

Invesco - Building an Active ETF Business

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Decision scope: Next product-planning cycle for active ETFs

Case convention: This is an author-created management decision exercise. The alternatives and assignment are hypothetical; company disclosures and attributed management statements are historical. No private deliberations are represented.

The decision

In May 2026, Invesco CEO Andrew Schlossberg described a launch-led approach to active ETFs: build through new products, “not through conversions, probably not through share class extensions.” The statement set a direction, but did not name candidate products, a launch pipeline, funding levels, or review gates. By the end of July, management described a platform of about \$25 billion across more than 40 active ETFs, and more than \$40 billion when including index strategies run by active teams. Those approximate figures showed an established platform; they did not disclose product-level profitability or how much growth came from new versus existing clients. [S5-S6](#)

The choice was not abstract. In Q2 2026, Invesco reported \$45.1 billion in long-term net inflows. “ETFs and Index” contributed \$30.1 billion and QQQ a separately reported \$13.8 billion, while Fundamental Equities had \$7.7 billion in outflows. Market gains added \$256.8 billion to assets during the quarter. The disclosures did not isolate active-ETF flows or identify whether ETF growth brought in new assets, shifted assets from Invesco mutual funds, or followed performance and market movements. [S2](#)

At the same time, Invesco had a large legacy mutual-fund business under pressure. Its 2025 Form 10-K reported a \$1.795 billion noncash impairment of acquired U.S. retail mutual-fund management-contract intangibles. The company cited revised revenue and growth assumptions and sustained outflows in U.S. retail mutual funds. This accounting charge described the value of management-contract intangibles; it was not a write-down of client assets, and it did not show that an ETF wrapper would reverse outflows. [S1](#)

The next product-planning cycle would require the leadership team to translate the launch-led statement into operating rules. Should Invesco fund new active ETFs only, using investment capabilities with a clear client use case? Or should it also screen existing mutual-fund strategies for a small number of conversion or ETF share-class pilots?

Assignment: Write a two-page recommendation to Invesco's product-planning leadership. Choose one path for the next cycle: (1) launch-led only; or (2) launch-led, with authority to evaluate and, if a candidate passes explicit gates, run a limited conversion/share-class pilot. Specify decision gates, accountable functions, measures, and conditions that would change your recommendation. Do not assume a particular fund qualifies: public disclosures reviewed here do not identify a candidate's client mix, embedded gains, costs, or conversion readiness.

Use only information available by the cutoff.

A platform with uneven signals

Invesco's Q2 flows appeared to support exchange-traded distribution, but the categories mix distinct businesses. "ETFs and Index" included active products and passive index strategies. QQQ was separately reported. The company also reported \$7.7 billion of Fundamental Equities outflows, but the disclosure did not establish whether investors left because of performance, fees, mandates, market or regional exposure, or wrapper preference. [S2](#)

Exhibit 1. Q2 2026 selected long-term flows and asset movement

USD billions; company-reported unless marked. Quarter ended 30 June 2026.

Measure	Q2 2026
Long-term net flows	+45.1
ETFs and Index net flows	+30.1
QQQ net flows, reported separately	+13.8
Fundamental Equities net flows	−7.7
Market gains in AUM bridge	+256.8

Source: Invesco Q2 2026 earnings release, opening results summary, flow tables and footnote (1). "ETFs and Index" is not an active-ETF-only category. QQQ is separately reported; pre-December 2025 QQQ flows were treated differently in long-term-flow reporting because QQQ had been a unit investment trust. Market gains and client flows are distinct components of the AUM bridge. [S2](#)

QQQ had changed from a unit investment trust to an open-end ETF on 20 December 2025. That transition gave Invesco experience executing a product-structure change, but it was an index product and not an active mutual-fund conversion. Its history could not establish whether an active strategy, investor base, or portfolio would fit an ETF wrapper. [S2](#)

Management's July earnings-call description of about \$25 billion in active ETFs across more than 40 products also referred to more than \$40 billion when including index strategies managed by active teams. The numbers were approximate management statements in a third-party-hosted transcript. They offered scale context but no launch cohort, fee, expense, seed-capital, closure, or contribution data. [S6](#)

