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Earnings Call First Quarter 2022

27 April 2022 | 10:00 AM CEST

Transcript

Speakers:

Oliver Flade

Asoka Wöhrmann

Claire Peel

Oliver Flade

Good morning, everybody, from Frankfurt, this is Oliver Flade from Investor Relations, and I would like to welcome everybody to our earnings call for the first quarter of 2022.

As always I hope you're keeping healthy and safe. And before we start, I wanted to remind you, again, that the upcoming Deutsche Bank analyst call will outline DS management segment result, which has a different parameter basis to the DWS results that we are presenting now.

As always, also, I'm joined by Asoka Wöhrmann, our CEO, and Claire Peel, our CFO. And Asoka will, also, as always, start with some opening remarks. And then Claire will take you through the main part of the presentation.

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.

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

And now, without any further delay, I will pass over to Asoka.

Asoka Wöhrmann

Thank you, Oliver. Good morning, and welcome to our results presentation of the first three months of 2022. Before I start, allow me to ask for a moment of silence out of respect for the suffering and distress of the people in Ukraine.

Unspeakable acts of violence and terror have come back to haunt the European continent. While others in elected offices carry the weight of responsibility to act and react, we have the responsibility to continue to act as a fiduciary asset manager on behalf of other clients. But also, as a corporate citizen, part of the society in which you live and work. We will continue to fulfil both roles.

Ladies, and gentlemen, today, I can report another very strong quarter for DWS, showing resilience in an uncertain and volatile environment. And already reflecting the positive work we have done so far in phase two of our corporate journey to transform growth and lead.

Despite the backdrop of geopolitical upheaval and subsequent macroeconomic corrections, we saw adjusted revenues increase significantly year-on-year to €689 million, supported by strong net inflows into high margin strategies. As well as other higher base of Assets Under Management built in 2021.

The adjusted cost-to-income ratio remains below 6%, driven by a reduction in the total-cost space in the first quarter. This also enabled us to achieve an unadjusted profit before tax of €679 million in quarter one, the second-highest quarterly total on record.

During the first quarter, we saw clients reposition their portfolios as geopolitical tensions amplified ongoing concerns over inflation and supply chain issues. Resulting in net outflows from very low margin cash, as well as fixed income.

Having said that, other global and diversified portfolio of products and asset class offerings enables us to adopt quickly to the market environment. And continue serving other clients ever-changing needs, no matter what challenges the markets have in store.

As a result, excluding cash, we recorded total net inflows of €5.7 billion during quarter one 2022. With positive flows reported across the mix of asset classes and further supported by solid three- and five-year investment performances.

Notably, high margin active and alternative strategies performed well this quarter, attracting strong net inflows, and supporting stable revenue growth. ESG products also remained in demand during the first three months of the year. And we can report €1.1 billion of net inflows, including contributions from other passive ESG offerings.

Additionally, new product launches continue to attract positive inflows in quarter one, reflecting our ability to successfully innovate new products that align with client demand.

As we look ahead to the second quarter, we are aware that there will be ongoing challenges as the world goes through significant paradigm shifts, ranging from energy and defence policies to inflation and interest rates, all at breath-taking speed. But we are ready and committed to serve our clients through these times, regardless of what challenges the market poses.

This is the purpose of what we do at DWS, and what we have always done. This thinking and this spirit encapsulated in our refreshed brand narrative, which we launched in March, as we aim to further improve the visibility of DWS, and build a well-known and leading asset manager brand in key markets across the globe.

Our new claim, Investors for a New Now serves as our compass and as a timeless reminder of our purpose and everchanging market environment. For many reasons, many of which are terrible and rooted in human suffering, this has never been more current and relevant than during the first three months of 2022.

After having successfully launched our new brand identity, we will continue to invest into DWS leadership, with the particular focus on the appearance and the visibility in digital channels, as well as through the brand partnerships we have in place.

Thank you. With that, let me now pass over to our CFO, Claire Peel, to talk about the finance results. Claire, please.

Claire Peel

Thank you, Asoka, and welcome, everyone. Today, I'll present the results and activities for the first quarter of 2022, starting with key financial highlights. Adjusted profit before tax total €279 million in Q1, our second-highest quarterly total on record. And supported by cost discipline in the first quarter.

Adjusted cost-to-income ratio stood at 59.5%, reflecting a lower cost base in Q1. Excluding cash, net flows were positive in the first quarter, driven by sustained flow momentum into high margin strategies and ESG products. And resulting in strong net new revenues.

