INVESCO INC

Moderator: Marty Flanagan
April 23, 2020
8:00 am CT

Aimee Partin: Good morning and thank you all for joining us. As a reminder, this conference call and the related presentation may include forward-looking statements, which reflect management's expectations about future events and overall operating plans and performance. These forward-looking statements are made as of today and are not guaranteed. They involve risks, uncertainties and assumptions and there can be no assurance that actual results will not differ materially from our expectations. For discussion of these risks and uncertainties, please see the risk described in our most recent form 10-K and subsequent filings at the SEC. Invesco makes no obligation to update any forward-looking statements. We may also discuss non-GAAP financial measures during today's call. Reconciliations of these non-GAAP financial measures may be found at the end of our earnings presentation.

Operator: Welcome to Invesco's First Quarter Results Conference Call. All participants will be in a listen-only mode until the question-and-answer session. At that time, to ask a question, press star 1. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now, I'd like to turn over the call to your speakers for today, Martin Flanagan; President and CEO of Invesco, Loren Starr; Chief Financial Officer, Colin Meadows; Senior Managing Director and head of Global Institutional and Private Markets, Andrew Schlossberg; Senior Managing Director and Head of Americas and Greg McGreevey; Senior Managing Director-Investments.

Mr. Flanagan, you may begin.

Martin Flanagan: Thanks very much and thanks, everybody, for joining. I will spend a few minutes talking about the environment in the quarter; Loren will spend the bulk of the time talking about the results. Colin has joined and he's going to talk about the institutional business, Andrew will talk about the Americas, Greg will also join us and be available for questions and I am most especially pleased to introduce Allison Dukes, who joined Invesco as Deputy CFO and will be taking over as Senior Managing Director and CFO on August 1 when Loren Starr takes on a new role as Vice Chairman.

I would note that we're not in the same room and are taking the call from different locations, as you would imagine in this environment. And you're also welcome to follow along, using the presentation that's available on the website.

First, I hope you, your families and your colleagues are safe and healthy during this unprecedented, challenging time. We've been intensely focused on protecting our employees and their families while we continue to robustly engage with our clients, serving them in any way possible in this highly turbulent environment.

We began dealing with the COVID-19 virus from the time it first impacted our business in China in January. Several weeks ago, we reached the point where literally 99% of our workforce was working from home. The operating outcomes have been outstanding – a testament to my colleagues and the strength of our global operating platform. Despite working in this remote environment, we have been highly engaged with our clients around the world, supporting them in any way necessary during this period. We've had thousands of digital and personal interactions with our clients since the start of this crisis, which have been incredibly effective, and this experience will no doubt change

permanently how we operate and interact with clients going forward.

Financial pressures and the client demand presented by the coronavirus will only accelerate the global trend where global multi-channel, multi-capability firms with operating scale will grow in the years ahead. For the past decade, we've had the discipline to act on our high conviction industry views of the investment business ahead of key macro trends. This has positioned us well and helped us achieve record operating results in 2019.

So today, we have a diversified platform, with 90% of our business in key growth areas when you look to the future, including our leading presence in China, our leading global ETF and factor franchise, a broad range of global equity international and emerging market equity, alternative capabilities, strong fixed-income, liquidity capabilities and our leading digital wealth platform.

Our equities over the past years have placed us in a very strong position to manage through the current crisis while continuing to meet our client needs. The resilience of our employees, the strength of our client relationship, and the breadth of our capabilities were reflected in our solid operating results and stable total flows during the quarter, with net outflows of only $2 billion. Despite the extreme market volatility, long-term gross growth increased nearly 40% to a record $87.4 billion, resulting in net inflows in a number of diverse areas for the quarter, including institutional, China JV, money funds, ETFs and global fixed income in particular.

Long-term investment performance during the quarter remained strong in capabilities with high demand, which would include international equities, emerging markets and a number of fixed income capabilities.

In light of the current operating environment, a key priority for us is supporting our long-term financial strength and flexibility to ensure we continue to operate for the benefit of our clients and shareholders.

Last year, we captured $500 million in efficiencies post the Oppenheimer transaction, creating operating scale as we entered 2020. This was a significant achievement and we hit the targets as scheduled.

Since the start of the COVID-19 crisis, we've been executing on some tactical opportunities across our expense base, while working in the uncertain environment to create further operating flexibility and strengthen our liquidity position. We see these actions as creating roughly $80 million in average quarterly expense savings relative to guidance we previously provided for 2020, and this includes variable compensation in a number of discretionary expense areas. Loren will provide more detail later on in the call.

Importantly, beyond these short-term tactical responses, we're building on the program we started with the integration of Oppenheimer to leverage our experience and drive further efficiencies and scale into our operating platform and I'm confident in the experience of the team and the track records.

In addition to these expense measures, we believe it's imperative to maintain financial flexibility during this uncertain market period and let me highlight a few of those.

First, our partnership with MassMutual continues to yield positive results, including the recent approval of $425 million in capital for real estate strategies and ongoing discussions about further investments across our alternative platform. These investments and other risks that may follow due to the strength of our growing partnership and capabilities. We also plan to redeem approximately $200 million of seed capital from certain of our investment products during the remainder of the year.

And finally, we will reduce our quarterly common dividend from $0.31 per share to $0.155 per share, which will establish a sustainable dividend going forward and provide almost $300 million in cash annually. Loren will touch more on our decision to reduce the common dividend. But I want to say upfront, this is a proactive decision we're making. Our liquidity is good [Technical Issues] and protection should the market deteriorate from here.

It is clear that 2020 will turn out to be a much more challenging than any one of us ever would have anticipated. These combined actions will help us maintain financial flexibility, build ample liquidity, further strengthen our balance sheet through the present uncertain environment, which will allow us to continue to operate from a position of strength.

So, with that, let me turn it over to Loren, who will run through some of the details of the results.

Loren Starr: Thanks, Marty. So before I cover the topic of flows, expenses and capital management, I want to pause on investment performance slide which is slide five of the deck that we posted on the Web site. You'll see our long-term investment performance does remain strong at the end of March.

We reported 60% and 69% of our capabilities and the top half appears for the five-year and 10-year time period and that's up slightly from the end of 2019. Marty talked about our diversified global platform with exposure to the industry’s key growth areas. Our platform is aligned with these growth trends. It is in these areas that were delivering strong investment performance, particularly in global emerging markets and international equities, global fixed-income, liquidity and alternatives.

So next let's move on to flows, as you can see on slide seven, we had net inflows in our institutional channel, and we continue to see positive net long-term flows in Asia-Pacific. Positive net flows of $11.2 billion in our institutional business

were driven by the partial funding of a previously disclosed Amalgamated solutions win. We also saw inflows into our stable value products, as well as other active fixed-income mandates.