Two routes to growth

Invesco already had public evidence of a launch-led choice. The CEO said new launches would build the active-ETF business. A launch can be designed around an ETF-specific client use case and portfolio process. It also starts without an existing mutual-fund asset base and may take years to earn investor confidence. In its 2025 Form 10-K, Invesco said products often require three or more years to establish an AUM-attracting track record; new products carry market, competitive, regulatory, technology, and operational risks and require resources. [S1, pp. 13-14]

A conversion or an ETF share class could offer existing shareholders another way to access a strategy, including ETF trading and potential tax-management advantages. But not every fund or client benefits equally. Tax effects depend on investor status, strategy, embedded gains, turnover, and portfolio implementation. A conversion could lose clients who prefer mutual-fund features, complicate distribution and servicing, dilute revenue yield, or cause assets to move between Invesco products instead of entering from outside.

The distinction matters to the economics. Invesco disclosed that it earns higher management fees on some actively managed products than on ETFs, and it relies substantially on third-party intermediaries for retail distribution. Its H1 2026 net revenue yield excluding performance fees was 22.7 basis points, down from 23.4 basis points in H1 2025; management attributed the movement in part to the mix of client demand and lower-yield products. Those company-wide figures do not isolate active ETFs or prove that an ETF conversion would lower net revenue for a particular strategy. [S1, pp. 6, 14; S3, p. 29]

Academic research suggests the wrapper can matter for particular client segments. A 2025 study of U.S. equity funds estimated that ETF tax efficiency increased long-term investors' after-tax returns by 1.05% per year relative to mutual funds "in recent years." The result is not an Invesco estimate or a universal benefit: it depends on investor taxation, portfolio characteristics, and the study's U.S. equity setting. Other research describes active ETFs as serving different manager and investor functions, with product flows sensitive to performance. Neither study establishes that Invesco should convert a particular mutual fund or that conversion beats a launch. [S7-S8](#)

Competitors and the design choice

The conversion route was a real industry mechanism, not only a theoretical proposal. In June 2025, BlackRock filed an SEC Form N-14 proposing a merger of BlackRock U.S. Mortgage Portfolio, which had Investor A, Investor C, and Institutional mutual-fund shares, into the iShares Securitized Income Active ETF. The filing documents a proposed transaction; it does not establish its completion, performance, investor response, or economics for Invesco. [S10](#)

That example makes the competitive question sharper. If competitors can bring established strategies into an ETF wrapper, does Invesco's launch-led policy protect investment-process clarity and economics-or leave some client needs unanswered? Conversely, a rival filing alone does not establish that a similar route would suit Invesco's strategies, client agreements, or distribution channels.

Exhibit 2. Public evidence relevant to the choice

Evidence	What it may support	What it does not establish
Management's May direction: new active-ETF launches; likely no conversions or share-class extensions S5	A clear strategic starting point and an opportunity to set launch gates	A final pipeline, binding prohibition, or evidence of product-level success
More than 40 active ETFs; approximately \$25bn in active-ETF assets S6	Existing operating experience and platform scale	Profitability, client acquisition, survival rate, or conversion readiness
Q2 "ETFs and Index" +\$30.1bn; Fundamental Equities –\$7.7bn S2	Uneven flow momentum across reported categories	Active ETF demand, wrapper-driven outflows, or same-client migration
\$1.795bn retail management-contract intangible impairment S1	A strategic challenge in acquired U.S. retail mutual-fund contracts	AUM lost, fund-level prospects, or benefits from conversion
BlackRock's June 2025 N-14 filing for a mutual-fund-to-active-ETF merger S10	A competitor has filed to use a conversion pathway	Completed conversion, success, or transferability to Invesco
Tax and market-quality studies S7 , S9	Hypotheses about tax-sensitive investors and conversion monitoring	Invesco-specific returns, causal conversion effects, or a universal client benefit

Choice for the next cycle

Path A - launch-led only

Keep the CEO's direction: active ETFs enter the pipeline only as new products. Prioritise capabilities with a distinct client problem, an investable process suitable for the ETF wrapper, credible portfolio capacity, distribution access, seed and operating readiness, and a plan to evaluate progress over a multi-year horizon. Do not authorize active-mutual-fund conversions or ETF share-class pilots in the next cycle.

This route concentrates resources and avoids deliberate migration of existing assets to lower-yield products. It may also preserve a clear proposition for each fund. Its risk is that some existing clients want ETF access to a strategy Invesco already manages, while launches take years and may not attract enough assets to cover their costs.

