign jurisdictions and subject us to expropriation risks, expatriation controls and potential adverse tax consequences.

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.

On October 15, 2013, the company announced that the Head of U.K. Equities, Neil Woodford, will be leaving on April 29, 2014. Mark Barnett will succeed Mr. Woodford as Head of U.K. Equities. As of December 31, 2013, Mr. Woodford was the named lead manager for U.K. Equity AUM totaling $46.6 billion. Between October 15, 2013 and December 31, 2013, U.K. equity income AUM experienced net outflows of $4.8 billion.

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.

Our business also 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 AUM, 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 profitability to decline. We maintain various compliance procedures and other controls to prevent, detect and correct such errors. When an 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, financial condition or liquidity.

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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.

We regularly review, and from time to time have discussions with and engage in, 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-/Positive from Moody's and Standard & Poor's Ratings Services, 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. 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 December 31, 2013, we had outstanding total debt of $1,588.6 million, excluding debt of CIP, and total equity attributable to common shareholders of $8,392.6 million, excluding retained earnings appropriated for investors in CIP. 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 or liquidity 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 net revenues and hinder our growth.

We sell substantially all of our retail investment products through a variety of third party financial intermediaries, including major wire houses, regional broker-dealers, banks and financial planners in North America, and independent brokers and financial advisors, banks and supermarket platforms in Europe and Asia. No single one of these intermediaries is material to our business. Increasing competition for these distribution channels could nevertheless 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 third party 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 over their clients' choices, and they may favor a competitor of Invesco as better meeting their particular clients' needs. There is no assurance that our investment products will be among their recommended choices in the future. If a material portion of our 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.

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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 managed by us is essential to our continuing success. Certain types of securities may experience liquidity constraints that would require 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 service providers. These systems or service providers 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, we believe our operational size, the multiple locations from which we operate, and our existing back-up systems should mitigate adverse impacts. 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 assess regularly 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 AUM, 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 generally 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 $6,867.3 million and $1,263.7 million, respectively, at December 31, 2013 (December 31, 2012: $7,048.2 million and $1,287.7 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 Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Goodwill” and “- Intangibles,” for additional details of our goodwill impairment analysis process.

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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 company 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.

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 described in the following paragraph. 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.

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in a company's name to remedy a wrong done to the company where the act complained of is alleged to be beyond the company's corporate power or is illegal or would result in the violation of the memorandum of association or Bye-Laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of shareholders than actually approved it. 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.

Our Bye-Laws also 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.

Because we are incorporated in Bermuda, it may be difficult for shareholders to serve process or enforce judgments against us or our directors and officers.

We are organized under the laws of Bermuda. In addition, certain of our officers and directors reside in countries outside the United States. A substantial portion of our assets and the assets of these officers and directors are or may be located outside the United States. Investors may have difficulty effecting service of process within the United States on our directors and officers who reside outside the United States or recovering against us or these directors and officers on judgments of U.S. courts based on civil liabilities provisions of the U.S. federal securities laws, even though we have appointed an agent in the United States to receive service of process.

Further, it may not be possible, in Bermuda or in countries other than the United States where we have assets, to enforce court judgments obtained in the United States against us based on the civil liability provisions of U.S. federal or state securities laws. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the U.S. federal or state securities laws or would hear actions against us or those persons based on those laws. We have been advised by our legal advisors in Bermuda that the United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of the United States or the states therein, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts because they may be found to be contrary to Bermuda public policy. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in other countries other than the United States.

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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.

Specifically, our Bye-Laws contain the following provisions that may impede or delay an unsolicited takeover of the company:

- we are prohibited from engaging, under certain circumstances, in a business combination (as defined in our Bye-Laws) with any interested shareholder (as defined in our Bye-Laws) for three years following the date that the shareholder became an interested shareholder;
- our board of directors, without further shareholder action, is permitted by our Bye-Laws to issue preference shares, in one or more series, and determine by resolution any designations, preferences, qualifications, privileges, limitations, restrictions, or special or relative rights of an additional series. The rights of preferred shareholders may supersede the rights of common shareholders;
- our board of directors is classified into three classes with the election years of the members of each class staggered such that the members of only one of the three classes are elected each year;
- shareholders may only remove directors for “cause” (defined in our Bye-laws to mean willful misconduct or gross negligence which is materially injurious to the company), fraud or embezzlement, or a conviction of, or a plea of “guilty” or “no contest” to, a felony;
- our board of directors is authorized to expand its size and fill vacancies; and
- shareholders cannot act by written consent unless the consent is unanimous.

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.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

Our registered office is located in Hamilton, Bermuda, and our corporate headquarters are in leased office space at 1555 Peachtree Street N.E., Suite 1800, Atlanta, Georgia, 30309, U.S.A. Our principal regional centers are maintained in leased facilities, except as noted below, in the following locations:

- North America: 11 Greenway Plaza, Houston, Texas 77046
- EMEA: Perpetual Park, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom (owned facilities)
- Asia: Citibank Plaza, No. 3 Garden Road, Hong Kong

We maintain a global enterprise center in Hyderabad, India, in leased facilities at DivyaSree Orion in the Ranga Reddy District of Hyderabad, India, and lease additional office space in 19 other countries.

Item 3. Legal Proceedings

See Item 8, Financial Statements and Supplementary Data, - Note 18, "Commitments and Contingencies - Legal Proceedings," for information regarding legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable
PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Invesco Ltd. is organized under the laws of Bermuda, and our common shares are listed and traded on the New York Stock Exchange under the symbol “IVZ.” At January 31, 2014, there were approximately 6,000 holders of record of our common shares.

The following table sets forth, for the periods indicated, the high and low reported share prices on the New York Stock Exchange, based on data reported by Bloomberg.

	Invesco Ltd. Common Shares		
	High	Low	Dividends Declared*
2013			
Fourth Quarter	$36.55	$31.50	$0.2250
Third Quarter	$33.12	$30.32	$0.2250
Second Quarter	$34.64	$28.14	$0.2250
First Quarter	$29.13	$25.64	$0.1725
2012			
Fourth Quarter	$26.34	$23.21	$0.1725
Third Quarter	$25.85	$20.49	$0.1725
Second Quarter	$26.77	$20.79	$0.1725
First Quarter	$26.84	$20.90	$0.1225

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*Dividends declared represent dividends declared and paid during the quarter, but attributable to the prior quarter.

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The following graph illustrates the cumulative total shareholder return of our common shares over the five-year period ending December 31, 2013, and compares it to the cumulative total return of the Standard and Poor's (S&P) 500 Index and to a group of peer investment management companies. A representative peer group of the company consists of companies in the S&P 500 and the S&P 400 that are also in the Asset Management and Custody Bank sub-index, plus Alliance Bernstein, a competitor not in this sub-index but which is another global asset manager followed by industry analysts. This table is not intended to forecast future performance of our common shares.

Shareholder Returns

Note: The above chart is the average annual total return for the period from December 31, 2008 through December 31, 2013. Peer Index includes Affiliated Managers Group, Alliance Bernstein, Ameriprise Financial, Bank of New York Mellon, BlackRock, Eaton Vance, Federated Investors, Franklin Resources, Invesco Ltd., Janus, Legg Mason, Northern Trust, SEI Investments, State Street, T. Rowe Price, and Waddell & Reed.

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Important Information Regarding Dividend Payments

Invesco declares and pays dividends on a quarterly basis in arrears. On January 30, 2014, the company declared a fourth quarter 2013 cash dividend of $0.225 per share, which will be paid on March 7, 2014, to shareholders of record as of February 20, 2014 with an ex-dividend date of February 18, 2014.

The total dividend attributable to the 2013 fiscal year of $0.90 per share represented a 30.4% increase over the total dividend attributable to the 2012 fiscal year of $0.69 per share. The declaration, payment and amount of any future dividends will be determined by our board of directors and will depend upon, among other factors, our earnings, financial condition and capital requirements at the time such declaration and payment are considered. The board has a policy of managing dividends in a prudent fashion, with due consideration given to profit levels, overall debt levels and historical dividend payouts. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Dividends," for additional details regarding dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The equity compensation plan information required in Item 201(d) of Regulation S-K is set forth in the definitive Proxy Statement for the company's annual meeting of shareholders, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2013, and is incorporated by reference in this Report.

Repurchases of Equity Securities

The following table shows share repurchase activity during the three months ended December 31, 2013:

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)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2) (millions)
October 1 - 31, 2013	5,664	$32.44	—	$1,846.5
November 1 - 30, 2013	4,689,755	$33.92	4,683,592	$1,687.6
December 1 - 31, 2013	5,496,552	$35.26	5,419,386	$1,496.5
	10,191,971		10,102,978	

(1) An aggregate of 88,993 shares were surrendered to us by Invesco employees to satisfy tax withholding obligations or loan repayments in connection with the vesting of equity awards during the three months ended December 31, 2013.

