

DWS Group GmbH & Co KGaA

DWS Q1 2026 results with Investor & Analyst Conference Call

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Transcript

Speakers:

Stefan Hoops

Markus Kobler

Oliver Flade

Oliver Flade

Good morning from sunny Frankfurt. This is Oliver Flade from Investor Relations, and I would like to welcome everybody to our earnings call for the first quarter of 2026.

Now before we start, I would like to remind you, as usual, that the upcoming Deutsche Bank analyst call will outline the Asset Management segment results, which have a different perimeter basis to the DWS results that we are presenting now.

I'm joined also as usual by Stefan Hoops, our CEO; and Markus Kobler, our CFO. And Stefan will start with some opening remarks as well as some closing remarks, and Markus will take you through the main part of the presentation. And for the Q&A afterwards, please could you limit yourself to the two most important questions so that we can give as many people a chance to participate as possible.

And I would also like to remind you that the presentation may contain forward-looking statements, which may not develop as we currently expect. I, therefore, ask you to take note of the disclaimer and the precautionary warning on the forward-looking statements at the end of our materials.

And with that, I will now pass on to Stefan.

Stefan Hoops

Thank you, Oliver. So for the second time in a row, our Head of Investor Relations muted me just after my thank you, Oliver. So thank you, Oliver. Good morning, ladies and gentlemen, and welcome to our Q1 2026 earnings call.

It is not easy to describe the environment we are in right now. It is clearly a difficult environment for the world and an unpredictable one. I mean, who would have thought a couple of months ago that the U.S. would block the Strait of Hormuz. The best description I've heard was this. It feels like we are currently living through what will be the toughest part of the history exam for the class of 2085.

Now for asset managers, this environment is highly relevant for two reasons. First, it is fertile ground for active asset management. The more volatile and dispersed markets become, the stronger and more opposing views tend to be. And honestly, if you cannot create alpha in this environment, then when.

That is why I'm pleased with our investment performance over the last few months, particularly across our large retail funds. Our Top Dividende fund, for example, was up 8.46% as of 31st of March, which is ahead of major indices. That has supported nice inflows and higher management fees

through above-market growth in assets under management in this fund.

Other flagship funds like Akkumula and Vermögensbildungsfonds I have also performed well, while Concept Kaldemorgen has managed volatility effectively and has moved into performance fee territory in Q2.

Second, in an environment like this, it is critical to operate at a low cost/income ratio. This is exactly the kind of environment we have prepared for and work towards. As I said when I walked you through the logic two years ago, the cost/income ratio for an asset manager is similar to the leverage ratio for banks. It is a measure of how well you are prepared for a weaker environment.

A high earnings per share with a high cost/income ratio is dangerous because volatility can impact the bottom line very quickly. That is why we focus on maximizing earnings with a binding constraint of a low cost/income ratio. Operating at a comparatively low cost/income ratio leads to more earnings stability and allows us to keep investing in growth organically and potentially inorganically. Markus will come back to that in more detail.

Against that backdrop, we delivered a solid first quarter. Earnings per share came in at EUR1.32 and above consensus, although this was largely driven by the timing of our PEIF II performance fees. Revenues were EUR821 million, up 9% year-on-year, while net income increased to EUR265 million, up 33% year-on-year.

Our reported cost/income ratio improved to 54.1%, down 8.1 percentage points year-on-year, and our cost base of EUR444 million was encouraging, underlining that cost discipline remains firmly in place.

To summarize, costs were a bit better, flows were a bit weaker given the tough March and performance fees came in earlier than expected. Markus will go through that in more detail. For the full year, we reconfirm our target. Markets have shown a V-shaped recovery over the course of April. This means that our assets under management are now back at broadly the same level we were at the end of February.

At the same time, there's still a revenue impact from the interim volatility. The AUM dent in March and April amounted to around EUR40 billion, which translates into a revenue gap of about EUR20 million. And, of course, we need to remain mindful of the current environment.

The level of uncertainty remains elevated, warranting a degree of caution. Fortunately, if you recall our last quarterly earnings call, we had full focus on additional cost levers, and that has now paid off very nicely.

We are ahead of plan following the actions we took early in the year, allowing us to tighten our cost guidance to around EUR1.80 billion for the year, helping to offset the revenue gap.

At the same time, performance fees have already been delivered on a large part of PEIF II, giving us confidence that we will be at the upper end of our 4% to 8% of revenues guidance range. So taken together, we reconfirm our target of 10% to 15% EPS growth for the full year, assuming markets remain constructive.

Now, before I hand over to Markus, I'm pleased to tell you that Markus has just extended his contract at DWS and will be my partner for at least another three years.

Now with that, over to Markus.