Let's look at the financial performance snapshots of the first quarter. Starting on the top-left, AUM decreased to €902 billion, down 3% quarter-on-quarter, as a result of negative market performance in Q1.

On the top-right, adjusted revenues totalled €689 million, down 14% from Q4, reflecting a normalisation in performance and transaction fees in the first quarter. On the bottom-left, adjusted costs decreased to €410 million, down 3% quarter-on-quarter. Driven by a 19% decline in general and administrative expenses in Q1. And this supported an adjusted cost-to-income ratio of 59.5%, and an adjusted profit before tax of €279 million in Q1.

Let's recap on the market environment. The first quarter of 2022 was impacted by high levels of volatility, compared to Q4. And the highest level seen since the outbreak of COVID-19, as political uncertainty dominated the markets and exacerbated ongoing concerns over inflation and pricing pressures.

The impact of this can be seen across major XT [?] indices, which were hit by a sharp sell-off in the first quarter. With Europe suffering most due to greater exposure to Ukraine and Russia, both economically and geographically.

The US Dollar strengthened by 2.8% against the Euro, as investors sought safe havens in US-denominated funds. In addition, fixed-income markets, including corporate and government bonds reported losses in Q1, potentially, indicating signs of a future recession.

Overall, market conditions were challenging the first quarter of 2022, which had an impact on our AUM development, which I will now outline.

After reaching a record high in 2021, Assets Under Management decreased to €902 billion in Q1, down 3% quarter-on-quarter.

But up 10% year-on-year. This quarterly decrease can be attributed to negative market performance, which more than offset a favourable FX movement in the first quarter. Net flows also shifted into negative territory for the first time since Q1 2020, as investors repositioned their portfolios, in response to market volatility.

Moving on to flow performance. Following our strongest year of flow performance in 2021, DWS, like the rest of the world, was impacted by turbulent markets at the start of 2022. In the first quarter, we reported €1 billion of total net outflows, as investors responded to geopolitical tensions and exacerbated concerns over inflation and supply chain issues.

This was evident in cash and active fixed income, with both asset classes reporting quarterly redemptions, as investors repositioned their portfolios, amid rising inflation and inflation interest rates.

Despite this, our diversified investment portfolio continues to serve the everchanging needs of clients, enabling us to sustain flow momentum for the medium term, as well as through the current market volatility. Excluding cash, net inflows totalled €5.7 billion at the end of the first quarter, including inflows into high margin strategies and ESG products.

Active multi-asset reported €6.8 billion of net inflows in Q1, driven by institutional mandates and further contributions to our flagship retail funds. Alternative sustains their positive-flow momentum from 2021, with €1 billion of net inflows in the first quarter. This includes continued net inflows into liquid real assets and real estate, reflecting growing investor interest in alternative strategies to diversify portfolios and generate higher returns in response to inflationary pressures.

Quarterly alternative flows also included the planned disposal of a specific €1.8 billion infrastructure asset in the first quarter. Passive inflow totalled €0.5 billion in Q1. Lower compared to previous quarters, due to investors increasing de-risking their portfolios. European-listed ETPs, mainly our physical gold offering, we're key drivers of quarterly passive inflows.

Active equity delivered another quarter of positive performance, with 0.3 billion of net inflows in Q1. Quarterly inflows were driven by active equity ESG funds, including continued client demand for the DWS Invest ESG Equity Income Fund.

Overall, ESG products continue to be critical to our flow performance, attracting €1.1 billion of total net inflows in Q1.

Moving on to new product launches. Since our IPO in Q2 2018, new product launches have attracted €44.6 billion of cumulative net inflows, and an overall management fee margin of 38 basis points. This includes €3.9 billion of net inflows from new fund launches in the first quarter, higher than the €3.4 billion of net inflows reported in Q4. With new passive and alternative fund launches, accounting for the majority of this quarterly total.

As outlined in Q4, we will focus on accelerating new fund launches, while making enhancements to our current range of products. In Q2, we will continue to scale our passive business, through the launch of the Xtrackers ESG Euro High-Yield Corporate Bond ETF. And we will aim to meet growing investor demand for alternatives by launching the Four Columns Junior Capital Fund [?], and the DWS-confirmed payable spend.