Additionally, we had just under a billion dollars in net long-term inflows into our China joint venture driven by our balanced funds, but also across equities and fixed-income products. Colin is going to talk a little bit more about the institutional business a bit later.

Our retail flows do remain challenged in the quarter. You'll see $30.3 billion in net retail outflows that was driven by ETF net outflows of $6 billion, which did include $1 billion from previously disclosed ETF closures. We also saw outflows in OFI global equity funds, senior loan funds, U.K. equities and high-yield muni funds.

Our ETF product range in the U.S. is weighted to do domestic U.S. equity and that was impacted by the flight-to-liquidity in the period. Offsetting this was $2 billion in net inflows in our European commodities ETFs, particularly in our physical gold ETF. In fact, we were number two in terms of new assets and new flows in ETFs in the EMEA market. And you'll hear Andrew talk a little bit more about the wealth management in Americas business a little bit later in the presentation.

So next, let's move to revenues and expenses, turning to slide eight. You'll observe that our results were impacted by the reduced market value of our AUM. The decline in revenues in the quarter was driven by lower average AUM, one less day in the quarter than in 4Q 2019, and lower performance fees relative to the prior quarter.

It's important to note that the impact of the March market declines and the flight

to liquidity were actually quite impactful to our mix and the level of AUM as we enter the second quarter. In fact, the pro forma net revenue yield reduction due to market and mix in the month of March alone is approximately two basis points in net revenue yield and you will see that on a go-forward basis.

In addition, to the impact of the market decline in the period, the weakening of the pound and euro against the U.S. dollar in Q1 impacted operating expenses. We saw operating expenses flex down in the period a net 2$9 million and that was comprised of a $40 million combined market and FX impact, which was offset by a net $11 million increase in other expenses, largely in compensation. As you know, compensation is expense is typically higher in the first quarter due to the seasonality of payroll taxes.

So in light of the uncertainty in the market and the economic environment, we have undertaken a thoughtful review of our operating expense space that are focused on what we can do in the near term to minimize costs.

We've determined that we will freeze hiring for the time being. Additionally, we're aggressively managing discretionary expenses and reviewing other aspects of the firm's expense space.

So you'll remember in the last quarter, we offered quarterly run rate operating expense guidance of $755 million a quarter. We now expect our quarterly operating expenses to be approximately $80 million per quarter lower on average for the remaining quarters of 2020, largely due to the lower compensation, as well as the reduced G&A and marketing line items.

These expense numbers were based on market on FX levels as of March 31st and they will, of course, fluctuate up and down based on seasonality in the certain areas of spent. Now, a portion of that reduced expense space is tied to

the temporary suspension of travel, events, consulting and other spending affected by this unusual environment.

We remain highly focused on identifying additional discretionary and structural levers that we can pull such that we deliver most effectively and efficiently for our clients both in the present environment and longer-term.

Let me move on to slide nine and briefly point out that non-operating factors impacted our EPS by about $0.14 and that was driven by non-cash mark-to-market loss on our seed portfolio, as well as an elevated tax rate this quarter. The 27.9% in Q1 tax rates, that was elevated to two primary reasons: our lower share price resulted in less of a deduction on the vesting of shares and the fact that our seed capital is domiciled in Bermuda, where there is no tax deduction for the seed mark-to-market losses. We would expect the tax rate to return to the 23% level going forward.

And moving on to slide 10, let's get to capital management. You will see that we have a credit facility balance of approximately $500 million at the end of the quarter, reflecting the typical Q1 drawdown on our facility to fund annual bonus payments, as well as we also had $190 million prepayment of a portion of our forward contract liabilities with respect to the share repurchases we made last year.

As Marty mentioned, we determined to reduce our common dividends to allow us financial flexibility and to strengthen our balance sheet. This is a very thoughtful decision and one that we believe is both proactive and prudent in the present environment. I want to spend just a few minutes walking through some of the considerations that led to this decision.

First, in light of the present uncertain market environment, a reduction in

dividend allows us to preserve liquidity and enhance financial flexibility. It also reflects a more balanced payout ratio, given lower expected earnings as a result of the March ending AUM level. This action around our dividend also allows us to target the common dividend payout ratio about 40% to 60%. Over time and as market conditions firm, the enhanced liquidity will give us flexibility to further strengthen our balance sheet, with an eye towards improving our leverage profile and continuing to invest in the business for growth.

We're committed to a sustainable dividend and return of capitals to our shareholders. We do not anticipate additional share buybacks in 2020. Reducing our common dividend leaves us with ample capacity to buy back stock in the future, however.

So the combination of a dividend reduction, continued focus on expense management and our operating cash flow generation creates ample cushion for liquidity and provides us with financial flexibility.

We generate significant cash flow each quarter and I wanted to just take a moment to walk you through a few key elements on a cash flow. As a reminder, our net income includes some fairly significant non-cash elements, particularly this quarter with $74 million in non-cash seed money market declines. In addition, net income includes deduction of $48 million for non-cash depreciation and amortization and $47 million for non-cash share-based compensation expenses.

Also, as part of our efforts to improve our financial strength. We're looking to redeem about $200 million of seed money investments, all done without impacting our clients. That will be done in 2020. It's also important to keep in mind, as I mentioned a moment ago, then the first quarter we prepaid $190 million of the forward share repurchased liability in connection with posting

additional collateral. We have a remaining $220 million obligation, which is net of $90 million of collateral that we posted, which will be fully settled by April of 2021.

And then finally and perhaps most importantly, we have no debt maturities until Q4 of 2022. The combination of our actions this quarter puts us in a position to be thoughtful about managing our capital structure, improving our leverage profile, and also improving the ability to reduce our revolver borrowings to zero, and to pay off our 2020 maturity.

We're not committing to any specific actions right now in our capital structure. It would be premature, but our objective is to maintain flexibility through a volatile environment. Nevertheless, we feel good about the optionality that we will have to strengthen our balance sheet while further improving liquidity.

So in summary, we remain prudent and diligent in our approach to expense in capital management. The steps that we're taking will further strengthen our balance sheet and provide us with enhanced liquidity to manage through the market volatility and uncertainty, while allowing us to create flexibility for investment and growth in the future for our business.

So let me now turn it over to Colin, who will have a discussion about institutional business. Colin?