Markus Kobler

Thank you, Stefan. It's a privilege. It's one of the most exciting CFO positions in the industry. And I think we have a duty also as a European-based asset manager to succeed, more to come.

Thank you, and good morning, ladies and gentlemen. Before, I take you through our financial performance, let me start by saying that I hope you are all navigating this period well. As Stefan already mentioned, the environment we are in right now is clearly not an easy one. It is complex, volatile and to a certain extent, unpredictable.

With that, let me turn to our financial snapshot for the first quarter. Total assets under management increased by 8% year-on-year and flat quarter-on-quarter to EUR1,093 billion. Total revenues stood at EUR821 million, representing a 9% increase year-on-year and 9% decrease quarter-on-quarter.

Our total costs decreased 5% year-on-year and 9% quarter-on-quarter and totaled EUR444 million. This resulted in a reported cost-income ratio of 54.1% for the first quarter of 2026.

As a consequence of our strong operating leverage, our net income increased by 33% year-on-year and decreased 10% quarter-on-quarter, reaching EUR265 million.

Moving to our client dynamics during Q1. We saw a solid start into Q1 with a healthy flow momentum during January and February. Overall, activity slowed down in March,

following the geopolitical developments and the resulting in market uncertainty. Clients remain cautious with a focus on liquidity and defensive positioning.

Overall, we reported net flows of EUR11 billion and long-term net flows of EUR6.6 billion. Total retail flows stood out with EUR12.9 billion of net flows, marking the 13th consecutive quarter of positive flows, demonstrating the resilience of our franchise despite elevated volatility. Client demand remains supported by our digital distribution channels.

On the institutional side, we reported net outflows of EUR1.9 billion. Client activity in the institutional space was more restrained in March amid heightened market uncertainty. This was less a question of underlying demand and more one-off timing with clients taking a more cautious and selective approach to new commitments while prioritizing capital preservation.

Looking at the regions. In the Americas, we saw net outflows of EUR5.1 billion, mainly impacted by institutional cash outflows at the end of March. These were driven by seasonal tax payment effects.

However, we already see a reversal of these flows in April. Total net flows into our home market, Germany, amounted to EUR7.9 billion, driven by an ongoing demand for Passive including Xtrackers. EMEA, excluding Germany, saw EUR7.7 billion of net flows, demonstrating strong client engagement across the region as clients are increasingly receptive to European investment opportunities, as well as for our high-margin retail products. APAC reported EUR0.5 billion of net flows in the first quarter and saw continued asset rotation to higher margin alternative products.

Moving to the quarterly highlights within our active business. The first quarter reflects a more volatile market backdrop, which impacted overall active flows, while underlying client demand remains strong across selected areas of our active platform.

Active assets under management stood at EUR458 billion, broadly stable quarter-on-quarter. Active equity reported net outflows of EUR1.2 billion, primarily reflecting client derisking in response to heightened market volatility. Multi-asset reported positive net flows of EUR0.3 billion across both retail and institutional channels, including continued demand for our flagship fund Concept Kaldemorgen.

SQI was a clear beneficiary of the current market environment with continued positive momentum, reporting

EUR1.6 billion of net flows. This was mainly driven by white label partnerships as well as inflows into quantitative strategies, including a significant mandate in the Middle East region.

Fixed income flows were impacted by specific institutional mandate losses in the U.S. and APAC. At the same time, retail demand remained positive, particularly for DWS floating rate notes. Product innovation remains supportive for our active franchise; recent launches include our DWS Invest Focus Europe and two new active Xtrackers UCITS ETFs.

Moving to our Xtrackers business. Passive, including Xtrackers, faced a demanding quarter and delivered net flows of EUR6.5 billion, marking the 13th consecutive quarter of positive flows. Assets under management increased to EUR396 billion, stable quarter-on-quarter.

Overall, our Xtrackers flow momentum was considerably weakened in March after a solid start to the first quarter. The main flow contributor was our UCITS business, which delivered net flows of EUR3.8 billion. We saw clients rotating away from traditional benchmarks, which are heavily skewed towards the so-called Magnificent 7 stocks, resulting in positive flows into strategies with benchmarks such as Equal Weight and World ex U.S.

Our Mandates & Solutions business recorded sizable net flows of EUR2.9 billion into existing mandates and new fundings, alongside continued momentum in our partnership products, including via digital channels.

Our U.S. Domiciled ETFs saw outflows of EUR0.2 billion in the first quarter, mainly driven by outflows in high-yield ETFs. However, we successfully launched the Xtrackers Europe Defense Technologies ETF, further broadening our thematic offering.