(2) On October 11, 2013, our board of directors authorized an additional $1.5 billion for the existing share repurchase program of our common shares with no stated expiration date.

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Item 6. Selected Financial Data

The following tables present selected consolidated financial information for the company as of and for each of the five fiscal years in the period ended December 31, 2013. Except as otherwise noted below, the consolidated financial information has been prepared in accordance with U.S. generally accepted accounting principles.

	As of and For The Years Ended December 31,				
$ in millions, except per share and other data	2013	2012	2011	2010	2009
Operating Data [1]:					
Operating revenues	4,644.6	4,050.4	3,982.3	3,385.9	2,544.8
Net revenues [2]	3,252.0	2,836.0	2,791.6	2,422.1	1,860.7
Operating income	1,120.2	842.6	882.1	579.4	485.6
Adjusted operating income [3]	1,292.1	1,012.1	1,046.2	878.7	558.4
Operating margin	24.1 %	20.8 %	22.2 %	17.1 %	19.1 %
Adjusted operating margin [3]	39.7 %	35.7 %	37.5 %	36.3 %	30.0 %
Net income attributable to common shareholders	940.3	677.1	729.7	465.7	322.5
Adjusted net income [4]	953.3	748.6	759.1	618.7	364.3
Per Share Data:					
Earnings per share:					
-basic	2.10	1.50	1.58	1.01	0.77
-diluted	2.10	1.49	1.57	1.01	0.76
Adjusted diluted EPS [1,4]	2.13	1.65	1.63	1.34	0.86
Dividends declared per share	0.8475	0.6400	0.4775	0.4325	0.4075
Balance Sheet Data:					
Total assets	19,270.5	17,492.4	19,347.0	20,444.1	10,909.6
Long-term debt	1,588.6	1,186.0	1,284.7	1,315.7	745.7
Debt of consolidated investment products (CIP)	4,181.7	3,899.4	5,512.9	5,865.4	—
Total equity attributable to common shareholders	8,392.6	8,316.8	8,119.1	8,264.6	6,912.9
Total equity	8,977.3	9,049.0	9,137.6	9,360.9	7,620.8
Other Data [1]:					
Ending AUM (in billions)	778.7	667.4	607.3	599.6	444.3
Average AUM (in billions)	725.6	645.3	617.8	516.9	401.6
Headcount	5,932	5,889	5,917	4,658	4,650

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

(2) Net revenues are operating revenues plus our proportional share of the net revenues of our joint venture investments, less third-party distribution, service and advisory expenses, plus management and performance fees earned from CIP, less other revenue recorded by CIP, plus other reconciling items. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of operating revenues to net revenues.

(3)

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

(4) Adjusted net income is net income attributable to common shareholders adjusted to exclude the net income of CIP, add back acquisition/disposition related adjustments, the net income impact of deferred compensation plans and other reconciling items. Adjustments made to net income attributable to common shareholders are tax-effected in arriving at adjusted net income. By calculation, adjusted diluted EPS is adjusted net income divided by the weighted average number of shares outstanding (for diluted EPS). See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Schedule of Non-GAAP Information,” for the reconciliation of net income to adjusted net income.

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

Executive Overview

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

During 2013, economies in the developed world continued to show improvement, resulting in strong equity market gains. Equity markets such as the U.S., Japan and the U.K. produced positive returns, as evidenced by the S&P 500 index, which was up 29.6%, the Nikkei 225 index, which increased 56.7%, and the FTSE 100, which rose 14.4%. However, developing markets lagged in 2013, as questions about the impact of slowing monetary stimulus on emerging economies weighed on equity prices, resulting in the MSCI Emerging Market index declining 5.0%. Bond markets declined in 2013, as evidenced by the Barclays U.S. Aggregate Bond index, driven in part by a change in the U.S. Federal Reserve's monetary policy. The expectation of a tapering in the monthly bond purchases resulted in pressure on bond prices. This was confirmed in December 2013 when the Federal Reserve announced a reduction in the monthly purchases from $85 billion to $75 billion.

The table below summarizes the year ended December 31 returns based on price appreciation/(depreciation) of several major market indices for 2013, 2012, and 2011:

	Year ended December 31,		
Equity Index	2013	2012	2011
S&P 500	29.6%	13.4%	0.0%
FTSE 100	14.4%	5.8%	(5.6)%
Nikkei 225	56.7%	22.9%	(17.3)%
MSCI Emerging Markets	(5.0)%	15.2%	(20.4)%
Bond Index			
Barclays U.S. Aggregate Bond	(2.0)%	4.2%	7.8%

Throughout 2013, we continued to execute our long-term strategy, which further improved our ability to serve clients, strengthened our investment reputation, and helped to deliver competitive levels of operating income and margins. We also took advantage of opportunities in the market and continued to invest in our products and capabilities, our brand, our global platform and our people in ways that strengthened our business and competitive position for long-term success. In late 2013, we launched the Global Targeted Return product line, with strong flows to the new fund in the U.K. market in the fourth quarter. In addition, late in 2013, we launched a number of new "liquid alternative" capabilities. These capabilities leverage the firm's 25 years of experience managing alternative assets to bring existing institutional-quality alternative investment capabilities to our retail clients. The company launched more funds in the fourth quarter of 2013 than in any year within the last five years.

As a global investment management firm dedicated to delivering investment excellence to our clients, Invesco is committed to further strengthening and enhancing our risk management approach. We believe a key factor in Invesco's ability to manage through the economic uncertainty of the past three years was our integrated approach to risk management. Invesco's enterprise risk management approach is embedded in its management processes across the organization. Broadly, our approach includes two governance structures - one for investments and another for business risk.

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Investment risk oversight is supported by the Global Performance Measurement and Risk group, which provides senior management and the Board with insight into core investment risks, and the investment teams.

- Business risk oversight is supported by the Corporate Risk Management Committee, which facilitates a focus on strategic, operational and other key business risks, and related committees.

Further, functional and geographic risk management committees maintain an ongoing risk assessment process that provides a bottom-up perspective on the specific risk areas existing in various domains of our business. As a result of our efforts in this area, Standard & Poor's Ratings Services has designated our enterprise risk management rating as "strong."

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

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world. This broad diversification mitigates the impact on Invesco of different market cycles and enables the company to take advantage of growth opportunities in various markets and channels.

On October 15, 2013, the company announced that the Head of U.K. Equities, Neil Woodford, will be leaving on April 29, 2014. Mark Barnett will succeed Mr. Woodford as Head of U.K. Equities. As of December 31, 2013, Mr. Woodford was the named lead manager for U.K. Equity AUM totaling $46.6 billion. Between October 15, 2013 and December 31, 2013, U.K. equity income AUM experienced net outflows of $4.8 billion. Our total AUM in EMEA at December 31, 2013 is $171.9 billion. Excluding the net outflows from U.K. equity income, EMEA long term net inflows for the fourth quarter of 2013 were $4.3 billion.

On December 31, 2013, the sale of Atlantic Trust to CIBC was completed. The results of Atlantic Trust, together with expenses associated with the sale and the gain on the sale, are reflected as discontinued operations in the Consolidated Statements of Income and are therefore excluded from the continuing operations of Invesco. Comparative periods shown in the Consolidated Statements of Income have been adjusted to conform with this presentation. Similarly, total AUM excludes the AUM of Atlantic Trust with comparative periods adjusted to a consistent basis.

Regulators in various jurisdictions have proposed or are exploring changes to the manner in which fund distributers are compensated for the services they provide. The U.K. Financial Conduct Authority has implemented its Retail Distribution Review ("RDR"), which is expected to reshape the manner in which retail investment funds are sold in the U.K. by changing how retail clients pay for investment advice given in respect of all retail investment products. Invesco has prepared for the RDR implementation by offering investment funds to U.K. investors which are priced at a reduced gross management fee, but which in turn do not result in the payment by the company of a distribution fee to the intermediary. These changes are not expected to have a significant impact on net revenues as investors move into these offerings. In the U.S., the SEC has previously proposed and may repurpose significant changes to Rule 12b-1. Other countries have announced similar distribution fee reviews.

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

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products.

Investment products that are consolidated are referred to in this Report as either Consolidated Sponsored Investment Products (CSIP), which generally includes consolidated majority-held sponsored investment products, or Consolidated Investment Products (CIP), which includes consolidated nominally-held investment products. This distinction is important, as it differentiates the company's economic risk associated with each type of consolidated managed fund. The company's economic risk with respect to each investment in a CSIP and a CIP is limited to its equity ownership and any uncollected management fees. Gains and losses arising from nominally-held CIP do not have a significant impact on the company's results of operations, liquidity, or capital resources. Gains and losses arising from majority-held CSIP could have a significant impact on the company's results of operations, as the company has greater economic risk associated with its investment. See Item 8, Financial Statements and Supplementary Data, - Note 1 "Accounting Policies," Note 19, "Consolidated Sponsored Investment Products," and Note 20, "Consolidated Investment Products," for additional information regarding the impact of consolidation of managed funds.