We will also launch the ESG Global Mobility Fund in the second quarter to capitalize on growing client interest in sematic ESG equity funds. Our recently launched DWS Invest ESG Women for Women Equity Fund is getting off to a good start, recording net inflows in the first quarter. And indicating growing client interest in funds that support positive social impact.

This is why we continue to make ESG a key feature of our portfolio, to ensure that DWS is well-positioned to meet the ever-changing needs of its clients and to further grow our ESG AUM from €115 billion, reported at year-end 2021.

Looking ahead. New product launches will be key to sustaining our positive flow momentum and achieving top-line revenue growth.

Moving on to revenues. Both adjusted revenues decreased to €689 million in Q1, down 14% quarter-on-quarter, but up 9% year-on-year. This quarterly decline reflects a normalisation in performance and transaction fees after the recognition of a significant multi-asset performance fee in Q4 2021.

Despite this, the management fee margin remains resilient at 27.6 basis points. This is supported by higher average AUM, and stable management fees and other recurring revenues in the first quarter. Primarily, driven by continued revenue growth from our high margin alternative strategies.

Other revenues benefited from the 19 million contribution from our Chinese investment Harvest in Q1, together with a favourable change in fair value of guarantees and positive investment income.

Moving on to costs. In the first quarter, DWS took greater control of its cost base, in response to heightened market volatility. As a result, total adjusted costs decreased by 3% quarter-on-quarter, to €410 million, supporting an adjusted cost-to-income ratio of 59.5% in Q1. This was driven by a 19% decline in adjusted general and admin expenses, including lower IT and marketing costs, and lower professional and AUM-related service fees.

Together, this more than offset an increase in adjusted compensation and benefits costs in Q1, which, primarily, reflects approximately €30 million in carried interest, variable compensation relating to future alternative performance fees.

Excluding carried interest, adjusted compensation and benefits costs were broadly in line with Q4 2021. As a reminder, the total adjusted cost base excludes €7 million of investments into our infrastructure platform transformation in Q1.

To conclude, despite greater market volatility, DWS remained financially resilient in Q1. This is a testament to our global and diversified business model, which is helping to navigate our clients through political and macroeconomic uncertainties. We reported our second highest quarterly adjusted profit before tax on record, and €5.7 billion of net inflows, excluding cash in the first quarter.

Notably, net flows include contributions from ESG and new product launches, as well as from active and alternative strategies. And further supported by three- and five-year investment out-performance of 79% and 80%, respectively. Positive flow momentum into high margin investments has also supported stable revenue growth, and a resilient management fee margin in Q1. While continued cost discipline has supported an adjusted cost-to-income ratio of 59.5%.

As a result, DWS remains strongly positioned to continue serving its clients efficiently and effectively in Q2 and beyond. Thank you, and I'll now hand over to Asoka for the strategic outlook.

Asoka Wöhrmann

Thank you, Claire. Despite a turbulent and unexpected start to 2022, our long-term ambitions and path remain intact. We are working diligently on achieving sustainable and profitable growth, while, at the same time, remaining cost-conscious. This can be seen clearly in the resilience of our quarter one financial results.

As we turn our attention to the second quarter and beyond, we are under no illusion that the macroeconomic environment will become any easier. We expect market volatility to remain at elevated levels as investors continue to react to a number of ongoing concerns, including inflation, growth numbers for China, global supply chain disruptions, surging energy prices, and, of course, geopolitical tensions.

As a result, as we move further through this year, we expect tighter monetary policies in both the US and in Europe. However, we do not anticipate this action to solve the high inflation levels, resulting in a deep financial repression for savers around the globe.

While this will impose challenges to financial markets and the asset management industry, we are confident that our global and diversified business model will enable DWS to navigate and protect, in the best way possible, our clients portfolios.

In addition, the challenging environment does not stop us from progressing in phase two of our corporate journey to transform, grow, and lead. But rather, it reinforces the need for us to intensify our efforts, and build on the progress made so far.

This will be the key for DWS to sustain its success in the long term. Therefore, we remain focused on transforming our firm into a truly standalone asset manager, with our own dedicated infrastructure platform. We are committed to developing and evolving the best possible ESG products and solutions of our clients while engaging in external commitments that will help shape better ESG practices.

Our pursuit of further organic growth in the markets and businesses, where we believe we can lead, especially in passive and high margin strategies remains intact. Also, we are better positioning ourself to take an active role in M&A activities, in addition to organic growth, whenever see the right opportunity at the right price. With the particular focus on opportunities in Asia-Pacific.

