DWS Group

Capital Markets Day

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Transcript

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Oliver Flade

Yes, good morning and welcome to our Capital Markets Day 2022. My name is Oliver Flade, I'm head of investor relations at DWS. It has been five years since our IPO and three years since we had our last capital markets day. And now we are six months with our new CEO Stefan Hoops and we thought that would be a good time to discuss with you our path forwards.

Before we start I wanted to draw your attention to the QR code that is front of you on your desk where you can download our presentation and I was also advised that you will find a nicely looking disclaimer at the end of the materials. But now let's focus on the agenda. Stefan Hoops, our CEO, will start and he will explain our strategic ambition until 2025 and beyond.

He will be followed by Manfred Bauer who's heading our product division and he will clearly talk about our product capabilities. Manfred will be followed by Vincenzo Vedda who's overseeing the active part of our investment platform and he will speak about our way to continuously deliver high performance for our clients.

Dirk Goergen, our head of the client coverage division and the designated CEO of our US franchise will pick up by explaining how we serve our clients around the world and how we intend to grow the franchise. Last but definitely not least our highly valued CFO Claire Peel will close the round of formal presentations by taking a deep dive into our financials and targets.

The presentations will be then followed by a very short break, we need to rearrange the stage a little bit for the Q&A session. And I also wanted to remind you already now that questions will be limited to investors and analysts either physically here in the room or if you have signed up for it online beforehand. And now, without any further delay please let me hand over to our CEO Stefan Hoops.

Stefan Hoops

Good morning and welcome to our DWS Capital Markets Day 2022. So for those of you on the screen thank you very much for Zooming in and spending the next couple of hours with us. And for those of you who have come to Frankfurt on a pleasant December morning thank you very much. It's very nice to put faces to names and see old colleagues again, so welcome to Frankfurt.

What Claire, Dirk, Manfred, Enzo and I want to discuss you over the next couple of hours is how our diversified business model, so the combination of our valuable core at a differentiated position in high-growth products is creating tremendous shareholder value. Now, as a fiduciary asset manager we are passionate about servicing our clients, about following markets, navigating turbulences on behalf of our clients, and then creating superior investment performance.

Now, we've a broad set of capabilities and frankly, we feel we have upside potential in sharpening our value proposition to clients. We are also confident that we can deliver on our plan because we've a variety of self-help enablers at our disposal.

So how do we create shareholder value? Now, the most important financial target for us is clean unadjusted what you see is what you get earnings per share of €4.5 in 2025. Now we will remain laser-focussed and disciplined on cost, targeting a cost income ratio of 59%, below 59% in 2025. I've seen that some of you are asking what the assumptions are, so we simply assume normalised markets which we would define as the market consensus materialising.

Look clearly we also want to pay out more to our shareholders. So we want to pay, we're committed to paying a growing dividend coming from €2 in 2021, paying a growing dividend for 2022, 2023 and 2024, and then we target a pay-out ratio of 65% approximately starting in 2025. As we've said we will either invest the excess capital, that Claire will discuss more detail, impactfully creating shareholder value, or else pay an extraordinary dividend of up to €1 billion at the AGM in 2024.

Let's dig into our capabilities. So Manfred as our head of product will go into more detail later but what I'm trying to do is break down our AuM by asset class, region and client type. So we are one of a handful of asset managers with more than €100 billion in equity, fixed income, multi asset, passive and alternatives. And I actually feel that our size and significance to alternatives is one of the best kept secrets about DWS.

When you look at the regions obviously Germany is our home base, accounting for roughly over 40% of AuM. We have roughly a quarter each in EMEA ex-Germany and the US. And we see manufactured products in seven markets in Asia Pacific, accounting for roughly 5% of our AuM.

When you look at he client types we are obviously known for retail, that's our heritage. But actually, more than half of our AuM stems from institutional clients. And one particular area of strength is the insurance base where we are the fourth largest independent asset manager for insurance companies.