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

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The impact of CIP is so significant to the presentation of the company's Consolidated Financial Statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (U.S. GAAP) with the company's non-GAAP presentation. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains four distinct sections, which follow after the Assets Under Management discussion:

- Results of Operations (years ended December 31, 2013 compared to December 31, 2012 compared to December 31, 2011);
- Schedule of Non-GAAP Information;
- Balance Sheet Discussion; and
- Liquidity and Capital Resources.

Each of the Consolidated Financial Statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of CIP relative to the company's consolidated totals. The impact is illustrated by a column which shows the dollar-value change in the consolidated figures, as caused by the consolidation of CIP. For example, the impact of CIP on operating revenues for the year ended December 31, 2013 was a reduction of $37.9 million. This indicates that their consolidation reduced consolidated revenues by this amount, reflecting the elimination upon their consolidation of the operating revenues earned by Invesco for managing these investment products.

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

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Summary Operating Information

Summary operating information for 2013, 2012 and 2011 is presented in the table below.

$ in millions, other than per share amounts, operating margins, ratios and AUM	Year ended December 31,					
U.S. GAAP Financial Measures Summary (1)	2013		2012		2011	
Operating revenues	4,644.6		4,050.4		3,982.3	
Operating income	1,120.2		842.6		882.1	
Operating margin	24.1	%	20.8	%	22.2	%
Net income attributable to common shareholders	940.3		677.1		729.7	
Diluted EPS	2.10		1.49		1.57	
Debt/equity ratio including CIP (%)	64.3	%	56.2	%	74.4	%
Non-GAAP Financial Measures Summary						
Net revenues (2)	3,252.0		2,836.0		2,791.6	
Adjusted operating income (3)	1,292.1		1,012.1		1,046.2	
Adjusted operating margin (3)	39.7	%	35.7	%	37.5	%
Adjusted net income attributable to common shareholders (4)	953.3		748.6		759.1	
Adjusted diluted EPS (4)	2.13		1.65		1.63	
Debt/equity ratio excluding CIP (%) (5)	19.1	%	14.5	%	16.5	%
Assets Under Management (1)						
Ending AUM (billions)	778.7		667.4		607.3	
Average AUM (billions)	725.6		645.3		617.8	

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

(2) Net revenues is a non-GAAP financial measure. See Item 6, "Selected Financial Data," footnote 2, for the definition of this measure and the related reconciliation reference.

(3) Adjusted operating income and adjusted operating margin are non-GAAP financial measures. See Item 6, "Selected Financial Data," footnote 3, for the definition of these measures and the related reconciliation reference.

(4) Adjusted net income attributable to common shareholders and adjusted diluted EPS are non-GAAP financial measures. See Item 6, "Selected Financial Data," footnote 4, for the definition of these measures and the related reconciliation reference.

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

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Investment Capabilities Performance Overview

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

	Benchmark Comparison			Peer Group Comparison		
	% of AUM Ahead of Benchmark			% of AUM In Top Half of Peer Group		
	1yr	3yr	5yr	1yr	3yr	5yr
Equities						
U.S. Core	32%	49%	26%	17%	48%	17%
U.S. Growth	71%	30%	38%	70%	24%	38%
U.S. Value	81%	57%	80%	71%	81%	56%
Sector Funds	77%	72%	97%	19%	23%	53%
U.K.	98%	99%	86%	96%	98%	11%
Canadian	100%	100%	73%	96%	72%	56%
Asian	76%	78%	77%	64%	68%	67%
Continental European	96%	100%	100%	67%	94%	94%
Global	72%	91%	61%	85%	85%	69%
Global Ex U.S. and Emerging Markets	83%	97%	97%	6%	94%	97%
Fixed Income						
Money Market	52%	58%	58%	96%	96%	96%
U.S. Fixed Income	60%	87%	81%	72%	95%	84%
Global Fixed Income	84%	85%	97%	79%	84%	86%
Stable Value	100%	100%	100%	100%	100%	25%
Other						
Alternatives	32%	49%	47%	67%	60%	26%
Balanced	43%	73%	60%	62%	97%	97%

(1) AUM measured in the one-, three-, and five-year peer group rankings represents 61%, 61%, and 57% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 72%, 72%, and 68% of total Invesco AUM, respectively, as of December 31, 2013. Peer group rankings are sourced from a widely-used third party ranking agency in each fund's market (Lipper, Morningstar, IMA, Russell, Mercer, eVestment Alliance, SITCA, Value Research) and are asset-weighted in USD. Rankings are as of prior quarter-end for most institutional products and preceding month-end for Australian retail funds due to their late release by third parties. Rankings for the most representative fund in each Global Investment Performance Standard (GIPS) composite are applied to all products within each GIPS composite. Excludes passive products, closed-end funds, private equity limited partnerships, non-discretionary direct real estate, unit investment trusts fund-of-funds with component funds managed by Invesco, stable value building block funds and CLOs. Atlantic Trust results are excluded due to its sale. Certain funds and products were excluded from the analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor's experience.

As of December 31, 2013, 72%, 83% and 62% of ranked actively managed assets performed in the top half of peer groups on a one-year, three-year and five-year basis respectively. Within our equity asset class, the performance of Canadian equities continued to improve in both the benchmark and peer group comparisons. The U.K., Continental European and Global Ex U.S. and Emerging Markets equities have also had strong relative performance, with 86% or more of assets beating their benchmark over three- and five-year periods. Additionally, Continental European and

Global Ex U.S. and Emerging Markets reflect strong performance with 94% and 97%, respectively, of assets beating peers on a five-year basis. The U.K. shows solid improvement during the one- and three-year basis as a comparison to peer group from a brief period in which we trailed the market during 2009 in the five-year comparison. Our balanced asset class reflects strong peer group comparison with 97% in the top half on both the three- and five-year basis. Within our fixed income asset class, Stable Value products have achieved excellent long-term performance with 100% of AUM ahead of benchmark on a one-, three- and five-year basis.

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Assets Under Management

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

The AUM tables and the discussion below refer to AUM as long-term and short-term. Short-term AUM includes institutional money market and Invesco PowerShares QQQ AUM. Long-term AUM is total AUM less short-term AUM. Long-term inflows and the underlying reasons for the movements in this line item include investments from new clients, existing clients adding new accounts/funds or contributions/subscriptions into existing accounts/funds, and new funding commitments into private equity funds. Long-term outflows reflect client redemptions from accounts/funds and include the return of invested capital on the maturity or liquidation of private equity funds. We present net flows into institutional money market funds separately because shareholders of those funds typically use them as short-term funding vehicles and because their flows are particularly sensitive to short-term interest rate movements. The net flows in Invesco PowerShares QQQ AUM can also be relatively short-term in nature and, due to the relatively low revenue yield, these can have a significant impact on overall net revenue yield.

Changes in AUM were as follows (1):

$ in billions	2013 Total AUM	Active	Passive	2012 Total AUM	Active	Passive	2011 Total AUM	Active	Passive
January 1	667.4	553.4	114.0	607.3	511.0	96.3	599.6	518.8	80.8
Long-term inflows	179.6	137.0	42.6	131.9	102.2	29.7	138.0	102.5	35.5
Long-term outflows	(157.9)	(123.9)	(34.0)	(121.5)	(102.7)	(18.8)	(123.3)	(102.2)	(21.1)
Long-term net flows	21.7	13.1	8.6	10.4	(0.5)	10.9	14.7	0.3	14.4
Net flows in Invesco Powershares QQQ fund	3.7	—	3.7	0.2	—	0.2	3.1	—	3.1
Net flows in institutional money market funds	9.0	9.0	—	0.1	0.1	—	5.3	5.3	—
Total net flows	34.4	22.1	12.3	10.7	(0.4)	11.1	23.1	5.6	17.5
Market gains and losses/reinvestment	78.8	64.5	14.3	48.3	41.3	7.0	(15.0)	(12.9)	(2.1)
Acquisitions/dispositions, net	—	—	—	(1.7)	(1.7)	—	—	—	—
Foreign currency translation	(1.9)	(1.0)	(0.9)	2.8	3.2	(0.4)	(0.4)	(0.5)	0.1
December 31	778.7	639.0	139.7	667.4	553.4	114.0	607.3	511.0	96.3
Average AUM									
Average long-term AUM	613.7	523.3	90.4	543.5	466.1	77.4	524.4	458.2	66.2
Average short-term AUM	111.9	75.6	36.3	101.8	69.0	32.8	93.4	68.3	25.1
Average AUM	725.6	598.9	126.7	645.3	535.1	110.2	617.8	526.5	91.3
Revenue yield									
Gross revenue yield on AUM (2)	64.4	75.6	11.6	63.1	74.2	9.3	64.8	74.3	10.8
Gross revenue yield on AUM before performance fees (2)	63.6	74.7	11.6	62.4	73.4	9.3	64.4	73.8	10.8
Net revenue yield on AUM (3)	44.8	51.8	11.6	43.9	51.1	9.3	45.2	51.2	10.8
Net revenue yield on AUM before performance fees (3)	43.9	50.7	11.6	43.3	50.3	9.3	44.8	50.7	10.8