And finally, we are continuing to raise visibility and awareness of the DWS brand globally in other key markets, with support from our partnerships and our refresh brand identity.

Together, these efforts will keep DWS on its growth path, will advance our ambition of becoming a leading European asset manager, with global reach and a global client base. And as we have already demonstrated this quarter, again, we will continue to act in accordance with our purpose and our corporate values, proving the markets that we truly are Investors for a New Now. Thank you for listening. Thank you. With that, I will hand over to Oliver for Q&A.

Oliver Flade

Yes. Thank you. Thank you, Asoka, and Operator, we're ready for Q&A now.

Operator

Thank you. Ladies, and gentlemen, at this time, we'll begin the question-and-answer session. Anyone who wishes to ask a question may press star, followed by one on their telephone keypad.

To withdraw your question, you may press star, followed by two. Anyone who has a question may press star, followed by one, at this time. One moment for the first question, please.

First question comes from the line of Arnaud Giblat with BNP Paribas Exane. Please go ahead.

Arnaud Giblat: Yes, good morning. A couple of questions, please. Firstly, can I ask about the flexibility of your cost base? Shouldn't markets remain challenging, say, they go down another 10% from here, or something? I'm just wondering how much flexibility there is in the cost base. What proportion of your cost base is variable so that you can achieve that 60% cost-to-income ratio in this year?

And secondly, M&A, you've talked about M&A being a corporate strategy for some time. I'm just wondering how, if things are evolving, given your own valuation, does that put out of reach some potential deals? How should we think about your framework, in terms of doing any potential deal? Do the required returns increase because of your valuation? Thank you.

Claire Peel: Thank you for the questions. I'll take the first one, around the cost base. And again, I would reiterate that we're very focused on our cost-to-income ratio target that we have for 2024, of being below 60% in that time horizon, on a sustainable basis. And in our last outlook, we guided to a 2022 cost-to-income ratio of around 60%, recognising that we're now in an environment of more significant volatility.

Within the cost base, within our general and admin expenses, we have approximately 20% of that cost base that we consider to be flexible and more linked to absolute, or average AUM levels, so that can, obviously, move up or down.

And outside of that, we always have tactical measures that we can take, which have, indeed, drawn on, to some degree, as well, in the first quarter. To ensure that we can maintain efficiency in the environment that we've seen at the start of 2022.

With that said, we are continuing to invest in the platform, invest into the transformation and growth strategy, but always mindful of the cost-to-income ratio target that is underpinning us. So, we will remain diligent on that focus, while ensuring that we can invest into the growth strategy.

Asoka Wöhrmann: Thank you, Claire. If I may answer your M&A question. Our position on M&A opportunities remains unchanged, in organic growth is and will be part of our strategic journey. At the same time, we are already delivering very nicely on our results, and also, on organic growth, and with a high level of cost control. And that makes, also, I think, for many others, very attractive to work with us.

And I do think your point is right. Our multiple is quite low compared to the peers. But nevertheless, we are very much focused on organic growth, but also, in organic growth with all the opportunities that will bring us in the next periods. And I think that we are confident, even our currency is, let me say, low priced, but our results are very strong. We become attractive for many other players to work with us.

From that standpoint, we are focusing. And we are also focusing on Asia. As I said, in my part, I do think, also, Asia, even the COVID has taken a little bit breath out of the momentum of Asia. But I do think that will come back, and we are also focusing on this region. It's important for us.

Arnaud Giblat: Is it okay if I just have a quick follow-up on the M&A question? I think, probably, your parent has an important say as to whether or not you engage in M&A. How should we think about, perhaps, a more challenging environment for investment banks? Could that have any implication on your potential for doing deals?

Asoka Wöhrmann: Yes. And also, I think there's two things. I want to say you talk only on the stock and multiple of the stock. We have many other instruments. DWS, more or less, we have no debt. We have cash. We have all the opportunities to fund transactions. I want to say that we are very out of the IPO phase, and we are very solid financially, as you can see.

Yes, I can see a lot of transactions can crystalize in the markets over this year. I do think many organisations, financial institutions have to ask what is core for them. Also, to run the revenue challenges to master their cost. And I do think, core, or not core, are creating opportunities. As last year, we have seen, and, I think, this year, more because, I think, broader financial institutions have to think about that.