Colin Meadows: Thank you, Loren. I would like to echo my colleagues, folks, that all of you are staying healthy and safe in this challenging time. Our institutional business had a strong quarter as our clients, by and large, are taking a measured long-term view in line with their investment objectives. We realized gross flows to 26.9 billion in the quarter with mandate funding in a variety of strategies, including custom solutions, stable values, investment period credits and real estate.

Redemptions stayed largely in line with prior quarters of $15.7 billion largely results of accounting decisions. These results allowed us to realize long-term net flows of $11.2 billion in the first quarter. We also saw a significant net flows of $26.3 billion into liquidity products as clients look to ensure financial flexibility through the crisis.

A growing share of these flows resulted from direct liquidity mandates, which will provide us with the opportunity to help our clients meet their diverse investment objectives as they eventually transition these assets into other strategies. Our won not funded pipeline remains very robust at $31.9 billion. Our focus on becoming trusted partner to our institutional clients has resulted in wins across the variety of strategies, including factors, solutions, alternatives and fixed income. This result compared favorably to prior periods as it's twice our won not funded pipeline a year ago this quarter and it's a 20% increase over our pipeline in the fourth quarter.

We're especially encouraged that institutional clients have remained engaged through the crisis as $14 billion of that total are mandates that were won in the first quarter.

As a result of the COVID-19 crisis and social distancing measures across the globe, we're transitioned to a completely digital engagement model and institutional clients have responded. We posted 20 webinars and webcasts that have attracted over 2,000 clients globally. Our weekly market close webinars have been particularly impactful as we responded to client areas of interest, including investment implications of COVID-19, updates on global financial markets, government and regulatory interventions and implications for key investment strategies and products.

Institutional clients are increasingly looking beyond the crisis to understand what's next for their portfolios and member plans. Clients have expressed interest in a diversity of strategies, including multi-assets, stress credit, real assets, EM equity and liquidity.

We're also working closely with our Invesco Solutions team to engage clients on changes to the investment priorities and portfolios and are introducing Invesco Vision, our portfolio analytics tool, to these conversations to provide real-time modeling of various scenarios.

We believe that supporting our clients as partners (through all) environments to allow us to deepen these important relationships and ensure client success. Now, I'll turn it over to Andrew Schlossberg to discuss our Americas work management and global ETFs business. Over to you, Andrew.

Andrew Schlossberg: Great. Thank you, Colin. And I'll refer to page 12 for some of my comments. However, before discussing the flow results, I'd like to take a moment to describe how our Americas wealth management intermediary team is matching off with the marketplace. The strength of our newly formed distribution group, our consolidated and diverse product lines and our total client experience strategy that were all put in place late last year were in full force in the first quarter and delivered with much success against multiple market environments over the past few months.

Through the combination last year of Invesco and Oppenheimer, we've built a distribution engine that is pointed to the future. It's comprised of top talent in the industry. We reapportioned resources to key channels and clients and we're deploying both traditional and more digitally inclined coverage models and tools to the marketplace.

Our go-to-market strategy in the North American wealth management platform and advisor market is anchored on a differentiated three-part client experience model, which includes investment insights and thought leadership, portfolio risk and positioning through asset allocation and investment analytics capabilities, and business consulting for advisors to help them grow and manage their practice.

And while our distribution model was not designed to be a hundred percent virtual in its client engagement, we've been operating in this format since early March. We're deploying this distribution strategy now digitally, with really strong success. And feedback over the past six months has been positive. It confirms to us that the winners in this space will need to have scale going forward to maintain strong relationships. We'll need to have advanced technology for both client service and interaction and a holistic client experience like the one I described.

Just a few stats to give you a sense of the relevance we've had with clients the past six weeks, we've done over 100,000 virtual and digital engagements with wealth management platforms and advisors. We've had over 200 proactive media placements of Invesco thought leaders and we've seen a 50% increase in our web and social media traffic, while print fulfillment has declined by virtually the same rate.

So the team looks forward to being able to combine this virtual engagement with the in-person engagement soon, but we're confident the past six weeks have validated our strategies, tools, capabilities and our ability to accelerate next generation distribution.

So now let's touch a little bit on the Q1 results in our active U.S. retail business. First, we saw a very strong pickup in gross sales in Q1 following the integration

of our distribution team in 2019. So $20.3 billion of Q1 gross sales were recorded. That's our best quarter since combining as one organization and is 50% greater than our Q4 results. We saw a record growth in gross sales across all asset classes, in particular, global and emerging, equity and taxable impact through fixed-income.

And as you can see on the chart, the market acceleration was market - was really marked by unprecedented amounts of money in motion and a retreat to cash and conservative strategies and maybe an early stage equity and risk asset reallocations, which I'll touch on, All of this sort of propelled the growth sales forward in March.

The net flows in Q1 were really a tale of the market. In January and February, we showed really strong progress with net flows increasing nearly 30% over the Q4 monthly averages and improvement were recorded across all major asset classes. In particular, fixed-income moved into positive net flows during that period. However, March changed the picture, as everyone knows, the industry. net flows declined in the active mutual fund space by over $300 billion, which represented a 2.7% monthly decline to February's ending AUM.

Our March results in net flows were slightly better than those industry averages at negative 2.5% as investor redemption has spiked and clients raised cash and de-risked. Hardest hit in March were some of the asset classes where we are market leaders and we have high AUM exposure, like municipals, international equity and bank loans, which together are responsible for nearly half of those outflows in the month of March.

But we believe these market leading strategies are some of the things that are positioned to benefit from heavy reallocation and consolidations of client's portfolios in the weeks and months ahead. So just a little color, since the last

week of March we're seeing flows moderate quite a bit. The benefit of first stage government intervention, market stabilizing and early stage reallocation have benefited our gross sales, while not at the same levels as the large March spike. They remain 10% stronger than pre-crisis January and February levels and 55% higher than Q4.

On the redemption side is stabilizing as well, net flows are about 60% better than the month of March but still remain below January and February levels by around 20%, primarily due to risk assets like high-yield and emerging net continue to have a higher than normalized redemption levels in the meantime.

Perhaps, just a moment or two on ETF flows before I turn it back to you, Marty. While the ETF flows are not detailed on the page, I did want to give you a sense of the global franchise and our results. Industry-wide, the ETF structures held up very well or pretty well in the market volatility and liquidity squeeze in the past six weeks. We believe that structural advantages of the ETF, notably the liquidity and tax management benefits in the United States, should encourage high demand as investors cautiously reallocate and wade back into the market.

And at Invesco, we're ready for the potential acceleration in those flows. Our business is $250 billion of ETF AUM, which gives us top status in smart beta ETFs and provides us with breadth, scale, liquidity and most importantly a long-term track record for managing through volatility, diversifying income and targeting growth.