(1) On December 31, 2013, the company completed the sale of Atlantic Trust. All AUM amounts quoted in the tables exclude the AUM of the discontinued operations, Atlantic Trust. As of December 31, 2012, the excluded Atlantic Trust total AUM were $20.3 billion ($18.0 billion at December 31, 2011; $16.9 billion at December 31, 2010) with $18.5 billion in balanced at December 31, 2012 ($17.4 billion at December 31, 2011; $16.9 billion at December 31, 2010) and $1.8 billion in equity at December 31, 2012 ($0.6 billion at December 31, 2011; none at December 31, 2010).

(2) 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 2013 for our JVs in China was $4.0 billion (2012: $3.0 billion, 2011: $3.3 billion). It is appropriate to exclude the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the net income of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Consolidated Statements of Income. Additionally, the numerator of the gross revenue yield measure,

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operating revenues, excludes the management fees earned from CIP; however, the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company's true effective fee rate from AUM.

(3) 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.

Flows

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

AUM at December 31, 2013 were $778.7 billion (December 31, 2012: $667.4 billion; December 31, 2011: $607.3 billion). During the year ended December 31, 2013, long-term net inflows increased AUM by $21.7 billion, net inflows of short-term AUM included institutional money market funds of $9.0 billion and net inflows in Invesco PowerShares QQQ fund of $3.7 billion. During the year ended December 31, 2012, net long-term inflows increased AUM by $10.4 billion. We experienced net inflows in institutional money market funds of $0.1 billion and Invesco PowerShares QQQ fund of $0.2 billion, and net outflows from dispositions of $1.7 billion during the year ended December 31, 2012. During the year ended December 31, 2011, net long-term inflows increased AUM by $14.7 billion. We experienced net inflows in institutional money market funds of $5.3 billion and $3.1 billion in Invesco PowerShares QQQ fund during the year ended December 31, 2011.

Net inflows during the year ended December 31, 2013 included net long-term inflows of passive AUM of $8.6 billion and active net long-term inflows of $13.1 billion. Net flows were driven by net inflows into our retail distribution channel of $21.4 billion, primarily in the equity and balanced asset classes. This is the first year since 2009 that net long-term flows have been positive into the equity class of assets. Net inflows during the year ended December 31, 2012 included net long-term inflows of passive AUM of $10.9 billion and active net long-term AUM outflows of $0.5 billion. Net flows in 2012 were driven by net inflows of $10.4 billion into our retail distribution channel, primarily in the fixed income and balanced asset classes, while our equity asset class experienced net outflows of $10.7 billion. Net inflows during the year ended December 31, 2011 included net long-term inflows of passive AUM of $14.4 billion. Net flows in 2011 were driven by positive net inflow of $6.0 billion into our retail and $8.7 billion into institutional distribution channels, primarily in the fixed income asset class, while our equity asset class experienced net outflows of $11.4 billion.

Average AUM during the year ended December 31, 2013 were $725.6 billion, compared to $645.3 billion for the year ended December 31, 2012 and $617.8 billion for the year ended December 31, 2011.

Market Returns

Market gains and losses/reinvestment of AUM includes the net change in AUM resulting from changes in market values of the underlying securities from period to period and reinvestment of client dividends. As discussed in the “Executive Overview” section of this Management’s Discussion and Analysis, global equity markets produced strong returns during both the year ended December 31, 2013 and the year ended December 31, 2012, contrasting with an overall decline experienced in the year ending December 31, 2011.

During the year ended December 31, 2013, positive market movement increased AUM by $78.8 billion, with $77.4 billion attributed to our equity asset class. Our balanced asset class was also positively impacted by the change in market valuations during the period. During the year ended December 31, 2012, market gains increased AUM by $48.3 billion and included $33.3 billion in positive market movement of our equity asset class. Our fixed income, balanced, and alternatives asset classes were also positively impacted by the change in market valuations during the period. Market losses during the year ended December 31, 2011 decreased the value of our equity asset class by $15.0 billion, decreasing in line with equity markets globally.

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Foreign Exchange Rates

Foreign exchange rate movements in our AUM result from the effect of changes in foreign exchange rates from period to period as non-U.S. Dollar denominated AUM is translated into U.S. Dollars, the reporting currency of the company. The table below illustrates the spot foreign exchange rates used for translation into the U.S. Dollar at December 31, 2013, 2012, and 2011:

Foreign Exchange Rates	December 31, 2013	December 31, 2012	December 31, 2011
Pound Sterling ($ per £)	1.655	1.625	1.555
Canadian Dollar (CAD per $)	1.063	0.996	1.018
Japan (¥ per $)	105.080	85.520	76.950
Euro ($ per Euro)	1.378	1.319	1.299

During the year ended December 31, 2013, we experienced decreases in AUM of $1.9 billion due to changes in foreign exchange rates. Changes in foreign exchange rates in the year ended December 31, 2013 were driven primarily by the weakening of the Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of Canadian Dollar-based AUM into U.S. Dollars and the weakening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Yen-based AUM into U.S. Dollars, partially offset by the strengthening of the Pound Sterling relative to the U.S. Dollar, which was reflected in the translation of our Pound Sterling-based AUM into U.S. Dollars, and the strengthening of the Euro relative to the U.S. Dollar, which was reflected in the translation of our Euro-based AUM into U.S. Dollars.

In the year ended December 31, 2012, AUM increased by $2.8 billion due to foreign exchange rate changes impacted by the strengthening of the Pound Sterling, Canadian Dollar and the Euro relative to the U.S. Dollar, partially offset by the weakening of the Japanese Yen relative to the U.S. Dollar. During the year ended December 31, 2011, foreign exchange rate changes decreased AUM by $0.4 billion and was driven by the weakening of the Pound Sterling, Canadian Dollar and the Euro relative to the U.S. Dollar, offset by the strengthening of the Japanese Yen relative to the U.S. Dollar.

Revenue Yield

Net revenue yield on AUM increased 0.9 basis points to 44.8 basis points in the year ended December 31, 2013 from the year ended December 31, 2012 level of 43.9 basis points. Excluding performance fees, the net revenue yield increased 0.6 basis points to 43.9 basis points in the year ended December 31, 2013 from the year ended December 31, 2012 level of 43.3 basis points.

Changes in our AUM mix significantly impact our net revenue yield. For example, on an asset class basis, our equity and balanced AUM generally earn a higher net revenue rate than money market and fixed income AUM. The combination of average equity and average balanced AUM increased from 50.7% in 2012 to 53.4% of total average AUM in 2013. The comparable averages for money market and fixed income AUM both reduced. This change in asset class mix correlates with the increase in net revenue yield in 2013 when compared to 2012.

The tables that follow also analyze AUM into active and passive style. Passive AUM generally earn a lower effective fee rate than active asset classes. At December 31, 2013, passive AUM were $139.7 billion, representing 17.9% of total AUM at that date; whereas at December 31, 2012, passive AUM were $114.0 billion, representing 17.1% of our total AUM at that date. In the year ended December 31, 2013, the net revenue yield on passive AUM was 11.6 basis points compared to 9.3 basis points in the year ended December 31, 2012, an increase of 2.3 basis points, due to changes in mix of passive AUM. The increase in the average yield from passive AUM in 2013 when compared to 2012 has offset any reduction in total net revenue yield normally associated with the higher level of passive AUM as a percentage of total AUM.

The net revenue yield (before performance fees) on active AUM increased from 50.3 basis points in the year ended December 31, 2012 to 50.7 basis points in the year ended December 31, 2013. In 2012, net yield decreased by 1.3 basis points from 2011 due to the higher proportion of passive AUM combined with the lower yield earned by passive AUM.

The increase in passive AUM includes the movements in the Powershares QQQ Nasdaq-100 index tracking fund. The Powershares QQQ fund AUM increased to $45.7 billion at December 31, 2013 compared to $30.4 billion at December 31, 2012, and accounts for $15.3 billion of the $25.7 billion increase in passive AUM. The revenue yield for Invesco on this product is less than 1 basis point, reimbursing Invesco for the portfolio trading services provided to the fund, and flows into and out of this product therefore have a significant impact on the overall net revenue yield and are a significant factor in the year-on-year yield changes.