We also continued to expand our strategic footprint through two new digital distribution partnerships in EMEA, driving further expansion across key European markets. As mentioned in the previous quarter, the contribution of these digital partnerships to our overall Xtrackers flows continues to increase.

Let me turn to our Q1 highlights for our Alternatives platform. In Q1, assets under management totaled EUR112 billion, up 4% quarter-on-quarter. Our Alternatives business delivered overall net flows of EUR0.2 billion in the quarter, supported primarily by demand for liquid real assets.

Infrastructure contributed EUR0.1 billion of net flows and saw sustained investor interest in our flagship infrastructure strategies. Infrastructure flows in Q1 were impacted by a significant capital repayment to the fund investors related to two PEIF II asset sales.

Capital repayments to fund holders are a usual part within our infrastructure business. They result from investments and realizations, which generate corresponding performance fees at the end of a fund's life cycle, and therefore, are in the best interest of our clients and shareholders.

In Q2, we expect another capital return to PEIF investors of around EUR1 billion, which will be accounted as outflows, but are beneficial for our clients as just outlined. We further continue to benefit from strong investor appetite for Europe's structural transformation.

In liquid real assets, flows remained positive in the quarter, recording EUR0.6 billion. We saw a momentum shift in client sentiment with increasing levels of renewed interest in core tailored strategies, particularly in listed real estate and infrastructure.

The sentiment for real estate remains mixed, reporting EUR0.6 billion of net outflows. European retail appetite continues to be subdued, while institutional client interest in both Europe and the U.S. stayed resilient.

Private credit remains a strategic growth priority for DWS with several marketing initiatives progressing during the quarter. And product innovation continued with the launch of three new LRA mandates across infrastructure securities. We also expanded our LRA offering in the growing U.S. retail market.

Let me move now on to our Q1 revenue development. Total revenues reached EUR821 million, up 9% year-on-year and down 9% quarter-on-quarter. Management fees were stable quarter-on-quarter, marking EUR673 million. Performance and transaction fees totaled EUR109 million and include a substantial performance fee contribution from our PEIF II fund as a result of further asset sales in Q1.

We do not anticipate further asset sales before the fourth quarter of 2026. And as Stefan mentioned, we reiterate that we will be at the upper end of our 4% to 8% of revenue guidance range. However, we anticipate that the vast majority of remaining performance fees to be booked in Q4 2026.

Other revenues amounted to EUR39 million, which reflects EUR18 million net interest income contribution, as well as a EUR15 million contribution from Harvest.

Let me move on to our cost development. We are particularly proud that our total costs have continued to decrease, which is a result of decisive action and a clear testament to the strength of our sustained and proactive cost management approach.

We identified early on that managing our resources and cost base, especially our discipline-based costs would be essential to our long-term success. Particularly in times like these, the benefits of this approach become even more crucial.

In Q1, total costs stood at EUR444 million, down 9% quarter-on-quarter and down 5% year-on-year. Compensation and benefits decreased to EUR239 million, down 4% versus the previous quarter, mainly driven by lower severance costs and despite one-off carry costs linked to PEIF II performance fees of EUR16 million.

General and administrative expenses totalled EUR205 million, a 14% reduction quarter-on-quarter, reflecting seasonal adjustments, which typically occur in the fourth quarter. This translates into a reported cost/income ratio of 54.1%, reflecting higher revenues and continued efficiency gains resulting from our disciplined cost management approach.

Before handing back to Stefan, let me provide an update on the focused measures which we outlined in the previous quarter to support our financial targets. As Stefan outlined earlier, our strategic direction remains unchanged and we continue to execute our strategy with discipline in order to reach our medium-term financial targets. Let me briefly recap our achievements as well as current progress on the cost side.

As discussed in previous quarters, we continue to distinguish between two categories of costs, volume-based costs, which naturally rise alongside organic growth and discipline-based costs, which we are constantly optimizing as they remain in our control.

While a flat cost base may look similar across companies, the substance can be fundamentally different. A company can deliver flat cost by simply doing nothing, particularly by not investing into growth. That is not our approach.

Our approach focuses on targeted investments through active reallocation of resources in the context of rising

volume-based costs, which reflect the ongoing growth of our business. By counterbalancing these good costs with reductions in disciplined cost categories, we maintain strict cost discipline, while continuing to invest into growth. We thereby focus on three core levers to further reduce our disciplined cost base.

First, human capital management. People remain our key differentiator. We are further enhancing our human capital management through limited external hires, promoting internal mobility, which has already realized financial and non-financial efficiency gains. Second, target operating model adjustments. Following a comprehensive review of structures and processes, we have moved decisively from assessment into execution.

We continue to simplify organizational setups, streamline selected teams and sharpen accountability across functions. This supports a leaner and more effective operating model fully aligned with our strategic priorities.