So what do clients see in us? We are a leader in Europe and the clear number one in Germany. We feel that we have a deep understanding of investment preferences and regulatory regime across client types. Yes, we talked about the diversified product capabilities and we're also passionate about investing. And that's demonstrated by our creation of alpha, with about three-quarters of our funds outperforming the benchmark on a five year basis.

We have a wide network of distribution partners, most of them in Germany but also outside of Germany, and that overall kind of explains why clients trust us with their money. Now, what is noteworthy when you look at all of that is that we've had those capabilities for quite some time. So the question when you look at our capabilities and our AuM, I think the fair question is whether we are in the right weight class AuM-wise.

And when you look at the history after the acquisitions of Bankers Trust, Scudder and RREEF in the early 2000s we were actually the fourth largest asset manager in the world by AuM. And unfortunately since then when you look at the markets that we competed in, so by asset class, client type and region, unfortunately we have sort of undertracked market growth by 2X. In other words we've only grown at half the speed of the overall market.

Now there are plenty of reasons but I think the most significant reason is that during that time we were a division or jut part of a division of a big universal bank. So lacking the focus on what's needed for an asset management company.

Now fortunately that changed when Deutsche Bank took the decision to IPO us in 2018. So since then I believe, I'm confident that the management team has built up tremendous credibility and what I find most impressive is the improvement of our cost income ratio by more than ten percentage points since the IPO. But I feel that the ability to control cost is incredibly important, we have a tough CFO, and it's important in this environment in which inflationary pressures are all around.

We've also beaten market in AuM growth in the last couple of years, which Dirk will go into more detail on. And when you look at our revenue picture the fact that have a very diversified franchise has suited us well. So we are aiming for flat-ish revenues 2022 versus 2021 and our outlook for 2023 is also for broadly flat revenues. So as the liquid products were slightly weaker this year alternatives has picked up, and the same is expected for next year, we are also going to have some tailwind because of net interest income, but more on the capital later.

Now, what has kept us busy as a management team is ESG, so let's just address the elephant in the room. And at the press conference we just had not surprisingly roughly 70% of the questions were on ESG so you can read what we said. But let me just repeat and kind of walk through the past, present and future of ESG at DWS.

I think our past is reasonably well-covered, what I can confirm is that working with the authorities to resolve the investigations has the highest management priority. We are nearly complete with our internal investigations and we can confidently state that we stand by all of our disclosures, financial disclosures and prospectuses.

Now obviously as you dig through two and a half million documents and because we obviously want to continuously improve we've already announced a new governance structure for ESG which we discussed at the last quarterly earnings. So going forward we'll have a three-pronged approach where the strategies for all of the unconstrained thought leaders will continue to report to me. There will be much more accountability on the parts of the businesses to deliver ESG and we introduced a Sustainability Oversight Office as a control segment of the finance function to control how ESG is delivered.

Now ESG can be a difficult topic because it's highly politicised, you have new regulation on a regular basis, it's more and more becoming a geopolitical tool. But we also want to be crystal clear that we remain fully committed to ESG.

Now you will not hear me use the terms leader or world-class, we shouldn't compete on that but we want to continue being one of the flagbearers for ESG in Europe. Because I think it's quite important that despite everything that happened over the last couple of quarters that clients but also frankly society sees us remaining committed to those really important part of the world that all of us live in.

What we want to focus on at DWS is climate and engage, meaning that we really want to make sure that no industry, no client, no corporate but also no country is left behind.

Now what is the environment that we expect for asset management companies over the next couple of years? So I don't, I mean it's the world we all live in so I don't need to walk you through the volatility in markets or the fact that we have geopolitics and a trend towards block-building.

Obviously we have an ongoing margin erosion in our industry and constantly have new regulation, I think that's well-known.

The question, and again Dirk will go into more detail later, is what does that mean to our clients? So in an environment in which you don't really have a global economy anymore but require much more localised specialised [unclear 00:12:32], where we don't have general market beta with prices going down and clients will require much more nuanced much more specific advice.

