

Invesco In Talks To Merge With State Street Unit 2

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By Justin Baer and Cara Lombardo

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Invesco Ltd. is in talks to merge with State Street Corp.'s asset-management business, people familiar with the matter said.

A deal isn't imminent, and the discussions might not result in an agreement, the people said. It isn't clear what the terms of a potential deal would look like, but it would be one of the industry's biggest in recent memory, given State Street's asset-management unit manages nearly \$4 trillion in assets.

State Street is one of the world's largest custody banks, providing accounting and administrative services to other investment managers. The firm's own investing unit, State Street Global Advisors, remains a leading seller of exchange-traded funds, the low-cost investing structure the firm pioneered.

Invesco oversees \$1.5 trillion in assets and manages a large ETF business. It has a market value of about \$11 billion, compared with roughly \$32 billion for State Street.

In a sign of potential investor enthusiasm for such a tie-up, Invesco shares rose more than 8% in after-hours trading Thursday after The Wall Street Journal reported on the talks. State Street shares rose more than 1%.

Investors' appetite for lower-cost funds have thinned profit margins across the asset-management industry. While the stock-market rally has helped mask some of these challenges, companies continue to feel pressure to lower expenses and cut investment-management fees, which can be accomplished by combining forces. Many large and small asset managers are contemplating where they stand in an investing world reshaped by **technology**, and are examining deals with rivals.

Consolidation in the industry has picked up in recent years, and Invesco and State Street have been active deal makers. Invesco snapped up several other asset managers, including OppenheimerFund Inc. and Guggenheim Partners's ETF business. State Street expanded its asset-servicing arm, adding financial-data firm Charles River Systems Inc. Earlier this month, the Boston-based bank agreed to acquire Brown Brothers Harriman & Co.'s investor-services unit for \$3.5 billion.

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