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Gross revenue yield on AUM increased 1.3 basis points to 64.4 basis points in the year ended December 31, 2013 from the year ended December 31, 2012 level of 63.1 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure for the reasons outlined in footnote 2 to the Changes in AUM table above. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues (gross revenues) to net revenues.

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

Total AUM by Channel [1,2]

$ in billions	Total	Retail	Institutional
December 31, 2012	667.4	425.8	241.6
Long-term inflows	179.6	145.2	34.4
Long-term outflows	(157.9)	(123.8)	(34.1)
Long-term net flows	21.7	21.4	0.3
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—
Net flows in institutional money market funds	9.0	—	9.0
Total net flows	34.4	25.1	9.3
Market gains and losses/reinvestment	78.8	68.1	10.7
Foreign currency translation	(1.9)	0.6	(2.5)
December 31, 2013	778.7	519.6	259.1
December 31, 2011	607.3	374.0	233.3
Long-term inflows	131.9	104.1	27.8
Long-term outflows	(121.5)	(93.7)	(27.8)
Long-term net flows	10.4	10.4	—
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—
Net flows in institutional money market funds	0.1	—	0.1
Total net flows	10.7	10.6	0.1
Market gains and losses/reinvestment	48.3	37.0	11.3
Acquisitions/dispositions, net	(1.7)	—	(1.7)
Foreign currency translation	2.8	4.2	(1.4)
December 31, 2012	667.4	425.8	241.6
December 31, 2010	599.6	378.2	221.4
Long-term inflows	138.0	99.8	38.2
Long-term outflows	(123.3)	(93.8)	(29.5)
Long-term net flows	14.7	6.0	8.7
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—
Net flows in institutional money market funds	5.3	—	5.3
Total net flows	23.1	9.1	14.0
Market gains and losses/reinvestment	(15.0)	(12.3)	(2.7)
Foreign currency translation	(0.4)	(1.0)	0.6
December 31, 2011	607.3	374.0	233.3

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See accompanying notes immediately following these AUM tables.

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Passive AUM by Channel (2)

$ in billions	Total	Retail	Institutional
December 31, 2012	114.0	91.2	22.8
Long-term inflows	42.6	36.7	5.9
Long-term outflows	(34.0)	(27.0)	(7.0)
Long-term net flows	8.6	9.7	(1.1)
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—
Net flows in institutional money market funds	—	—	—
Total net flows	12.3	13.4	(1.1)
Market gains and losses/reinvestment	14.3	13.6	0.7
Foreign currency translation	(0.9)	—	(0.9)
December 31, 2013	139.7	118.2	21.5
December 31, 2011	96.3	76.9	19.4
Long-term inflows	29.7	24.7	5.0
Long-term outflows	(18.8)	(17.4)	(1.4)
Long-term net flows	10.9	7.3	3.6
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—
Net flows in institutional money market funds	—	—	—
Total net flows	11.1	7.5	3.6
Market gains and losses/reinvestment	7.0	6.8	0.2
Foreign currency translation	(0.4)	—	(0.4)
December 31, 2012	114.0	91.2	22.8
December 31, 2010	80.8	70.6	10.2
Long-term inflows	35.5	24.1	11.4
Long-term outflows	(21.1)	(19.3)	(1.8)
Long-term net flows	14.4	4.8	9.6
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—
Net flows in institutional money market funds	—	—	—
Total net flows	17.5	7.9	9.6
Market gains and losses/reinvestment	(2.1)	(1.6)	(0.5)
Foreign currency translation	0.1	—	0.1
December 31, 2011	96.3	76.9	19.4

See accompanying notes immediately following these AUM tables.

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Total AUM by Asset Class [1,3]

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives[4]
December 31, 2012	667.4	295.6	171.9	43.6	73.3	83.0
Long-term inflows	179.6	88.5	39.3	19.7	3.7	28.4
Long-term outflows	(157.9)	(81.5)	(37.0)	(13.6)	(3.5)	(22.3)
Long-term net flows	21.7	7.0	2.3	6.1	0.2	6.1
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—	—	—	—
Net flows in institutional money market funds	9.0	—	—	—	9.0	—
Total net flows	34.4	10.7	2.3	6.1	9.2	6.1
Market gains and losses/reinvestment	78.8	77.4	(2.2)	3.5	0.3	(0.2)
Foreign currency translation	(1.9)	(0.6)	(0.3)	0.1	(0.1)	(1.0)
December 31, 2013	778.7	383.1	171.7	53.3	82.7 [5]	87.9
Average AUM	725.6	336.0	173.9	51.2	79.4	85.1
% of total average AUM	100.0 %	46.3 %	24.0 %	7.1 %	10.9 %	11.7 %
December 31, 2011	607.3	270.4	149.0	27.2	74.0	86.7
Long-term inflows	131.9	52.5	38.9	18.3	2.7	19.5
Long-term outflows	(121.5)	(63.2)	(25.8)	(5.9)	(3.4)	(23.2)
Long-term net flows	10.4	(10.7)	13.1	12.4	(0.7)	(3.7)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	0.1	—	—	—	0.1	—
Total net flows	10.7	(10.5)	13.1	12.4	(0.6)	(3.7)
Market gains and losses/reinvestment	48.3	33.3	9.4	3.3	(0.1)	2.4
Acquisitions/dispositions, net	(1.7)	—	—	—	—	(1.7)
Foreign currency translation	2.8	2.4	0.4	0.7	—	(0.7)
December 31, 2012	667.4	295.6	171.9	43.6	73.3	83.0
Average AUM	645.3	291.8	160.1	35.3	73.1	85.0
% of total average AUM	100.0 %	45.2 %	24.8 %	5.5 %	11.3 %	13.2 %
December 31, 2010	599.6	294.0	132.0	26.6	68.3	78.7
Long-term inflows	138.0	58.1	38.8	7.4	2.2	31.5
Long-term outflows	(123.3)	(69.5)	(25.1)	(5.4)	(2.0)	(21.3)
Long-term net flows	14.7	(11.4)	13.7	2.0	0.2	10.2
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	5.3	—	—	—	5.3	—
Total net flows	23.1	(8.3)	13.7	2.0	5.5	10.2
Market gains and losses/reinvestment	(15.0)	(15.0)	3.2	(1.1)	0.2	(2.3)
Foreign currency translation	(0.4)	(0.3)	0.1	(0.3)	—	0.1
December 31, 2011	607.3	270.4	149.0	27.2	74.0	86.7
Average AUM	617.8	287.9	144.7	26.9	73.3	85.0
% of total average AUM	100.0 %	46.6 %	23.4 %	4.4 %	11.9 %	13.8 %

See accompanying notes immediately following these AUM tables.

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Passive AUM by Asset Class [3]

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives[4]
December 31, 2012	114.0	55.5	39.0	—	—	19.5
Long-term inflows	42.6	25.4	13.0	—	—	4.2
Long-term outflows	(34.0)	(16.1)	(10.1)	—	—	(7.8)
Long-term net flows	8.6	9.3	2.9	—	—	(3.6)
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	12.3	13.0	2.9	—	—	(3.6)
Market gains and losses/reinvestment	14.3	17.1	(2.4)	—	—	(0.4)
Foreign currency translation	(0.9)	—	—	—	—	(0.9)
December 31, 2013	139.7	85.6	39.5	—	—	14.6
Average AUM	126.7	69.1	41.4	—	—	16.2
% of total average AUM	100.0%	54.5%	32.7%	—%	—%	12.8%
December 31, 2011	96.3	45.6	30.0	—	—	20.7
Long-term inflows	29.7	14.0	11.2	—	—	4.5
Long-term outflows	(18.8)	(10.2)	(2.7)	—	—	(5.9)
Long-term net flows	10.9	3.8	8.5	—	—	(1.4)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	11.1	4.0	8.5	—	—	(1.4)
Market gains and losses/reinvestment	7.0	5.9	0.5	—	—	0.6
Foreign currency translation	(0.4)	—	—	—	—	(0.4)
December 31, 2012	114.0	55.5	39.0	—	—	19.5
Average AUM	110.2	55.5	34.8	—	—	19.9
% of total average AUM	100.0%	50.4%	31.6%	—%	—%	18.1%
December 31, 2010	80.8	42.8	19.8	—	—	18.2
Long-term inflows	35.5	11.1	12.1	—	—	12.3
Long-term outflows	(21.1)	(9.9)	(2.6)	—	—	(8.6)
Long-term net flows	14.4	1.2	9.5	—	—	3.7
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	17.5	4.3	9.5	—	—	3.7
Market gains and losses/reinvestment	(2.1)	(1.5)	0.7	—	—	(1.3)
Foreign currency translation	0.1	—	—	—	—	0.1
December 31, 2011	96.3	45.6	30.0	—	—	20.7
Average AUM	91.3	44.8	26.7	—	—	19.8
% of total average AUM	100.0%	49.1%	29.2%	—%	—%	21.7%

See accompanying notes immediately following these AUM tables.