And third, IT and operations optimization. We are progressing a range of initiatives focused on automation, artificial intelligence and process simplification. In parallel, we continue to leverage offshoring and near-shoring capabilities, helping us to improve efficiency, resilience and service quality across our operations.

Overall, these measures continue to strengthen our operating platform and provide us with further efficiency gains. Those create even more capacity for continued investment into growth initiatives, which is particularly important in a volatile and uncertain market environment as we currently have.

Let me hand over to Stefan to elaborate on our growth initiatives.

Stefan Hoops

Thank you, Markus. As Markus outlined, we feel comfortable with our updated cost guidance and importantly, with our ability to continue investing in our growth initiatives. Let me therefore briefly come back to what we said at our full year results and give you a quick update on our five growth priorities.

Overall, we are fully focused on executing our growth plan. Starting with our ambition to be top five in the top five. In the first quarter, we reached an important milestone in our strategic partnership with Nippon Life India Asset Management. We signed the agreement to invest in the alternatives platform, taking a 40% stake in formalizing our

role as a strategic partner in building out India-focused alternatives capabilities.

At the same time, we remain interested in increasing our stake in Harvest Fund Management as part of our long-term growth strategy in China. Second, on gateway to Europe. We continue to see strong and sustained interest from international investors.

Importantly, the geopolitical volatility we saw in the first quarter has not slowed that momentum. If anything, we continue to see interest deepen alongside a growing recognition that Europe is coming together in a more coordinated way.

Third, on the future of finance. We continue to make progress in building out our digital capabilities. During the quarter, our joint venture AllUnity issued a Swiss franc stablecoin with further initiatives already in the pipeline. Fourth, on Bullish Germany. Here, we saw important regulatory clarity in the first quarter with the German Bundestag approving the private pension reform and expected publication of the new law in May.

Our dedicated project team is set up to ensure we're well prepared and positioned to capture the opportunity as this develops, particularly as we move towards implementation in January next year. And finally, on our Global Hausbank approach. Following our last earnings call, we announced the intention to expand our strategic collaboration with Deutsche Bank's Private Bank into the area of discretionary portfolio management.

The aim is very clear, to combine the client reach and experience of Deutsche Bank's Private Bank with DWS's institutional-grade investment capabilities. We believe this is a natural extension of our partnership and an important step in strengthening our role in serving private wealth clients. So across all five priorities, we are making tangible progress while continuing to build for the long term. Stepping back, we feel that we are operating from a position of strength.

In a more volatile environment, our investment performance is improving. Our cost discipline is paying off, and we're continuing to invest in our long-term growth priorities. As we said at our full year results, managing costs requires discipline and consistency. Growing revenues sustainably is harder. It takes clarity on where we truly have an edge, disciplined resource allocation and patience as platforms scale.

We've laid that groundwork over the past few years, which is why even in a more volatile environment, we remain optimistic about the future, but uncompromising in execution. Taken together, alpha generation, cost control and focused delivery is what differentiates us as an active asset manager and gives us the confidence to reconfirm our full year target of 10% to 15% EPS growth.

Thank you. And back to Oliver for Q&A.

Oliver Flade

Thank you very much, Stefan. And operator, we're ready for Q&A now. If I just might remind everybody to limit yourself to the two most important questions that would be very kind. Thank you very much.

Operator

We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue you may press star and two. Anyone who has a question may press star and one at this time.

The first question comes from the line of Jacques-Henri Gaulard, Kepler Cheuvreux. Please go ahead.

Jacques-Henri Gaulard

Yes. Good morning. Thank you for taking my question, guys. Two quite quickly from me. In active equity, you talked, Stefan, last quarter, if I remember well, of a turnaround here. Could we interpret the minus 1.2% as a blip, which is really risk adverse? And do you have the feeling that it was just something that is due to the circumstances really and not something that should impede, I would say, the turnaround trend that you identified then?

And then the second point, could you spend just 10 seconds on it, which is more the Bullish Germany pitch, which I would like to hear in a little bit more detail from you because it's important for your investors in light of the fact that it's been a little bit of a slow start and to which extent you still have a high degree of confidence considering that the impact when you look sector by sector is far from being completely harmonized yet? Thank you very much.

Stefan Hoops

Great. Thank you, Jacques-Henri. And I guess both questions are sort of related because the so like significant revenue upside we see from Bullish Germany is active equity related and I'll come to that in a second. And now on your first one on active equity, we remain optimistic that the momentum has materially shifted into the positive territory.