And the distribution profile we have, both with existing large ETF users in the U.S. wealth advice channels, one of the fastest growing usage platforms in EMEA and strong exposure to emerging channels and digital wealth model portfolios and asset allocations put us in a really strong position.

So with this backdrop, just a little more detail and Loren mentioned on the global ETF franchise. We had a very strong start to the year in January with net inflows of around $2.5 billion, which was a great continuation from the $16 billion positive net flows we reported in 2019.

But like our active funds, the second half of the quarter saw major declines as the industry ETF levels impacted our business as well. We resulted in negative $6 billion and many net outflows globally but that's inclusive of the $1 billion that Loren mentioned from the pre-announced closures.

And we were negatively impacted by smart beta funds in key sectors of equity and fixed income, which were impacted as investors looked to de-risk, but it was particularly focused on a few funds in US large cap equities, bank loans and emerging market fixed income. But we had several bright spots with the Qs growing by $6 billion in the quarter and alternatives up $1 billion, led by our commodity and currency strategies.

And all of that said, net flows have improved significantly since the heightened market volatility at the back end of the quarter and we're seeing our US range improved by around 75% on a net flow basis and we've turned positive in a few important categories in tactical and alternative suites and early signs of people returning to smart beta strategies.

And EMEA has remained strong and we have continued in positive flow territory post the first quarter.

So, with that, Marty, I'll turn it back to you.

Martin Flanagan: Thanks, Andrew. And before we get to Q&A, let me just close out this section by saying, we had a good quarter in what was incredibly challenging macroenvironment.

The key points to take away from the conversation we just had, investment performance in key areas continues to be aligned against where market demand is and a strong investment performance

Total outflows of negative $2 billion in an extremely challenging quarter really reflects the power of our diverse platform, including long-term flow scenarios we consider strategic.

Average assets under management remained flat to Q4, and since that time has gone up since March. And margins are 4% higher than the same period a year ago, reinforcing the power of the combination with Oppenheimer and the benefits of scale.

And finally, we're making prudent decisions on expenses, capital, liquidity, allowing us to build ample liquidity and financial flexibility to support our long-term growth.

And with that, why don't we open up to Q&A.

Operator: At this time, if you'd like to ask an audio question, please press star 1. You will be announced prior to asking your question. Please pick up your handset when asking your questions. To withdraw your request, please press star 2. One moment for the first question.

Our first question comes from Daniel Fannon with Jefferies. Your line is open.

Daniel Fannon: Thanks. Good morning. I guess, my first question is on the balance sheet and the dividend also, just thinking about the actions today and understanding that you're solidifying that going forward, but I'm wondering how that impacts the institutional business you're clients looking at your financial stability as apparent and thinking about large mandates particularly in areas such as

fixed-income. As you remember from the financial crisis for others in the industry, this was an issue in terms of winning or retaining it. Can you talk about how clients are engaging with you and asking - bringing up apparent liquidity and/or the balance sheet strength and how that how that may or may not impact the kind of business trends going forward.

Martin Flanagan: Yes, Dan, let me make a couple of comments and I'll turn it over to Colin in particular. Look, the whole point is the balance sheet is strong. We're taking proactive measures around the dividend in particular and then all the other actions that we talked about today actually focus on expenses in this uncertain environment and freeing up capital from the seed capital. Again, our institutional business has never been stronger and it just continues to grow. So, again, these actions today are just again proactive and it's just not been a topic for us at all and what we do today will probably only strengthen that.

Colin, can you maybe add to that?

Colin Meadows: No, I think you nailed it, Marty. Obviously, institutional clients do care very much about the financial stability of the parent. It has not been a topic on clients' minds up to now. I think they feel that Invesco is a very strong company. And to Marty's point, I think we think that we've taken to date honestly reinforce that and would expect that our institutional clients would view it the same way.

Martin Flanagan: I think the other thing, which is a really important point we're trying to make, we build scale in this organization, right? We came into 2020 with some of the highest EBITDA margins in the industry. So that puts you in a very different cash flow position than a number of your competitors. And again, that with all the other actions we're taking the company is very strong. Again, we're just trying to be very prudent about at this moment.

Daniel Fannon: Understood. And I guess, as a follow-up, I guess, the 80 million a quarter in additional savings seems like some of that is the kind of run rate in - from the business practices in place around no travel and other things, I guess, and also market-related with AUM. So if you could maybe talk about specific kind of removal - permanent removal of cost versus temporary and kind of how, if this is headcount, if there are certain areas outside of just people staying home and markets being lower.

Martin Flanagan: Yes. So, let me start on that and then I'm going to turn it to Loren. So, we've talked about -- really even quarter, post Oppenheimer, we already had turned our eyes to driving additional operating efficiency in our digital platform. And it is platform type undertakings. So, it is -- that's really where we get the additional scale. And that slowed down quite frankly in this first quarter as we turned our attention to making sure that all our employees are safe, that they were able to work from home, that we could interface with clients and serve our clients. And so, immediate actions to do just what you're talking about. The thing that you should do in a crisis is hit the brakes, stop hiring and where you can sustain, sustain it, but always with an eye to making sure that you're serving your clients and that's what we've done.

We're now at a place where we're back to looking at going forward and building this program that we started and that's where you're going to take the longer, more permanent types of expenses out as an organization.

Back to the point, we know how to do it. We're just not talking about it. We've proven it time and time again. And last year, with the Oppenheimer combination [Indecipherable], it's just not an idea. We know how to do it and we have a proven track record of doing it.

Loren, anything to add?

Loren Starr: And the only thing I would add is, one of the things that no one's presuming is that post this COVID situation that everything is going to be back to normal, right? And so I think we're learning things as everyone is around how we can operate perhaps differently and that reflects a whole slew of some of the cost that are sort of sort of business as usual cost around travel and, obviously, we're getting very good at using digital methods for interacting with clients and how we use space and other things.

So I do think there's a variety of things that are being looked at and that we will continue to explore with respect to what the operating model should look like going forward. Beyond that, I think right now we have definitely hit the brakes. We've done this before. This feels very much like the way we managed through the financial crisis. And you can look back to how that worked through, but I think we've been very diligent and good about sort of stopping spend around areas that I think we can keep a handle on for some period.

The bigger opportunity, as Marty already alluded to, is around some of the structural opportunities, around technology, operating platform, which were well down the path of looking at it.

Martin Flanagan: Yes. Look, I do want to reiterate Loren's comment and I'll try to highlight that. The way that we're operating, and I'm sure many organizations, it is absolutely going to change how we operate going forward, just how we operate the business. But, really the client interactions, they have never been more robust, more frequent, more meaningful than this period that we're in. And it's good for our clients, it's good for the organization and it will just create a very different dynamic. And the operating model and costs associated will definitely change going forward.