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Total AUM by Client Domicile [1,6]

$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
December 31, 2012	667.4	452.5	25.2	101.9	38.8	49.0
Long-term inflows	179.6	104.7	3.8	16.3	32.1	22.7
Long-term outflows	(157.9)	(94.2)	(4.7)	(22.0)	(19.0)	(18.0)
Long-term net flows	21.7	10.5	(0.9)	(5.7)	13.1	4.7
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—	—	—	—
Net flows in institutional money market funds	9.0	6.0	0.2	(0.2)	3.1	(0.1)
Total net flows	34.4	20.2	(0.7)	(5.9)	16.2	4.6
Market gains and losses/reinvestment	78.8	48.3	4.4	16.3	5.5	4.3
Foreign currency translation	(1.9)	0.3	(1.8)	2.5	0.4	(3.3)
December 31, 2013	778.7	521.3	27.1	114.8	60.9	54.6
December 31, 2011	607.3	412.0	23.4	89.8	32.0	50.1
Long-term inflows	131.9	81.6	3.8	13.4	20.6	12.5
Long-term outflows	(121.5)	(71.4)	(5.0)	(15.2)	(14.9)	(15.0)
Long-term net flows	10.4	10.2	(1.2)	(1.8)	5.7	(2.5)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	0.1	0.6	0.1	(0.2)	—	(0.4)
Total net flows	10.7	11.0	(1.1)	(2.0)	5.7	(2.9)
Market gains and losses/reinvestment	48.3	29.5	2.3	10.4	2.5	3.6
Acquisitions/dispositions, net	(1.7)	—	—	—	(1.7)	—
Foreign currency translation	2.8	—	0.6	3.7	0.3	(1.8)
December 31, 2012	667.4	452.5	25.2	101.9	38.8	49.0
December 31, 2010	599.6	398.5	27.9	92.1	35.3	45.8
Long-term inflows	138.0	80.8	2.6	14.3	17.2	23.1
Long-term outflows	(123.3)	(71.8)	(5.7)	(13.8)	(18.4)	(13.6)
Long-term net flows	14.7	9.0	(3.1)	0.5	(1.2)	9.5
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	5.3	5.7	0.1	(0.7)	(0.1)	0.3
Total net flows	23.1	17.8	(3.0)	(0.2)	(1.3)	9.8
Market gains and losses/reinvestment	(15.0)	(4.3)	(0.8)	(1.6)	(1.6)	(6.7)
Foreign currency translation	(0.4)	—	(0.7)	(0.5)	(0.4)	1.2
December 31, 2011	607.3	412.0	23.4	89.8	32.0	50.1

See accompanying notes immediately following these AUM tables.

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Passive AUM by Client Domicile [6]

$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
December 31, 2012	114.0	107.8	0.1	—	1.1	5.0
Long-term inflows	42.6	41.8	—	—	0.7	0.1
Long-term outflows	(34.0)	(31.5)	—	—	(0.3)	(2.2)
Long-term net flows	8.6	10.3	—	—	0.4	(2.1)
Net flows in Invesco PowerShares QQQ fund	3.7	3.7	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	12.3	14.0	—	—	0.4	(2.1)
Market gains and losses/reinvestment	14.3	13.4	—	—	0.3	0.6
Foreign currency translation	(0.9)	—	—	—	—	(0.9)
December 31, 2013	139.7	135.2	0.1	—	1.8	2.6
December 31, 2011	96.3	89.6	—	—	1.3	5.4
Long-term inflows	29.7	29.0	0.1	—	0.2	0.4
Long-term outflows	(18.8)	(17.7)	—	—	(0.6)	(0.5)
Long-term net flows	10.9	11.3	0.1	—	(0.4)	(0.1)
Net flows in Invesco PowerShares QQQ fund	0.2	0.2	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	11.1	11.5	0.1	—	(0.4)	(0.1)
Market gains and losses/reinvestment	7.0	6.7	—	—	0.2	0.1
Foreign currency translation	(0.4)	—	—	—	—	(0.4)
December 31, 2012	114.0	107.8	0.1	—	1.1	5.0
December 31, 2010	80.8	77.3	—	—	1.2	2.3
Long-term inflows	35.5	31.7	—	—	0.5	3.3
Long-term outflows	(21.1)	(20.7)	—	—	(0.4)	—
Long-term net flows	14.4	11.0	—	—	0.1	3.3
Net flows in Invesco PowerShares QQQ fund	3.1	3.1	—	—	—	—
Net flows in institutional money market funds	—	—	—	—	—	—
Total net flows	17.5	14.1	—	—	0.1	3.3
Market gains and losses/reinvestment	(2.1)	(1.8)	—	—	—	(0.3)
Foreign currency translation	0.1	—	—	—	—	0.1
December 31, 2011	96.3	89.6	—	—	1.3	5.4

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(1) On December 31, 2013, the company completed the sale of Atlantic Trust. All AUM amounts quoted in the tables presented exclude the AUM of the discontinued operations, Atlantic Trust. As of December 31, 2012, the excluded Atlantic Trust total AUM were $20.3 billion ($18.0 billion at December 31, 2011; $16.9 billion at December 31, 2010) with $18.5 billion in balanced at December 31, 2012 ($17.4 billion at December 31, 2011: $16.9 billion at December 31, 2010) and $1.8 billion in equity at December 31, 2012 ($0.6 billion at December 31, 2011; none at December 31, 2010).

(2) Channel refers to the internal distribution channel from which the AUM originated. Retail AUM represents AUM distributed by the company's retail sales team. Institutional AUM represents AUM distributed by our institutional sales team. This aggregation is viewed as a proxy for presenting AUM in the retail and institutional markets in which the company operates.

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

(4) See Item 1, “Business - Investment Management Capabilities” for a description of the investment objectives included within the Alternatives asset class.

(5) Ending Money Market AUM includes $76.1 billion in institutional money market AUM and $6.6 billion in retail money market AUM.

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

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Results of Operations for the Years Ended December 31, 2013 compared to December 31, 2012 compared to December 31, 2011

To assist in the comparisons, the discussion that follows will separate the impact of CIP from the overall consolidated results of operations. The impact is illustrated in the tables immediately below by a column which shows the dollar-value change in the consolidated figures, as caused by the consolidation of CIP. For example, the impact of CIP on total operating revenues for the year ended December 31, 2013 was a reduction of $37.9 million. This indicates that the consolidation of CIP reduced consolidated revenues by $37.9 million, reflecting the elimination upon consolidation of the operating revenues earned by Invesco for managing these investment products. The discussion below includes the use of non-GAAP financial measures. See “Schedule of Non-GAAP Information” for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Summary of Income Statement Impact of CIP

$ in millions	December 31, 2013 Impact of CIP	December 31, 2013 Invesco Ltd. Consolidated	December 31, 2012 Impact of CIP	December 31, 2012 Invesco Ltd. Consolidated	December 31, 2011 Impact of CIP	December 31, 2011 Invesco Ltd. Consolidated
Total operating revenues	(37.9)	4,644.6	(41.0)	4,050.4	(47.2)	3,982.3
Total operating expenses	34.9	3,524.4	31.5	3,207.8	13.0	3,100.2
Operating income	(72.8)	1,120.2	(72.5)	842.6	(60.2)	882.1
Equity in earnings of unconsolidated affiliates	(2.5)	35.5	0.5	29.7	(0.2)	30.5
Interest and dividend income	(5.5)	10.0	(12.3)	9.8	(8.3)	11.0
Interest expense	—	(44.6)	—	(52.3)	—	(61.8)
Other gains and losses, net	(11.8)	2.6	(8.7)	8.3	—	49.0
Other income/(loss) of CSIP, net	—	2.9	—	—	—	—
Interest and dividend income of CIP	190.0	190.0	258.5	258.5	307.2	307.2
Interest expense of CIP	(123.3)	(123.3)	(168.3)	(168.3)	(187.0)	(187.0)
Other gains/(losses) of CIP, net	61.9	61.9	(97.7)	(97.7)	(138.9)	(138.9)
Income from continuing operations before taxes	36.0	1,255.2	(100.5)	830.6	(87.4)	892.1
Income tax provision	—	(336.9)	—	(261.4)	—	(280.0)
Income from continuing operations, net of taxes	36.0	918.3	(100.5)	569.2	(87.4)	612.1
Income from discontinued operations, net of taxes	—	64.5	—	18.1	—	9.9
Net income	36.0	982.8	(100.5)	587.3	(87.4)	622.0
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(44.7)	(42.5)	89.8	89.8	107.6	107.7
Net income attributable to common shareholders	(8.7)	940.3	(10.7)	677.1	20.2	729.7