Now Q4 versus Q1, I understand if you just look at the numbers, it looks like you sort of took a step back. But I think

you know that there's some seasonality in that behavior. So Q4 has some advantages because of essentially the ability of people to reinvest performance in -- or either upside in the funds, essentially dividends in the funds that otherwise, they would be able to take out and they kept them into a slightly easier pitch than finding new clients.

And if you compare Q1 '26 to '25, I think you see the positive momentum. And then underlyingly and we don't disclose it, but I can try to give you some guidance. If we differentiate between essentially retail end buyers and fund buyers, so DPM or, let's say, more professional investors, then we look very strong with the end clients, with the retail clients and across Europe with the exception of one country that interestingly houses a couple of very, very large asset managers and it's like French speaking. But with the exception of this one country, we are positive in every country in Europe in active equity, so in wealth in retail flows.

If you look at some of the big flagship funds like top dividend that had positive inflows. So overall, we feel good about active equity. And look, I think in the past, some of you have very fairly criticized our investment performance, which obviously is a leading indicator for future inflows. You see that over the last sort of 24 months, we made a bunch of changes, takes some time I would say.

It's the pumping heart of DWS, so you cannot really make - - do changes over time -- sorry, instantaneously, but it needs to be over time. But with a new setup and with people like Andre Köttner and Thomas Schüssler, fully focused on managing their funds as opposed to also managing the platform, I think the performance shows, right? So that's why we're also not just optimistic in what we see, but also the leading indicator of strong performance.

Now Bullish Germany, if you recall, our definition was that we have always been optimistic about Germany, but we're now turning even more bullish because of a bunch of -- to be -- give credit where credit is due to a bunch of changes that politicians in Berlin have really been driving. Now the big infrastructure, big spending and so on, that's more something which you will see translate into flows in alternatives.

But the pension reform is something which will offer significant upside to active funds, active equity, active multi-asset, I think also active alternative funds. I think given that there's like a tight schedule today with Amundi's call starting 11 -- I'm probably not going to do a full teach-in on the private pension reform in Germany, but now that it's clear

what you can do, now it's clear what the fees could be now that the structure is clear.

I think the key punch line is that going forward, you can actually generate yield. So in the past, it was always capital protected, meaning also very low yield-generating funds that were part of the RiesterRente. Going forward, there's going to be much more focused on allowing pensioners to also with long-term investments generate long-term yield and therefore, wealth accumulation. And obviously, that's quite conducive to our strong performing equity funds. Thank you, Jacques-Henri.

Operator The next question comes from Nicholas Herman from Citi. Please go ahead.

Nicholas Herman Yes. Good morning, gentlemen. Thanks for the presentation and taking my questions. Two for me as well, please. Firstly, on your Hausbank ambition. So Deutsche Bank's Private Bank has said that they want to double DPM volumes in the next 3 years.

I guess with that partnership, what proportion of those volumes would you expect to get? And how should we be thinking about the incremental revenues and/or margins associated with that volume? That's the first one?

And then on your infrastructure funds and carried interest, could you please -- I guess a two-part question here. But could you remind us what the total expected carried interest from PEIF II is and how much has been booked to date?

And I guess somewhat related, what is the expected carried interest from PEIF III if you were to hit your target returns? And any kind of indication on timing or recognition of that carried interest? Thank you.

Stefan Hoops Perfect. Thank you, Nicholas. The -- so I think I'm looking at Markus probably taking both questions. So, on Hausbank, - - so when you look at the essential workflow between Deutsche Bank's Private Bank and us, so far, they do the majority of steps. So obviously, we're closely aligned and our CIOs aligned and so on.

But right now, I'm simplifying a little bit, but they're essentially running their own asset management operation in the sense of having portfolio managers, trading execution, they're covered. I mean, they do all the things that we would also be doing.

Now they're doing it very well, but Claudio and the team have had the perspective that with the ambition to significantly grow in DPM that their clients who are very well

covered by Deutsche Bank's Private Bank sort of deserve institutional grade asset management execution, right? So far, so good. However, going forward, given that they want to grow, they want to move steps in that value chain over to DWS.

Now we haven't -- some of that is going to be sort of country-specific because in some countries, you require client consent and some others it's mostly a communication. Again, I think it's in the best interest of clients because they will continue to get the service from the Deutsche Bank's Private Bank plus have the upside of our much larger trading investment platform. But therefore, it's sort of difficult to break down how quickly that will move.

However, I think the intention is that for the vast majority, wherever it's possible, for us to team up and partner. Now how those revenues will be split, even though we are great partners, and Claudio and I are quite close. I suspect that he wants to have slightly more than 50% of those revenues given that arguably, the value creation is more on their side. So you shouldn't expect us to get a lion's share of it.