Path B - launch-led with a gated pilot option

Retain new launches as the main route, while permitting a limited screen of existing strategies. Advance a conversion or share-class candidate only if evidence shows a meaningful client need, a compatible portfolio and disclosure structure, feasible intermediary/platform and market-maker arrangements, an acceptable regulatory and shareholder process, and a credible net-retention/revenue case after servicing and transition costs. The screen may result in no pilot.

Any pilot would require an explicit baseline and comparison: net new versus shifted assets, client retention by tax status where observable, revenue yield after costs, flows from existing Invesco products, tracking and execution quality, and service/operational issues. Management should set stop, revise, and scale thresholds before launch. This route could preserve assets or

serve clients better, but it may cannibalize mutual-fund revenue, add complexity, and create pressure to treat tax advantages as universal.

The research does not identify a winner. The question is whether a conversion exception creates enough option value to justify screening and testing while keeping launch-led growth at the center. A strong recommendation should state which facts would reverse it.

Discussion questions

1. What does an ETF wrapper add for an Invesco client, and for which client segments might those features matter? What does it cost the manager and the client to support another wrapper?
2. Do Q2 flows and the impairment strengthen the case for launch-led investment, conversion pilots, both, or neither? Which alternative explanations change your view?
3. Should the next planning cycle allow conversion/share-class screening alongside new launches? Set gates that would reject a candidate as well as advance one.
4. How would you distinguish external asset growth from migration among Invesco products? Which measures should management review at 12, 24, and 36 months?
5. What result would cause you to revise your recommendation? What is the strongest case against the path you selected?

Sources and conventions

S1. Invesco Ltd., [2025 Form 10-K](#), filed 24 February 2026; Item 1, pp. 6, 14; Item 1A, pp. 13-15; Item 7, pp. 35-40, 52; Note 5, pp. 80-82. Company-reported impairment, risk, product, fee and distribution context.

S2. Invesco Ltd., [Q2 2026 earnings release](#), 28 July 2026; opening results summary, flow narrative/tables, AUM bridge and flow footnote (1). Quarter ended 30 June 2026.

S3. Invesco Ltd., [June 30, 2026 Form 10-Q](#), filed 4 August 2026; MD&A, p. 29 and related revenue-yield table. H1 period; consolidated scope.

S4. Invesco Ltd., [June 2026 AUM release](#), 10 July 2026; opening AUM statistics. Used as period cross-check only.

S5. Bernstein 42nd Annual Strategic Decisions Conference, [transcript](#), 27 May 2026; Andrew Schlossberg's active-ETF remarks, transcript lines 565-612. Third-party-hosted transcript, not independently audio-verified.

S6. Invesco Q2 2026 earnings call, [transcript](#), 28 July 2026; CEO remarks on active ETF platform, including approximate product and AUM counts. Third-party-hosted transcript, not independently audio-verified.

S7. Moussawi, Rabih, Ke Shen, and Raisa Velthuis. 2025. "The Role of Taxes in the Rise of ETFs." *Review of Financial Studies* 38(10): 2988-3039. [DOI](#). Abstract and relevant sections/tables as described in the research packet.

S8. Easley, David, David Michayluk, Maureen O'Hara, and Tālis J. Putniņš. 2021. "The Active World of Passive Investing." *Review of Finance* 25(5): 1433-1471. [DOI](#). U.S. equity ETF study; findings and transfer limits summarised from relevant sections and tables.

S9. Sağlam, Mehmet, and Tugkan Tuzun. 2025. "Implications of Growth in ETFs: Evidence from Mutual Fund to ETF Conversions." Federal Reserve, FEDS Notes, 19 November. [Note](#). The reported conversion-period results are associations, not causal estimates.

S10. BlackRock ETF Trust II, [Form N-14 filing](#), filed 6 June 2025, accession 0001193125-25-136975. SEC filing index identifies BlackRock U.S. Mortgage Portfolio as the target and iShares Securitized Income Active ETF as the acquiring fund. Filing describes a proposed merger, not its outcome.

Historical disclosures and third-party transcript statements are attributed. Reported figures retain their source definitions. No post-cutoff outcome or assumed candidate-level economics appears in the student case.