Do we know what the exact answer is right now? No, we don't, because frankly our head has been down on taking care of our clients and taking care of business, but it is going to be a changed world. And I'd say for the better, quite frankly.

Daniel Fannon: Got it. Thank you.

Martin Flanagan: Thanks, Dan.

Operator: Our next question comes from Ken Worthington with JPMorgan. Your line is open.

Ken Worthington: Hi. Good morning. You cut the dividends by half but it still seems like you're taking a defensive position here, given market conditions and outflows. You talk about the preservation of capital in the press release. You talked about not buying back stock this year. That sort of seems like the cut may have been half measure to cut to dividend further or outright eliminated altogether, maybe why not consider dropping the preferred dividend for a number of quarters in order to strengthen the balance sheet, allow yourself to buy back stock and really take advantage of the downturn in the market that we see.

Loren Starr: Yes, Ken. I mean, I think a question, our decision to reduce our common dividend by 50% was done with an understanding that the environment could weaken from here. Now, it wasn't necessarily our working assumption, but certainly, we're not seeing a snapback going forward.

But we don't intend and we certainly don't intend to make another difficult decision like this again and we do feel confident that this was the right action at a sufficient level to give us the flexibility that we desire to manage the balance

sheet even if the environment were to deteriorate from here. And we've stress tested this all which ways.

So I do think it's important to note that while 2020 is emerging to be more challenging than we anticipated, we are still operating, as Marty mentioned, from a position of strength. This isn't a reactive move sort of driven by liquidity concerns at all and said we're proactively addressing the opportunities that we have to improve our leverage profile and to maintain financial flexibility, which is going to be required to invest in client enhancing and growth capabilities going forward.

So we feel comfortable that this was absolutely enough that the - what you were suggesting is sort of not needed. And, of course, it will fit everything that we were setting this and was not a decision taken sort of casually and there was a lot of stress testing involved.

Ken Worthington: Great. And then, I think you guys regularly disclose quarter to date net flows on these earnings conference calls. How do things look so far in 2Q for long-term net sales?

Loren Starr: Yes. I don't think we typically have done that. We sort of stopped that practice a while back, Ken. So I think we're going to sort of continue to not do that just because it's still too short of timeframe to really judge what is going on. I think, obviously, there was - March was a horrible month. Things are better, clearly, in the way the market is evolving. But beyond that, I don't want to get into actual numbers.

Ken Worthington: Okay, great. Thank you very much.

Operator: Thank you. Our next question comes from Brian Bedell with Deutsche Bank.

Your line is open.

Brian Bedell: Great. Thanks. Good morning, folks. This is a clarification around a couple of the guidance points you made. Just the absolute level of the fee ration in Q2, they're down 2 basis points. Is that implying a little under 37 basis points? Do I have that right or is that a different number? And then, the cost run rate, I think, you said if I'm not mistaken 80 - lower than the 7.55%. So the second quarter quarterly adjusted expense run rate should be about 6.75%. Do I have those correct?

Loren Starr: Yes. So, on the latter one, yes, 6.75% is what we're suggesting as sort of the average run rate for the remainder of 2020. And so, yeah, we're saying that, in terms of the net revenue yield less performance fees that we'd be suggesting sort of 2 basis points off of where we ended in Q4. So, that was the guidance that we're providing.

Brian Bedell: I'm sorry – so where you ended in Q4, can you …?

Loren Starr: I'm sorry, for Q4. Not where we ended. For the Q4 net revenue yield...

Brian Bedell: Yes. This is trying to get the actual level of the revenue yield that you're talking about for 2Q on an ex-performance basis.

Loren Starr: All right. Well, so the actual quarter was 38.7%. For the quarters that we're talking about two basis points less, so 36.7%

Brian Bedell: Okay. So it is 36.7%, okay. Yes. I just want to make sure I have that. And then, just on the - it sounds like, obviously, the sales momentum is a good story here both on the institutional and retail sides. Can you talk about which areas institutionally that you're seeing that sales momentum and sort of the timing of

that $31 – 3$32 billion won but not funded pipeline in terms of actually getting funded? It sounds like the solutions mandate. I think there's only a few billion left that's included in that $31 billion pipeline. So maybe if you just kind of talk to the sales momentum on the institutional side, in particular.

Loren Starr: Colin, can you pick that up?

Colin Meadows: Sure, I'm happy to. So, momentum has been strong. As I mentioned before, the pipeline is -- won not funded pipeline is growing. In fact, it's actually grown into the last five quarters consecutively. And so, we feel that we're being quite responsive to institutional client needs. And that's reflected in wins.

In terms of when it will fund, what typically happens is that pipeline will largely be funded through the end of the year, usually takes about two to three quarters for -- the pipeline at any given time to be funded. There is obviously some things that will tail off beyond that, but that's kind of a good expectation.

And in terms of product, it really is going to be client dependent and depending on needs. We are seeing strong momentum, continued momentum into our solutions and factors, capabilities, continued momentum into alternatives, particularly in real estate and real assets, continued momentum into various fixed income categories. So, in many ways, it reflects the portfolio dynamics of institutional clients globally.

Brian Bedell: And have you been able to create institutional products for the Oppenheimer funds yet or is that still a work in process? And what would be the timing of availability for those separate accounts?

Colin Meadows: So it's still work in progress, but we are getting increase particularly on the current environment. So it's not reflected enormously in the pipeline as you see it, but in the longer term pipeline that we have that’s beyond won not funded. So

these would be things that were among the qualified side we're seeing that we're starting to see early interest.

Martin Flanagan: In particular where we've seen it so far as on the retail side of the platform is global equity, emerging markets equity. And institutionally, that is exactly what's happening now. So those are the kind of situations that there's a lot of interest.

Loren Starr: I think that's particularly in Europe and Asia.

Martin Flanagan: Europe and Asia.

Brian Bedell: On the CCAPs [Phonetic] and Luxembourg sales product, are you getting traction there on the Oppenheimer side in terms of demand?

Loren Starr: There's still strong interest. It hasn't grown dramatically. I mean, we're still talking about it, a couple of hundred million in terms of AUM, but the interest is still there, the product facilities that are very attractive, obviously, in the current environment and slow down and that numbers is the goal of the market impact.

Brian Bedell: Okay. Great. Thank you.

Martin Flanagan: And Greg, I don't know if you want to add, anything, Greg.