But it's definitely upside because right now, we do not have any of those steps with the exception of when they buy ETF, they sometimes buy Xtrackers. But I think going forward, we will have some of the value chain and therefore, also some of the fees associated. We will be more clear on that going forward.

So we announced the partnership after the last earnings call. A lot of things are currently being worked through. I think that we will be quite soon giving you more guidance, clarity, but also specific KPIs that you can track essentially for Deutsche Bank, but also for DWS.

Now on Infra, that's more straightforward and specific to answer. So for PEIF II, everything but one asset is sold. So therefore, the performance fees you've seen in 2025. And the portion of PEIF II performance fees as a percentage of total performance fees booked in Q1 was huge.

So just assume the vast majority of the EUR107 million was PEIF II related. And there's only one asset remaining that should generate another, let's call it, EUR30 million to EUR40 million of performance fees, obviously, depends on price that asset still needs to be sold. That will likely come in Q4 this year. But that's it, right?

So then PEIF II is fully sold to the point Markus made earlier. We returned EUR0.5 billion of capital to the investors to the LPs in Q1. Another EUR900 million will be returned in Q2.

And then PEIF II is basically done. Now PEIF III is doing really well. So the investments are doing really well.

But I would not expect PEIF III-related performance fees in '26 or '27, maybe at the tail end of '27, but I think this is more likely to be '28 business simply because of timing and how long it takes to really optimize or generate value for the investments.

And then PEIF IV is obviously currently we're finalizing the fundraising with final close either Q2 or Q3, but definitely in 2026. And that will then take a few years before that generates performance fees. Thank you, Nicholas.

Nicholas Herman

That's really helpful. Just one quick question, just one quick follow-up on PEIF III, that's sounding very clear. Can you remind us, please, what the target returns are either in terms of IRR or MOIC, that would be helpful. Thank you.

Stefan Hoops

Yeah. I'm just looking at my colleagues because we're put in fundraising for PEIF IV. So I just want to be careful in what I say, not say. So when you look at historical performance, our PEIF funds are sort of a top decile, potentially even top percentile performer in mid-market infrastructure. So really strong performance. Now the headline return, what we essentially promised is low teens, 12%, 13%, I think, is what we promised. But then we aim to outperform. And so far, they have done a very good job in outperforming.

Nicholas Herman

Got it. Thank you.

Stefan Hoops

Thank you.

Operator

The next question comes from the line of Hubert Lam, Bank of America. Please go ahead.

Hubert Lam

Hi, good morning. I've got two questions. Firstly, again, on PEIF, on PEIF IV, did you book any inflows on PEIF IV this quarter in Q1? And any update on the size and timing of the closing? I think you mentioned maybe it could go into Q3, particularly given the events in the Middle East, like any change because of this?

Second question is on passive flows or Xtrackers. Good inflows of EUR6.5 billion in the quarter, but it seems like you're lagging some of your competitors now. Any reason you think for this? And how would you assess your passive growth here? Thank you.

Stefan Hoops

Thank you, Hubert. So on PEIF IV, the target size is still EUR4 billion plus, and we feel very good about that. If you recall, we were EUR2.5 billion end of '25. We had some small inflows, a couple of hundred million in Q1 and then the lion's share is expected in Q2, potentially Q3.

Now don't tell our sales folks. So we're still telling the sales folks, it's end of Q2 to make sure everyone remains focused. But yes, you're right, with the events in the Middle East, there's a chance that it slips a little bit. I have to say there's actually admirable -- if I can say that with respect, admirable focus from all of the big investors in the Middle East. So they seem to manage sort of living through this and being very focused on the business. So I wouldn't expect a massive change.

But typically, what you do is if there are a couple of investors which are very close and advanced stage, then you inform the other investors that you may remain open for a few very specific names for a couple of weeks, and that may be the case. However, essentially the difference between the EUR2.5 billion we had end of '25 and the target of at least EUR4 billion that will be booked in the calendar year 2026.

Now on Xtrackers, and let me actually address flow momentum slightly broader. And I will be specific on challenges in a second. But look, I may -- loving, caring father of 3 wonderful daughters and I love all my daughters the same. Now for us, as a fiduciary with EUR1.1 trillion of assets, we care about all every single euro, dollar, sterling of those assets with the same care.

Now I suspect that you guys, so analysts and shareholders, you don't love all of our AUM quite the same because they come with very different margins, very different cost-income ratios, profitability and so on.

Now when you look at and dissect our Q1 flows and look at Xtrackers, then I suspect you're actually quite happy about the strong inflows in S&P, Equal Weight, MSCI ex U.S., some of those more bespoke thematic ETFs, where we had very nice inflows, and they are close to 20 basis points in fee.