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Operating Revenues and Net Revenues

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

	Years ended December 31,			Variance 2013 vs 2012		2012 vs 2011	
$ in millions	2013	2012	2011	$ Change	% Change	$ Change	% Change
Investment management fees	3,599.6	3,127.8	3,040.7	471.8	15.1 %	87.1	2.9 %
Service and distribution fees	872.8	771.6	780.2	101.2	13.1 %	(8.6)	(1.1)%
Performance fees	55.9	41.4	26.0	14.5	35.0 %	15.4	59.2 %
Other	116.3	109.6	135.4	6.7	6.1 %	(25.8)	(19.1)%
Total operating revenues	4,644.6	4,050.4	3,982.3	594.2	14.7 %	68.1	1.7 %
Third-party distribution, service and advisory expenses	(1,489.2)	(1,308.2)	(1,279.4)	(181.0)	13.8 %	(28.8)	2.3 %
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	51.7	37.5	41.4	14.2	37.9 %	(3.9)	(9.4)%
CIP	37.9	41.0	47.3	(3.1)	(7.6)%	(6.3)	(13.3)%
Other reconciling items	7.0	15.3	—	(8.3)	(54.2)%	15.3	N/A
Net revenues	3,252.0	2,836.0	2,791.6	416.0	14.7 %	44.4	1.6 %

Operating revenues increased by 14.7% in the year ended December 31, 2013 to $4,644.6 million (year ended December 31, 2012: $4,050.4 million). Net revenues increased by 14.7% in the year ended December 31, 2013 to $3,252.0 million (year ended December 31, 2012: $2,836.0 million). Operating revenues increased by 1.7% in the year ended December 31, 2012 to $4,050.4 million (year ended December 31, 2011: $3,982.3 million). Net revenues increased by 1.6% in the year ended December 31, 2012 to $2,836.0 million (year ended December 31, 2011: $2,791.6 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, CIP, plus other reconciling items. See "Schedule of Non-GAAP Information" for additional important disclosures regarding the use of net revenues.

A significant portion of our business and AUM is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling, Canadian Dollar, Euro and Japanese Yen will impact our reported revenues and expenses from period to period. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements decreased operating revenues by $47.4 million, equivalent to 1.0% of total operating revenues, during the year ended December 31, 2013 when compared to the year ended December 31, 2012 ($20.8 million decrease in 2012 as compared to 2011, or 0.5% of 2012 total operating revenues). Additionally, our revenues are directly influenced by the level and composition of our AUM. Therefore, movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period. The returns from most global capital markets increased in the year ended December 31, 2013. These market value increases, combined with net new business inflows, contributed to a 12.4% increase in average AUM for 2013 when compared to 2012.

The company acquired Morgan Stanley's retail asset management business, including Van Kampen Investments (the "acquired business" or the "acquisition") on June 1, 2010. As part of the acquisition-related U.S. mutual fund product alignment, certain 1 year and 2 year fee waivers were agreed between the company and the fund boards which reduced the company's annual management fees by approximately $30 million commencing June 1, 2011. These fee waivers began to expire during mid-2012 and have fully lapsed by the end of 2013.

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Investment Management Fees

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

Investment management fees increased by $471.8 million (15.1%) in the year ended December 31, 2013, to $3,599.6 million (year ended December 31, 2012: $3,127.8 million). This compares to a 12.4% increase in average AUM and a 12.9% increase in average long-term AUM. As discussed above, the net revenue yield is higher in the year ended December 31, 2013 when compared to the year ended December 31, 2012 due to changes in the composition of our AUM. In addition, management fees were reduced commencing in June 2011 due to acquisition integration-related U.S. mutual fund mergers, and continuing through mid-2012, negatively impacting yields in 2012 as compared to 2013. See the company's disclosures regarding the changes in AUM and revenue yields during the year ended December 31, 2013 in the “Assets Under Management” section above for additional information regarding the movements in AUM. The impact of foreign exchange rate movements decreased investment management fees by $41.3 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

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

Service and Distribution Fees

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

In the year ended December 31, 2013, service and distribution fees increased by $101.2 million (13.1%) to $872.8 million (year ended December 31, 2012: $771.6 million) due primarily to increases in distribution and redemption fees of $42.5 million, administration and custodial fees of $49.6 million and transfer agency fees of $12.3 million. The impact of foreign exchange rate movements decreased service and distribution fees by $3.2 million during the year ended December 31, 2013. The fee increases in 2013 are attributable to the increases in average AUM and the expiration of fund waivers noted above.

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

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Performance Fees

Performance fee revenues are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues as of the performance measurement date, when the contractual performance criteria have been met and when the outcome of the transaction can be measured reliably in accordance with Method 1 of ASC Topic 605-20-S99, "Revenue Recognition - Services - SEC Materials." Cash receipt of earned performance fees occurs after the measurement date. The performance measurement date is defined in each contract in which incentive and performance fee revenue agreements are in effect. We have performance fee arrangements that include monthly, quarterly and annual measurement dates. Given the uniqueness of each transaction, performance fee contracts are evaluated on an individual basis to determine if revenues can and should be recognized. Performance fees are not recorded if there are any future performance contingencies. If performance arrangements require repayment of the performance fee for failure to perform during the contractual period, then performance fee revenues are recognized no earlier than the expiration date of these terms. Performance fees will fluctuate from period to period and may not correlate with general market changes, since most of the fees are driven by relative performance to the respective benchmark rather than by absolute performance. Of our $778.7 billion in AUM at December 31, 2013, approximately $47.8 billion or 6.1%, could potentially earn performance fees.

In the year ended December 31, 2013, performance fees increased by $14.5 million (35.0%) to $55.9 million (year ended December 31, 2012: $41.4 million). The performance fees generated in 2013 arose primarily due to products managed by the following investment teams: U.K. Equities ($36.7 million), Global Quantitative Equity ($4.4 million), Australian Equity ($3.4 million), Direct Real Estate ($1.6 million), Fixed Income ($6.5 million) and various other teams ($3.3 million).

During the year ended December 31, 2013, performance fees included £11.5 million (equivalent to $17.5 million when recorded in March 2013) from Edinburgh Investment Trust plc. The company has agreed to a reduction in the performance fee receivable from the Trust in relation to the Trusts' year ending March 31, 2014, with no performance fees in future years. The maximum performance fee receivable, if any, in the year ended December 31, 2014 will be £4.0 million (equivalent to $6.6 million at the year-end exchange rate).

In the year ended December 31, 2012, performance fees increased by $15.4 million (59.2%) to $41.4 million (year ended December 31, 2011: $26.0 million). The performance fees generated in 2012 arose primarily due to products managed by the following investment teams: Fixed Income ($16.5 million), U.K. Equities ($12.7 million) and Direct Real Estate ($7.9 million).

Other Revenues

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

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

In the year ended December 31, 2013, other revenues increased by $6.7 million (6.1%) to $116.3 million (year ended December 31, 2012: $109.6 million). The impact of foreign exchange rate movements offset the increase in other revenues $1.0 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. After allowing for foreign exchange rate changes, the increase in other revenues was $7.7 million. The increase in other revenues include increases in transaction commissions of $2.0 million generated by our private equity group, UIT revenues of $3.5 million, mutual funds front end fees of $6.3 million and other revenues of $1.1 million, partially offset by decreases in real estate acquisition and disposition fees of $5.2 million during the year ended December 31, 2013 compared to the year ended December 31, 2012.

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

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

Third-Party Distribution, Service and Advisory Expenses

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

Third-party distribution, service and advisory expenses increased by $181.0 million (13.8%) in the year ended December 31, 2013 to $1,489.2 million (year ended December 31, 2012: $1,308.2 million). The impact of foreign exchange rate movements decreased third-party distribution, service and advisory expenses by $14.7 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. After allowing for foreign exchange rate changes, the increase in third-party distribution, service and advisory expenses was $195.7 million. The increase includes increases in renewal commissions of $109.4 million, distribution fees of $70.6 million, transfer agent fees of $11.6 million, external commissions of $5.0 million and administration fees of $0.9 million. The increases are offset by decreases in sub advisory fees of $1.8 million. The overall increase is reflective of the higher related retail management fees and service and distribution fees.

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

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

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

"Invesco Great Wall" joint venture).

Our proportional share of revenues, net of third-party distribution expenses, from joint venture investments increased by $14.2 million (37.9%) to $51.7 million for the year ended December 31, 2013 (year ended December 31, 2012: $37.5 million). The increase moved in line with our share of the Invesco Great Wall joint venture's average AUM for the year ended December 31, 2013, which was $4.0 billion compared to $3.0 billion at the year ended December 31, 2012.