I know where your question is directed to. I can see it, these things are coming more and more into the play. And end of the day, all of you can be very sure, and I reiterate that many times, and Claire, the shareholder value creation is, for us, important not to become a big AUM-driven asset manager. Profitable, efficient asset manager, with a strong platform, that is our future, and this is exactly the vision we are working on, on the phase two.

Arnaud Giblat: Okay, thank you.

Operator: Next question is from the line of Gurjit Kambo, with JP Morgan. Please, go ahead.

Gurjit Kambo: Hi, good morning, just a couple of questions. Firstly, in terms of the €30 million of carried interest that you're accruing, is that a one-off, or is that something we should be seeing going forward? Because I guess you haven't called it out, historically, so how to think about that 30 million?

And then, secondly, just in terms of M&A, I think you cited Asia-Pacific as an area where you see, certainly, opportunities. Is there any particular areas within that? Are you looking at product, distribution? So, any thoughts around M&A in Asia.

Claire Peel	Hi, thank you for the question. I'll take the first one on the expense in Q1. So, the magnitude of the carried interest that we see in Q1, we consider to be one-off in nature, given the material size of that. And it's really underpinned by the point in time of the fund life, which is now at the point of recognising valuations on its underlying assets. And, of course, the uptick that we're seeing in real assets in valuations. So, I think this is a positive indicator for, obviously, the real estate infrastructure alternatives asset class, in general. And we see that represented across the portfolio. It's also a strong indicator of future performance fees, but it has a one-off impact, in terms of the carried interest effect that we see in expenses. All vehicles, or the vehicles that are relevant, for carried interest can have continued accruals in time, but I would consider this one as one-off.
Asoka Wöhrmann	Regarding your specific question M&A. Yes, also, that remains the same. APAC region remains our key priority. And also, I think it's not only growth is only for us, one of the focus, it is also to expand growth through partnerships... Are one of the core areas of partnerships and M&A activities. It's important to broaden your distribution platforms. That is also what we are looking for in Asia, and these are the two key priorities. But also, it's very important at these days, and you can see, again, with the first-quarter results, to enrich and very strongly supporting our buyable [?] strategy in high margin areas is absolutely relevant. Also, that is one of the focus of the M&A at DWS.
Gurjit Kambo	Thank you.
Operator	Next question is from the line of Hubert Latin-America, from the Bank of America. Please, go ahead.
Hubert Lam	Hi, good morning, I've got a couple of questions. Firstly, on passives. Passive flows were positive in the quarter, but small, especially compared to the trends you've seen in the past. You talk about what you're seeing in passives, it did slow down, mainly due to cyclical factors or any other reasons. And how do you see passive flows developing from here, given that it was such a big driver of your flows last year? The second question is, I guess, on the ESG situation. Is there anything you can say about this, in terms of an update, possible timing? And is this even an issue anymore, in terms of clients you speak to? Thank you.
Asoka Wöhrmann	Thank you for the two questions, I will take it. You're right, I think, and your statement is right, we managed, again, another quarter of positive inflows on the passive. But this quarter was compared

to all other quarters, let me say, smaller inflow, and I think there's two or three reasons for that.

There was very evidently de-risking activities of our investors, key investors, what we have seen. That is something to do with two factors. The rising inflation, and also, I think, especially the expected thinking about their expectations, interest rates concerns that has created. And Ukraine, itself, the war there that has impacted and derived, more, or less, when to de-risking activities.

And we have seen the negative performance of some indices has also driven to rules-based investors' outflows. Also, normal in these circumstances. So, I do think we have seen these activities ongoing. We have also seen remarkable two or three actions there, but I think we can see, already, and I can slightly guide you, the April was much more constructive what we have seen. And I think from this perspective, we are, on the passive side, fully intact in our trend there.

Then, your second question. Again, I said that very clearly and loud last time, and I mentioned, or phrased, the allegations. There is nothing to say. Sometimes, nothing to say is a good news because I think you can see the tonality has come down dramatically because there are no news to bring up. The organisation on the greenwashing case, we have no news.

I have mentioned, already, we are highly cooperate with all the, let me say, potential enquiries. And I do think from this standpoint, we can't give you any further news than what we have said last time because there is no other news than what I said last time.

For my personal... Personally, I can say I have emphatically rejected the allegations, and the insinuations made by selective and misleading leaks. And I think, also, that, I have nothing to add to that, too.

Hubert Lam: Great, thank you very much.