Now if we had an extra EUR12 billion, EUR15 billion of 2.5, 3 basis points pure index replication, the headlines in Bloomberg and Reuters would have been more favorable, but I don't think that you would have cared too much, right? So therefore, I want our folks to fight for every single inflow. However, fight slightly more for the high-margin inflows. I'm quite happy with what I've seen in Q1.

When you look at -- and we just commented on the active equity, I'm actually quite satisfied with the flow picture with positive inflows in Top Dividende, Concept Kaldemorgen, our big flagship funds.

And again, I think the strong performance is a leading indicator for future flows. So I think when you dissect it, I think we've done fine, not amazingly, but fine in the higher-margin parts of the various asset classes.

Now where we have a real issue, a real challenge is in institutional. And that is something which I've been saying for a while. Now I appreciate that by just me saying it, it doesn't make it better, and you are probably tired of me saying it.

But we will make some changes around the whole value chain for institutional. And value chain, I really mean brand, marketing, sales, how structuring is set up, how products are set up because we're just losing market share in institutional to really well-run strong competitors.

Hubert Lam

Great. Thank you.

Stefan Hoops

Thank you, Hubert.

Operator

Next question comes from the line of Mike Werner, UBS. Please go ahead.

Mike Werner

Thank you very much. Just a follow-up on your Bullish Germany pitch. Just when talking about the pension opportunities, in particular, and how that's going to translate into active equity, what in the regulations is going to, I guess, favor active equity versus passive equity? We have seen other pension reforms in the past ultimately drive flows, but they tend to skew somewhat passive. So I was just wondering what you see different here? Thank you so much.

Stefan Hoops

Thank you, Mike. Just like we are listening and reading the transcripts of the call reports of our competitors, I suspect they will be doing the same. So therefore, I don't want to give like a recipe to global competitors. But just a couple of highlights to me.

So historically, the subsidy, so both the contribution by the government, but also any tax benefits went to products which were capital guaranteed. So therefore, Germans like subsidies, Germans like tax benefits, and those came for the Riester products, which were capital guaranteed. Now going forward, the same advantages go to not capital guaranteed products.

So the government essentially said we want young folks to invest in the stock market and products have long-term wealth accumulation, and we provide the same subsidies and tax breaks to that versus capital guaranteed products.

Now when you look at our -- and by the way, one more thing to add. When you look at the overall fees that the politicians

deemed appropriate, that is sort of 1% for standard, but can be more for more tailor-made, so more -- maybe more interesting, more yield-generating products. So therefore, that also suggests that it's not just ETF focused, but really alpha-generating products.

Now when you look at our close competitors in Germany, so the Union and Deka, 2 very well-run strong asset management companies, they are active only. They do not have ETFs. So I wouldn't imagine or expect their products to contain ETFs because they are active only.

So therefore, when you think about the picture in Germany, the regulator, the government wants alpha generation that is offered by active. Our competitors are active only. So there's nothing that really leads me to believe that this is going to be mostly ETF.

Now obviously, we'll do whatever is in the best interest of the retail client, and if they are strong ETF products by all means. But I think over a long period of time, we aim to beat markets and therefore, are bullish on those containing active equity, active multi-asset, active alternatives and these types of long-term alpha-generating products.

Mike Werner

Thanks, Stefan.

Stefan Hoops

Thank you, Mike.

Operator

The next question comes from the line of Arnaud Gibrat, BNP Paribas. Please go ahead.

Arnaud Gibrat

Good morning, guys. Two questions, please. First, on the stake, the 40% stake you've taken on Nippon Life India. I'm just wondering if you can quantify the amounts there and what growth or profitability could look like over the coming years? Second question is on private credit. I think that remains a strategic focus for you. I'm just wondering if you could flesh out a bit the progress you're making there. Thank you.

Stefan Hoops

Thank you, Arnaud. So NAM-India, so when you look at the AIF, which is owned by the publicly listed Nippon Asset Management India, that is roughly EUR1 billion of AUM, it's like a proper company that's money making has been around for 10 years. So we are buying a 40% stake in a well-run living profitable company.

We didn't disclose how much we paid. They didn't disclose it. But think about it as a reasonably high double-digit million amount. That's probably the best way to think about it. So it's not one of those we set up a JV and in 50 years, it makes money. It's we actually bought a stake in a well-run

company, which historically in India was more focused on essentially unconstrained fixed income and equity, which was already considered alternatives.

And going forward, the focus is going to be much more on infrastructure. So India requires gigantic logistics investments, real estate, private credit and so on. And that will be, frankly, our contribution, meaning as Deutsche Bank Group, Deutsche is very strong in India. So our partnership will also extend to that alternatives business. I will be over for 3 days, middle of May.