Gregory McGreevey: No. I think you captured it. I think the interest is in areas that you kind of mentioned and we're seeing that interest continue to pick up. We're pretty excited about the longer-term opportunity or the intermediate term opportunity for a lot of the products, the demand is strong and our performance in those products is incredibly strong.

Brian Bedell: Great. Thank you.

Loren Starr: Thanks, Brian.

Martin Flanagan: Thanks, Brian.

Operator: Thank you. Our next question comes from Bill Katz with Citigroup, your line is open.

Bill Katz: Okay. Thank you very much for taking the questions. I appreciate some of the new disclosure and your supplement as well. First question, just - you've mentioned the targeted payout ratio of 40% to 60% for the dividend. Can you - is that GAAP payout ratio or an adjusted payout ratio?

Loren Starr: That's based on adjusted, Bill.

Bill Katz: Okay. Is that a forward 12-month type of dynamic?

Loren Starr: That's a forward 12-month type of dynamic, yes, absolutely.

Bill Katz: Okay. And then just turning to the fee rate for a moment, I appreciate some of the color from the conversation as well. Could you break down for the net impact of volumes coming in versus going out in both retail and fixed-income, setting market dynamics to the side? There seems to be a lot of different moving parts. Just trying to get a sense of how to think about the fee rate other thank your outsized market moves.

Loren Starr: Yes. And so there's a lot of ins and outs. I mean, we had some dynamics where you had - money market was a huge flowing in, at a lower fee rates, typically 10-plus basis points, but lower fee rates. You had the funding of a significant solutions win, which was also sort of single digits fee rate. You had Qs coming

in, which are sort of non-fee driving.

So it's hard to parse all of that through, that's why I provided the guidance, just because it was really hard, I think, for anybody to really understand the full impact. Plus we obviously had the market, which was sort of, obviously, compressing some of the higher fee equity components within our mix. So, again, it's a complicated fee rate thing and even hard for me to forecast, which is why I typically don't do it. But we wanted to give you that two basis points, which we think sort of puts you at least sort of statically, where you should be based on March.

Bill Katz: Okay. And just one final one, thanks for taking all three of them this morning. In terms of looking at your balance sheet, your debt went up, cash went down, how do you think about a target leverage ratio, whether it'd be a function of market cap or enterprise value or maybe more focused in terms of debt EBITDA? What's the reasonable target and when do you think you can get there?

Loren Starr: Yes. So it's a good question. I mean, we're - as I mentioned, we're not committed at this point in terms of de-levering. We are very confident, though, that we have the ability to have the financial flexibility to do so. In terms of what that could mean, obviously, taking our credit facility down from $508 million to zero, eliminating the obligation that's remaining on the forward purchase of $220 million by April.

And then finally, we have the $600 million that's coming due in November of 2022. Under sort of a very dire scenario of going forward. we could cover those requirements handily through the existing liquidity without further borrowing. So our focus would be on having the flexibility to del-ever as we come up to those events or maybe even sooner if you decide that's the right thing to do.

I think if you were to look at our debt to EBITDA ratio, we're higher than we are comfortably wanting to do right now. I think we're sort of - would rather see if I'm just looking at debt to EBITDA, where debt is our long-term debt not let's not provide anything around the preferred at this point, sort of getting closer to sort of 1.25 times to 1 time has been kind of the long-term target that we've had in the past. And we're not that far away from that number, but there is opportunity for us to bring that down further going forward.

Marty Flanagn: I think the main point that we're trying to make is just literally to create optionality, right? And it's such an uncertain market and I don't think any one of us has the answers as to what things will look like, but these steps again are very proactive. It just puts us in a much stronger position to respond [Technical Issues] when markets start to recover. And that gives us the different options. But that's the main point

Bill Katz: Okay. Thank you very much for taking all of the questions this morning. Thank you.

Operator: Thank you. Next question comes from Michael Carrier with Bank of America, your line is open.

Michael Carrier: Hi, guys. This is actually Shaun Calnan on for Mike. With the pullback in seed capital, can you give us an update on the outlook for launching new strategies and products?

Loren Starr: Yes. I'll just touch on that and then Marty or Greg or others can. I think we have been very focused on launching products to the benefit of our clients around securing this in the area of ETFs. We've been very fortunate to have the seed provided by our clients effectively. So we have not had to put seed in to launch those products. That's our preferred method of launching products, generally.

Now, we can't do that with all products; some alternative products and others do require some co-investment. I think as Marty mentioned, we've actually seen partnership with MassMutual really opening up some doors, where they themselves have stepped in, in certain cases, to provide seed and co-investment to some of these product launches, which has been really helpful because it offsets our need to use our own balance sheets. I don't know, Marty, is there anything you'd like to add to that.

Martin Flanagan: Why don't I ask both Andrew and Colin to make a comment or two? Andrew, you want to start?

Andrew Schlossberg: Yes. I mean, from a seeding perspective, the only thing I'd mentioned is the product line that we have across the ETF complex and the mutual fund complexes, given all of the work that we did over the course of the last year or two in consolidating acquisitions and rightsizing our product lines, our seed capital needs in those areas are fairly limited at this point. And as Loren said, much of it coming from clients where we do have launches on the drawing board for the ETF side.

Martin Flanagan: And maybe Colin, yes, go ahead.

Colin Meadows: Sure, from in an institutional standpoint, I think we feel quite comfortable with the support that we've received over the years in the seed capital standpoint. So I can't think of anything that's been slowed down. Nor would I anticipate anything going forward. I might reinforce that - Marty's point, Loren's point – MassMutual has been a fantastic partner to us in the support they've shown for a number of our strategies, particularly in alternatives. The have been just tremendous, and we would expect that relationship to blossom going forward.

Michael Carrier: Okay, thanks. And then just going back to flows, are you starting to see any improvement in Asia since they're a little bit further along with dealing with the pandemic?

Martin Flanagan: Yes, there were negatives flows in the quarter, right? And it just continues to accelerate at a retail level and the institutional engagement with the important clients out there continues to be quite strong. Again, that's continuing as we move into this quarter. Maybe, Greg, you want to add anything you're your perspective because there's a lot of demand from the fixed income group too, over there.

Gregory McGreevey: Oh, I think you got it covered, Marty.

Loren Starr: I think - I would just mention, I think Asia continues to be a positive contributor in flows. They've continued to, even in the height of this, produced positive long-term flows. There's nothing indicating that that's slowing down. We're were still launching products. People still are interested in the products that are being launched. And it is broader than just China. I think Japan as well is beginning to sort of show up as a potential contributor with - opportunities around fixed-income, in particular.

Next question?

Operator: Thank you. Our next question comes from Kenneth Lee with RBC Capital Markets. Your line is open.