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

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Management, performance and other fees earned from CIP

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

The elimination of management and performance fees earned from CIP decreased by $2.7 million to $38.3 million in the year ended December 31, 2013 (year ended December 31, 2012: $41.0 million). The decrease is primarily due to the impact of funds deconsolidated during the year ended December 31, 2012. Once the funds are deconsolidated, the management and performance fees are no longer eliminated and are reflected in the respective revenue line items in the Consolidated Statements of Income.

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

Operating Expenses

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

	Years ended December 31,			Variance 2013 vs 2012		2012 vs 2011	
$ in millions	2013	2012	2011	$ Change	% Change	$ Change	% Change
Employee compensation	1,329.3	1,228.0	1,180.7	101.3	8.2 %	47.3	4.0 %
Third-party distribution, service and advisory	1,489.2	1,308.2	1,279.4	181.0	13.8 %	28.8	2.3 %
Marketing	98.6	102.2	85.3	(3.6)	(3.5)%	16.9	19.8 %
Property, office and technology	292.8	265.1	242.9	27.7	10.4 %	22.2	9.1 %
General and administrative	311.3	296.1	282.5	15.2	5.1 %	13.6	4.8 %
Transaction and integration	3.2	8.2	29.4	(5.0)	(61.0)%	(21.2)	(72.1)%
Total operating expenses	3,524.4	3,207.8	3,100.2	316.6	9.9 %	107.6	3.5 %

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

$ in millions	2013	% of Total Operating Expenses	% of Operating Revenues	2012	% of Total Operating Expenses	% of Operating Revenues	2011	% of Total Operating Expenses	% of Operating Revenues
Employee compensation	1,329.3	37.7 %	28.6 %	1,228.0	38.3 %	30.3 %	1,180.7	38.1 %	29.6 %
Third-party distribution, service and advisory	1,489.2	42.3 %	32.1 %	1,308.2	40.8 %	32.3 %	1,279.4	41.3 %	32.1 %
Marketing	98.6	2.8 %	2.1 %	102.2	3.2 %	2.5 %	85.3	2.8 %	2.1 %

Property, office and technology	292.8	8.3	%	6.3	%	265.1	8.3	%	6.5	%	242.9	7.8	%	6.1	%
General and administrative	311.3	8.8	%	6.7	%	296.1	9.2	%	7.3	%	282.5	9.1	%	7.1	%
Transaction and integration	3.2	0.1	%	0.1	%	8.2	0.2	%	0.2	%	29.4	0.9	%	0.7	%
Total operating expenses	3,524.4	100.0	%	75.9	%	3,207.8	100.0	%	79.1	%	3,100.2	100.0	%	77.7	%

During the year ended December 31, 2013, operating expenses increased by $316.6 million (9.9%) to $3,524.4 million (year ended December 31, 2012: $3,207.8 million). Excluding marketing and transaction and integration, all expense categories increased

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in 2013 when compared to 2012. The impact of foreign exchange rate movements offset the increase in operating expenses by $40.2 million, or 1.1% of total operating expenses, during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

During the year ended December 31, 2012, operating expenses increased by $107.6 million (3.5%) to $3,207.8 million (year ended December 31, 2011: $3,100.2 million). Excluding transaction and integration, all expense categories increased in 2012 when compared to 2011. The impact of foreign exchange rate movements offset the increase in operating expenses by $22.9 million, or 0.7% of total operating expenses, during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Employee Compensation

Employee compensation includes salary, cash bonuses and share-based payment plans designed to attract and retain the highest caliber employees. Employee staff benefit plan costs and payroll taxes are also included in employee compensation.

Employee compensation increased $101.3 million (8.2%) to $1,329.3 million in the year ended December 31, 2013 (year ended December 31, 2012: $1,228.0 million). The impact of foreign exchange rate movements offset the increase in employee compensation by $17.4 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. After allowing for foreign exchange rate changes, the increase in employee compensation was $118.7 million.

Direct compensation increased $101.9 million and includes increases in annual cash bonuses of $59.5 million, base salaries of $13.7 million, sales commissions of $11.5 million, share-based costs of $2.9 million and other deferred compensation costs of $11.9 million during the year ended December 31, 2013 when compared to the year ended December 31, 2012. Improved company performance was the primary reason for the increase in compensation. Direct compensation also included a $3.5 million increase in signing and severance costs and $3.1 million increase in bonuses linked to performance fee revenues, offset by a $4.5 million reduction in vacation expense during the year ended December 31, 2013 when compared to the year ended December 31, 2012. Other employee compensation increases included a $9.2 million increase in payroll taxes related to increased compensation costs and a $5.8 million increase in staff relocation costs during the year ended December 31, 2013 as compared to the year ended December 31, 2012, related primarily to relocations of several U.S. based groups.

Employee compensation increased $47.3 million (4.0%) to $1,228.0 million in the year ended December 31, 2012 (year ended December 31, 2011: $1,180.7 million). The impact of foreign exchange rate movements offset the increase in employee compensation by $10.9 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. After allowing for foreign exchange rate changes, the increase in employee compensation was $58.2 million. Direct compensation increased $64.2 million and includes increases in share-based costs of $22.0 million and other deferred compensation costs of $12.6 million during the year ended December 31, 2012 when compared to the year ended December 31, 2011. The increase in share-based and deferred cash compensation costs in 2012 includes the impact of 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 change accounts for approximately $17.6 million of the increase in share-based and other deferred compensation expense. The increase in deferred cash compensation also includes $8.1 million from the appreciation of the deferred liability as the return to the employee is linked to specific investments, typically the funds managed by the employee. The remaining increase in share-based and deferred compensation costs reflects the increased use of deferred awards for staff retention purposes. Other changes in direct compensation were an increase in sales commissions of $16.8 million, a $2.6 million increase in bonuses linked to performance fee revenues, $6.3 million increase in base salaries and a $5.4 million reduction in annual cash bonuses during the year ended December 31, 2012 when compared to the year ended December 31, 2011. The increase in direct compensation expense was partly offset by decreases in staff benefits and related expense of $6.1 million that included a $15.0 million reduction in amortization of prepaid compensation related to the 2006 acquisition of W.L. Ross & Co., which was fully amortized as of September 30, 2011. The reduced amortization expense was partly offset by a $2.6 million increase in staff medical insurance and a $4.4 million increase in staff relocation costs during the year ended December 31, 2012 as compared to the year ended December 31, 2011. Staff related expenses in 2012 included termination costs of $18.5 million.

Headcount, on a continuing operations basis, at December 31, 2013 was 5,932 (years ended December 31, 2012 and December 31, 2011: 5,889 and 5,917 respectively). The company had 6,128 and 6,162 employees for the years ended December 31, 2012 and December 31, 2011, respectively, including employees of Atlantic Trust.

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 include the cost of direct advertising of our products through trade publications, television and other media, and public relations costs, such as the marketing of the company's products through conferences or other sponsorships, and the cost of marketing-related employee travel.

Marketing expenses decreased by $3.6 million (3.5%) in the year ended December 31, 2013 to $98.6 million (year ended December 31, 2012: $102.2 million). Excluding the impact of foreign exchange rate movements of $0.7 million, the decrease in marketing expenses was $2.9 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

The decrease during the year ended December 31, 2013 includes decreases in sales literature and research of $1.7 million, marketing travel and entertainment expenses of $1.7 million, other marketing costs of $1.7 million and corporate sponsorships of $0.7 million. These were offset by increases in client event expenses of $2.5 million, driven by advertising campaigns as we focused on specific product awareness, and advertising expense increases of $0.4 million compared to the year ended December 31, 2012, which includes $2.0 million of fourth-quarter 2013 advertising costs related to new product launches.

Marketing expenses increased by $16.9 million (19.8%) in the year ended December 31, 2012 to $102.2 million (year ended December 31, 2011: $85.3 million). The impact of foreign exchange rate movements offset the increase in marketing expenses by $1.1 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. After allowing for foreign exchange rate changes, the increase in marketing expenses was $18.0 million. Marketing expenses in 2011 included a $13.4 million expense credit as a result of the termination of the company's sponsorship and naming rights commitments related to a sports stadium in Denver, Colorado. Other marketing expenses increases were advertising expense of $4.7 million, client event expenses of $3.2 million, sales literature and research of $1.2 million and other marketing costs of $1.2 million as compared to the year ended December 31, 2011.

Property, Office and Technology

Property, office and technology expenses include rent and utilities for our various leased facilities, depreciation of company-owned property, capitalized software and computer equipment costs, minor non-capitalized computer equipment and software purchases and related maintenance payments, and costs related to externally provided operations, technology, and other back office management services.