Operator: Next question is from the line of Hayley Tone with Credit Suisse. Please, go ahead.

Hayley Tone: Morning, everyone, thank you very much for taking my questions. Can I quickly just clarify the cost question, and I have a couple of others? On costs to follow up on what Gurjit asked, can I just clarify, that's €30 million of carried interest accrual in Q1. All other things being equal, that is something we should expect not to repeat? So, the comp and ben costs run rate is going to be €30 million lower for the rest of the year?

And then, my other questions, first of all, in terms of China and the Harvest joint venture, the €19 million contribution was stable, pretty much, for the second half of last year. And I just wondered if there's been any change in your outlook, there, given the slower economy growth in China and the COVID lockdown concerns there.

And then, secondly, in terms of fund flows, you, obviously, saw some difficulties due to cash and fixed income led outflows in Q1, due to de-risking and rebalancing. Is that something you think is now done, or is there still some headwind to continue for the rest of this year? Thank you very much.

Claire Peel

Thank you for the questions, I'll take the first one, there, on costs. And just to a clarification, I would say, no carried interest. Carried interest is related to future performance fees on certain alternative funds and is, therefore, based on the underpinning valuation of those respective funds. So, we continually, in our cost base, will have accruals up and down on that basis.

But what was exceptional in Q1 was the magnitude of this particular fund because it had come into the area of valuing its funds, as it was, at that point, post the investment stage on the fund. So, I wouldn't expect to see a material movement as we saw in Q1, but we always have a certain run rate within our variable expenses around carried interest. I hope that clarifies because it is, obviously, an ongoing valuation item.

On the second question around our Chinese JV Harvest, we reported 19 million of income in the first quarter, which is consistent with what we saw in the second half of 2021. It was higher in the first half of 2021. And as we look forward, we think this is a reasonable guide to look at the run rate for the return from the JV in 2022. Again, recognising that we have heightened volatility in the markets, including in China. But our current outlook is that is a reasonable run rate.

Asoka Wöhrmann

The flows, Hayley, let me say that a CEO of asset management should not, say, differentiate the different flow categories. But I have to say that I am, in some way, happy to have no margin inflows... As inflows. And this is exactly happened. I do think if you look over, also, the whole four years, we have not been highly driven by cash inflows. Cash is not playing an important role for other profitability. And I do think this is an important message to all.

So, therefore, our 5.5 high margin assets are creating the value for our organisation. And therefore, I'm quite happy that all the targeted growth areas holds, and also multi-asset, as well, in equity, we have the inflows.

And I think yes, this... And your question, let me say, a sub-question, are we believe the cash outflows or low margin embedded flows is over these outflows. I do not think, at the

	moment, I can see further fears of investors on inflation. And especially, treasurers need their deposits to manage their companies. And we can see the trend is not over.
	But for us, we are managing very hands-on our high margin flows. It's important. That is exactly important for our cost-to-income ratio in the future to manage and guide you, through the guidance what we give, also, today in our reports.
Hayley Tone	Thank you. Thank you, both. If I can just clarify, then, that is the €30 million uplift in comp and ben from Q4 last year to Q1 this year that's unusual, is that the right interpretation?
Claire Peel	That's the right interpretation. If you look at Q1 versus Q4, then the magnitude of that uptick is the unusual item. And then, as we look forward in the run rate, we would move back to a normalised level, consistent with what we saw in the quarters last year.
Asoka Wöhrmann	Hayley, the ex-cash number, by the way, is 5.7, not 5.5, sorry.
Hayley Tone	No worries. Thank you very much. Thank you.
Operator	Next question is from the line of Bruce Hamilton, with Morgan Stanley. Please, go ahead.
Bruce Hamilton	Yes, morning, and thanks for taking my questions. Just a couple of follow-ups. One on flow picture. Obviously, you saw notable strengths in multi-assets, so I just wanted to try and think about sustainability in that line, whether there were any particularly lumpy items in Q1.
	And also, any potential capacity constraints, particularly in the high margin retail book.
	And then, secondly, just on M&A, and thanks for your comments of far on that, to check, in terms of a funding from balance sheets, so not issuing shares, would I be right in thinking that the excess available is somewhere between €1 and €1.5 billion. I know, typically, you don't give it out, but if you could remind me how we should work it out. I think it was 200 million to IPO, and then you add the retained earnings, which is about a billion, from memory. But if you just clarify that, that would be great, thank you.
Asoka Wöhrmann	Bruce, I will take the first question and then hand over to Claire. Again, multi-asset. If you think now and look into the world, inflation, resulting in financial repression, you have the geopolitical tensions around the world. We have a zero policy of China on COVID. That means, also, supply chains are really under pressure in the world. All that, together, we can expect, this year, quite high volatility. And you can see, already, how the rollercoaster of that this year.
	And therefore, I do think multi-asset, that there is a reason to