Kenneth Lee: Hi, good morning. Thanks for taking my question. Just in terms of the --- I had a question, you mentioned that there's a lot of non-cash items within your net income. What's sort of like best view of ongoing free cash flow generation for the company and how could this potentially evolve in the near term? Thanks.

Loren Starr: Yes. So cash flow from operations is strong. We see sort of somewhere between - and this is based on current margin level, so, again, somewhere between in excess of $950 million to a billion cash flow from operations going forward. So even in the stressed scenario, that number holds in reasonably well.

So that's a huge contributor and then the non-cash elements, when you sort of add those back to earnings, you get sort of those types of numbers. So hopefully that gives you a sense of how much cash generation we are providing just from the business.

Kenneth Lee: Right. And just one follow up if I may, just in terms of the MassMutual. I wonder if you can just provide a little bit more detail in terms of that, that approval capital for, I think you mentioned it was real estate or alternative strategies. What are potential timeframes that we could see some initial products? And perhaps you could better frame the opportunity that you're expecting there. Thanks.

Martin Flanagan: Colin, can you pick that one?

Colin Meadows: Sure. I think as we mentioned earlier, MassMutual has contributed $425 million to two of our real estate strategies. The first is a non-traded REIT strategy, really targeted at the retail market. We'll figure out the timing of when we launch that that strategy as markets settle down in real estate and so you can get some sense of value and valuation. But that was a key capital investment. They've also contributed an anchor LP position in one of our Asia real estate fund as well.

Kenneth Lee: Great. Thank you very much.

Colin Meadows: Thank you.

Loren Starr: Thank you.

Operator: Thank you. Our next question comes from Robert Lee with KBW. Your line is open.

Robert Lee: Great, thank you. Thanks for taking all the questions. Sorry to go back to the balance sheet questions. But just to clarify, Loren, so should we be thinking in terms of use of cash over this year, obviously some liquidity, but that's to kind of chip away at the revolver over the course of the year and then it kind of reloads first quarter of next year? Is that the right way to think about it?

Loren Starr: I mean, in general, yes. I mean, this is obviously extraordinary times and I think you've certainly seen other companies draw fully on their credit facilities just to get cash. That's not what we've done. But I'd say the normal sequence would be, yes, there's a normal draw that happens on the credit facility in the first quarter and then we've generally take that down, but I'd say that would be the right way to think about it.

And the cash flow that we generate would allow us to do that, for sure. It would allow us to pay down the credit facility. It would allow us to, as I mentioned, fully pay back the forward commitments and still generate excess cash.

Robert Lee: Okay, great. And then maybe a follow up and I appreciate the disclosure on the pipeline and quantifying but give us a sense of if we look at that mix, I think there's a lot of factor-based strategies there. How is the kind of fee mix compared to the overall fee rate, is it kind of in line a little lower, I mean, how should we be thinking of that in the mix?

Martin Flanagan: Let me make a comment. I don't know if we have that information. But as you know also, Rob, I wouldn't confuse fee rate levels with fee rate profitability, right? The factor business for instance has very high margins even though [Technical Issues]. Quite frankly, same thing with the [Technical Issues] business.

But, Loren, do you have a sense of...?

Loren Starr: Yes. I think the pipeline has a fee rate because of the growth and solutions that just a handful basis points below the firm's aggregate fee rates. So it has come down a little bit, but it is still sort of roughly in line with the firm's overall fee.

Robert Lee: Okay, great. That was all I had. And, everyone stay safe and healthy, thanks.

Loren Starr: Thank you, Rob, I appreciate it.

Operator: Thank you. Our next question comes from Alex Blasine with Goldman Sachs. Your line is open.

Brian Bailey: Hi, good morning. This is Brian Bailey behalf of Alex. I actually had a question about the (OFIMLP) dynamic that was going on. I was wondering if of the kind of $400 million accrual that you guys would take in, about how much of that you expect to recover? And then if you have any color on timing and whether the $400 million is the maximum we should be thinking about underwriting, as an expense.

Loren Starr: Yes. So I think you saw in the quarterly, basically, we - I mean, reflected the full – it was about $380 million and maybe, I think, a little more than $380 million that was reflected through a purchase price adjustment. Marginally, there was a small component that went through transaction integration, so that's been reflected. In terms of the expectations for recovery, I guess, one, it can

take a while in terms of ultimately figuring out what the final number is.

We do believe that the number that we provided, and we took through our balance sheet is the right number, obviously, but it is an estimate. And, ultimately, it needs to get confirmed as we go through the full detail of client by client impacts. And that's not going to get known for probably many quarters. And so you're probably talking more about the 2021 sort of understanding of where that shows up.

And in terms of recovery, we have expectation that we're going to recover the substantial component or majority of that number, if not all. It is still something where we have to work through insurance sort of the claims that we're putting through as well as ultimately the normal indemnification that that came as part of the transaction when we took the business over. So right now, at least in our thinking, there is nothing substantial or material that you need to think about in terms of net cash out as a result of this.

Brian Bailey: Got it. Okay. Thank you. And then, maybe just one more, can you give us a reminder on any impact of fee waivers on the money market as much as we kind of roll through maybe another couple of months that's how low of yield on those products.

Loren Starr: Yes, it's an interesting dynamic. I'd say we're fortunate in that - the majority of our business is institutional money market business which tends to be lower fee and so the topic of waiving is not nearly as relevant or impactful as it is if you have a large retail kind of component. With that said, I think as we move into 2020, there probably could be some amount of key waiving that we'll need to do in order to maintain in certain - limited amount of yields on these products.

I don't think it's any material amount of money, I mean, it's probably - or the

magnitudes. And, again, it sort of swags a little bit. So it could be a little bit more than $10 million on an annualized basis but we're still looking at those numbers right now. But it's not - like I said, it's not that material for us to - given our mix of business.

Brian Bailey: Got it. Thank you very much.

Loren Starr: You got it.

Operator: Thank you. Our next question comes from Brennan Hawken with UBS. Your line is open.

Brennan Hawken: Good morning. Thanks for taking my question. Most of them have been answered. I guess, number one, could you remind us of - or maybe update us about any regulatory or other calls on cash and liquidity at this point?

Loren Starr: The only thing we all know is the amount of cash that we have within our European subgroup, that's nothing different than it's been in the past. It's sort of in the range of $700 million - not range, number. But let’s call it $700 million, so that has not changed. That's still kind of roughly the number.

Beyond that, there's nothing that I'm aware of where we have any need from a regulatory perspective to provide cash or capital. So if there's something specific, Brennan, you're getting at, please ask - I'm not sure if I'm answering your question.