So this is now -- I mean, we're currently waiting for regulatory approval. But this is something where we're quite bullish. There's nothing to believe that it shouldn't be one of the top 3 providers of alternatives in the medium to long run. And therefore, also a decent contributor to revenues, albeit probably starting in '27, not in '26.

Private credit, this could be like a 1-hour conversation, but I will keep it brief. So I think what you currently see in terms of environment is sort of making the case for our approach, right? Our approach is European real economy lending as opposed to U.S. lending to financial sponsors.

Now momentum probably isn't great because private credit is in the press and many questions are being asked. But we feel that the thesis for our product has sort of been confirmed by the current discussions in the market. Progress is strong, team is now complete. We brought in 2 more MDs in the course of Q1. So all of the senior folks are now complete across asset-based finance, direct lending solutions.

But again, mostly focused on Europe so far. We are active fundraising. You know that in private credit, it only constitutes AUM and essentially fee paying once capital is deployed, which is why you don't see it yet. But I'm pleased with the progress in private credit.

Stefan Hoops

Thank you, Arnaud.

Operator

The next question comes from the line of Pierre Chédeville, CIC. Please go ahead.

Pierre Chédeville

Yes. Good morning. I'll stick to one question because I have to move to the Amundi conference call. I read recently a report from the Boston Consulting Group saying that AI could reduce asset managers' cost globally from 25% to 35% within the next 5 years. And not only in terms of improvement in middle office or reporting tasks, but also in terms of better segmentation of customers, better distribution etcetera. I don't know if you have read this

report. But I wanted to know what do you think about this kind of improvement in the coming years? Thank you very much.

Stefan Hoops

Thank you, Pierre. Look, what's funny is whatever I say now in 6 months, we'll all look back and smile, right? Think about what we thought about -- how excited everyone was about ChatGPT 12 months ago, now this sort of outdated. So who knows? Now we are probably as excited as anyone else. I think overall, there's a significant difference between communicated progress and reality. So there's nothing that leads me to believe that we are ahead or behind any competitor, right?

So everyone is looking at efficiency use cases. Everyone is looking essentially at the whole value chain and taking out or creating scale. Just like everyone, we're experimenting on what it means for investment management in terms of like challenging PMs, not just summarizing what the Fed said yesterday. So I think we're probably as excited as anyone, but we're also really, really focused to making sure that it's scalable, that there's something proper to be done.

We spent a couple of years in getting our data in order. We spent a couple of years in getting our processes in order because you don't want to automate or AI anything that's actually improperly set up. And now we see we are sort of ripe to properly leverage it. But I think it's too early to give you, unfortunately, to give you any specific indication of efficiency created by it in all honesty.

Pierre Chédeville

Thank you very much.

Operator

As a reminder, for questions, please press star and one. The next question is from Jochen Schmitt from Metzler. Please go ahead.

Jochen Schmitt

Thank you. Good morning. I have one follow-up question on the politically backed Deutschlandfonds. Do you see any concrete opportunities arising from this in the alternative asset space, say, with potential inflows over the next 12 to 18 months? That's my question. Thank you.

Stefan Hoops

Hey Jochen, yes, I do, which I think would be the good answer. But to be more specific on one. And I'm just describing what we're currently actively fundraising without giving the specific update. There is one part which is called a first-of-a-kind fund, which is providing growth capital to German corporates that are essentially industry leader, right? So they are not start-ups, but more advanced and require growth capital.

And we announced a few months ago that we are 1 of 3 asset managers selected to manage one of those KfW co-sponsored first-of-a-kind funds. In that case, KfW is providing, I think it was also disclosed EUR100 million of equity and debt. We aim to raise another EUR400 million of equity and debt, and that is progressing very nicely. So that's one very specific aspect, which I think will translate into fees actually this year for this one specific component of the Deutschlandfonds, but there are a variety of other parts.

So we are quite -- honestly, quite thankful for what the politicians have done and now it's on private capital to be raised. Last week, the CEO of KfW, Stefan Wintels, myself, we jointly ran a session for CIOs of major German or German-speaking insurance company CIOs. And there was a lot of interest in providing private capital to what KfW is sort of initiating. Thank you Jochen.

Jochen Schmitt

Thank you very much.

Operator

There are no more questions at this time. I would now like to turn the conference back over to the moderator for the closing remarks.

Oliver Flade

Yes. Thank you very much, everybody, for listening in and for your good questions as usual. So please reach out to the IR team in case of any open questions that you might have. And otherwise, we wish you all a fantastic day and talk to you very soon. Bye-bye.

Markus Kobler

Thank you very much. Bye-bye.

Stefan Hoops

Thank you very much.