	invest in multi-asset. I am expecting good performing multi-asset can weather the situation best for investors. And there should be a more demand than ever for multi-asset. And I do think we have a very strong multi-asset strategies, also, especially in retail area. And I do think we feel this is an area of focus this year. We mentioned that, by the way, already, last time, due to the market outflow. Claire, I will hand over to you.
Claire Peel	Thank you, Asoka, And if I may just add, on the flow point, that within Q1, we saw 4.6 billion of net inflows into retail funds across all asset classes. And I think that just points, again, to the quality of the flows. And we saw the shift between institutional and retail Assets Under Management tick up slightly on the retail side. So that was a stronger drive with the net inflows, whereas outflows were more weighted on the low margin institutional side.
	Coming onto the question of capital. You're correct that we'd guided that we do have a comfortable excess capital position, which puts us in a position to participate in M&A. We've guided that, taking the original surplus capital that we had at the point of IPO. And if you look at accumulated profits, less dividends, it's a good guide... Accumulated profits as retained earnings, I should say, it's a good guide of excess capital, noting that all of the other risk factors have adjusted over the time horizon.
	And in addition to that, we have authorised capital positions, which enables us to deploy other tools if necessary to participate in M&A. So, on the capital front, I think we're well-positioned in that regard.
Bruce Hamilton	Cool. And sorry, just to check, on the multi-asset side, are there any capacity constraints that we should think about that could constrain growth in, particularly, the retail book, or do you have plenty of runway?
Asoka Wöhrmann	No, I do think we can't... We have no capacity constraints. And I do think we have shown, already, strong growth over the last years, that we can absorb it in all areas. I can't see it, Bruce, in this area.
Bruce Hamilton	Great. Thank you.
Operator	Next question is from the line of Angeliki Bairaktari with Autonomous. Please, go ahead.
Angeliki Bairaktari	Good morning, and thanks for taking my questions. Just to get back on the retail AUM, if you could please provide us a rough plate [?] of the retail AUM for 114 billion into AUM in the mass market channel and private banking and wealth?
	And with regards to the impact of inflation on retail flows? Do you expect retail customers to react with somewhere of a lag later during this year to the fact that consumption, energy prices, food

prices are rising, and thus, direct more of their savings into consumption? Thank you very much.

Claire Peel

Thank you for the question. If I pick up the first question just on the mix of the retail AUM. We have the majority of that coming through intermediary channels, as opposed to direct channels.

So, I think that's the channel mix that we see for the retail composition. Unlike institutional, which is more broader, obviously, across insurance, pensions, financial institutions, and private banking channels, and so forth. And just to reiterate, it's really the mix that we saw in Q1, where we saw more inflows coming into retail, more outflows coming on the institutional side, which has shifted that balance slightly of AUM.

Asoka Wöhrmann

Angeliki, no, I think your question regarding customer behaviour, and especially retail customer behaviour, what we can observe, that is very much due to, also, the last year's experience of retail clients. They have experienced a very shocking year last year in Europe and might be, also, the last two years, that they have to pay to store their deposits in the banks. That was a shocking moment for many.

And that means, still... And that is the phenomenon what we can see, compared to other crisis. We still see inflows into investment funds, investment vehicles. Because, I think, this experience has driven them to invest more and to save more in vehicles like investment funds.

And in my opinion, now, your question is absolutely right, what is valid for treasurers is also valid for households to overcome the inflation effects in their household, let me say, budget equation. They have to redeem, but they are redeeming deposits, not funds, at the moment.

At the moment, we are not seeing a risk aversion trade going on in retail in the first quarter. Not what we have seen on numbers of other side.

Operator

There are no further questions at this time. I hand back to Oliver Flade for closing comments.

Oliver Flade

Yes, thank you very much. And thanks, everyone, for your questions and for dialling in. As always, if there are any follow-up questions, please feel free to contact the IR team. Otherwise, I wish you a great day and a healthy time. All the best, bye-bye.