Brennan Hawken: No. You did. I just wasn't sure whether or not that number had changed or whether or not there was anything that we didn't know about. So if you don't know about it, then that …

Loren Starr: No, there is nothing else. It's the same old thing.

Brennan Hawken: Yes. God enough. Cool. And then, thinking about the paydown plans, I appreciate the comments on how you guys view long-term debt to EBITDA and that ratio. The increase or the drawdown of the half a billion for the revolver to fund the obligation that you guys had coming up, is the idea there that that's going to be a priority to pay that down first or does the plans around the revolver fold into the overall plans around long-term debt or is that thought of separately?

Loren Starr: So we actually have the capacity to pay it down. So I think it's a flexibility topic as would you rather pay down the revolver, would you rather keep cash, I don't know if we were, at this point, ready to commit to the timing of the paydown or when we would pay that down. But I would say that we are going to - in terms of a net debt, perspective, it's effectively paid down as we get into the end of 2020. So, you should think of it that way, how we actually manifest it, I think we're still looking at it.

Martin Flanagan: I just want to, again, reiterate the point of -- we're just creating flexibility right now. We think that is absolutely the most important thing to do until there's greater clarity in this environment. And the message to take away is we have the capacity to pull any one of those levers. And when we get greater clarity, we're going to pull the lever that we think is most impactful to the organization.

Brennan Hawken: Yes. That is clear and very sensible. Thank you. I'm just hoping to squeeze in a follow up here. The $80 million bucks - I think it was Dan who asked about that initially. A lot of that seems to be based on - and I understand we're not really on terra firma, given everything that's going on with COVID on a few different levels. How should we think of - are you going to continue to update us as you continue to work through thinking about how much of that would go from

natural current environment changes to more structural expense declines or should we - is there a certain portion of that that we can start to think about as a more structural decline in the expense base?

Martin Flanagan: Yes. So, as Loren said, our action is very similar to what we did during the financial crisis. The first thing you do is you protect the organization and the employees, so you protect the clients and you protect shareholders. That's exactly what we did. And there's all those natural things to effectively stop spending [Indecipherable] stop spending and it creates really some security and some flexibility. That's what we're doing right now. It's probably not atypical of what you're going to hear from all of our peers, I'd expect. We happen to be in another position where, coming out of Oppenheimer, we said we're moving to what we call day 2 to look at greater, more permanent operational opportunities to create ongoing efficiencies in the organization.

We were heading down the path. We had to hit the brakes to take care -- to get on top of this, the COVID challenge. We're now turning our heads back to that. And as we get greater clarity and confidence of when we're coming out of that, we will absolutely share with everybody. But, again, I just want to come back to -- we know how to do it. We have a track record of doing it. And we had already started down that path and we'll just pick it up as things start to settle.

Loren Starr: Yes. But we'll definitely give you clarity as we go through this, no question.

Brennan Hawken: Yes. Okay. Thanks for taking all of the questions. I really appreciate it.

Martin Flanagan: Absolutely.

Operator: Thank you, our last question comes from Michael Cyprys with Morgan Stanley, your line is open.

Stephanie Ma: Hi. This is actually Stephanie, filling in for Mike. I wanted to get your updated views on ESG maybe. Do you think the environment today lends itself to increased demand for industry products further in the industry, broadly speaking? And then, maybe within Invesco, have you seen uptick in demand and any sort of opportunity you see from here on the ESG front? Thank you.

Martin Flanagan: Why don't I make a comment first and then Andrew can speak to it, and Colin and Greg are in the middle of it. They know what happens. So, I think there's no question. And again, I think it depends on what -- where you sit. ESG is just an absolute necessity for any investment organization to be deeply engaged in. Beyond what your opinion is, it's absolute business necessity in Europe: if you are not very strong, you are incredibly disadvantaged. It is gaining legs here in the United States and also Asia. But what I will tell you, as an organization, we are deeply engaged in ensuring that we have ESG capabilities embedded to our investment capabilities and various offerings.

But, Andrew, do you want to start?

Andrew Schlossberg: Yes. No, sure. I'll make a couple comments and others may want to as well. I think this environment, and we're positioned for it, it's probably going to create more demand around ESG, there's more momentum. I'd go beyond product. I know your question cooks a bit on that. We certainly think there'll be ESG-focused product and we've been building that or have built that and we'll continue to look at it. I think the bigger area that we're focused on and Greg might want to comment on it, is how we're embedding ESG into fundamental strategy as a factor of the way that they're looking at - that we're looking at active investments.

And I think that's a growing expectation of all of our investors and - I'm sorry, clients around the world. So I think that's an area of focus for us too. And then

lastly, I think there's more and more people are putting together asset allocations and portfolios at the retail level is going to continue to be a factor that drives those aspects too. So that I think we're seeing it on all fronts. Maybe while people are triaging in various environments right now, you may see a short slowdown, but in the medium or long run, I don't see any - I don't see of that - any of that abating.

Martin Flanagan: Greg...

Gregory McGreevey: The only thing I'd add to that is like - I think that's - the focus that we're seeing this from a lot of different participants overall and there's a tremendous focus that's - well, emanated in Europe. I think we're seeing that in a lot of discussions that we're having with clients in Asia and clients in North America overall. And so that's coming in the form of demand and we've got a number of products that kind of hit that demand that stem from things we're doing in our alternatives business to things we're doing in fixed-income and other areas.

And so we have a wonderfully strong capability, we think, in ESG and so we're trying to match up that capability to the point that Andrew made, embedding those into our investment teams and making sure that we're kind of proactively really not just touching the surface on the ESG but really embedding that in the things that we can do from an investment standpoint to make decisions that are going to support ESG mandates overall.

So we've got a strong capability, we've got increased demand, we've got a lot of products that we've put into the marketplace. And we think that - well, maybe it's sold for a couple of weeks in light of what's going on in the environment. Once we get through this, which we will, that demand, we think, will come back online and we're prepared to be able to handle that, we think.

Martin Flanagan: And Colin anything you want to add from an institutional point of view?

Colin Meadows: No. I'll just reinforce the point that were made. It's a core skill and I think as Andrew mentioned, ESG, both of the products but equally importantly, maybe more importantly as a factor that can be applied across portfolios is critically important. The fact our ESG capabilities have been core to a number of our events, particularly in the solution space where that ability was critical from a client standpoint, so - and we feel quite good about our capabilities.

Martin Flanagan: That’s the last question and again I appreciate everybody spending time with us and engaging and we’ll be chatting soon. Thank you.

Operator: This does concludes today's conference. Please disconnect at this time.

END