And obviously in an environment which doesn't offer general market beta with asset prices going up the demand for alpha is going to go up from clients. Now fortunately we feel that it's good news because alpha is being created in such an environment. So as this person increases that allows active asset managers to pick the right stocks and bonds, so we call it a renaissance of active asset management that Vincenzo Vedda will touch on later.

And if you look at passive if you think about that being broad indices going up that would also imply that index replication is not really a source of success, but bespoke passive is really what you have to focus on. We believe that over the next couple of quarters private markets will probably be choppy, they will probably catch up to public markets when it comes to price movements. But we also believe that the sector growth in alternatives is intact it will also create alpha for clients.

Given this context by the market we expect the capabilities that we believe we have, the expectations of our clients, what is the specific DWS strategy? And the next slide is pretty complex so I'll give you a minute to let it sink in. So one of the biggest challenges in large organisations is that people want to have all bases covered. We don't want to miss any investment opportunity because if you do you will sit in some business review meeting where somebody said competitor ABC has grown tremendously why didn't you invest in alternatives, passive, A-share, whatever it may be.

Which means you run the risk of stretching yourself too thinly, you cannot be everything to everyone. And then ultimately not really knowing where you want to really be world-class and really deploy your resources. So what we've done over the last couple of months is really look at every single component of our franchise and asked pretty simple questions.

Who? Meaning what client type, needs us for what, meaning which capabilities, which asset classes. Where in the world?

Why? Because we have a track record, because of scale, because the client access [unclear 00:15:24] our products bought. At what price? What we will charge, what it will cost us. And then we kind of looked at the various parts of our franchise and were very disciplined, very fact-based, you know, sometimes pretty ruthless in simply calling it what it is.

There are certain areas in which we are really strong and they deserve additional investments. There are certain areas which are really strong but the markets are not growing, in which case there's no point investing massively more into those. There are some parts of the market where we are very strong but we haven't been able to upscale and those we should just part ways with.

That is obviously tough but this is what we've done over the last couple of months. And starting, when you look at the quadrants, starting with value those are really those businesses in which we enjoy a good market position but the markets are not growing very much. Strong capabilities, not strong market growth. I'm sure all of us are remembering the BCG matrix we learned at university, so it's not dissimilar, but there was hard work going into it.

The growth part are those areas in which we feel we have a differentiated position and it's really just Xtrackers, passive, and alternatives, and the market is growing. So we are strong and the market is growing and it's worth investing more in.

There are certain areas in which we want to build, so you will see me talk about it in a second, very specific areas where we feel it's worth seed-funding and building those capabilities. But obviously you also need to self-fund growth and build, which is why there's a reduced bucket and let's start with that.

What we want to do is through a combination of selling certain businesses, delayering the organisation, which will also mean giving up on certain skillsets, and new cost initiatives to self-fund the investments in growth and build. So this is not essentially a cost exercise but we just want to give you confidence that we can actually afford the investments which I will talk about in a second. So it's important that we talk about how we save before I give a pitch of how we intend to use it.

Now you wouldn't expect me to actually put things on a shelf, right, it probably wouldn't be helpful for the prices if I say that these businesses are for sale. However, what we wanted to do in order to give you confidence is we will save about two percentage points of our cost income ratio, so about 55 million in 2023, so we give quantum and a timestamp, which will be reinvested in growth and build. And we'll give the updates on that over the next couple of quarters.

Now if we dig a bit more into the cost picture, overall the efficiency gains will be 100 million over three years. So 55 in the first year, 100 overall, Claire will go into more detail. Of which 70 overall will be reinvested. Now when you look at our adjusted cost income ratio I understand that nobody likes cost income ratios that go up to then go down, I appreciate that. However, 2023 is the peak of our transformation to become an independent asset manager.

We've talked about it often, in 2023 is the year in which we have doubled cost because we still use Deutsche Bank's services and we have to pay them for it. But already of our own people that will pick those tasks. And I think you will agree that we just do not stop a transformation project so we have to get it done. But then the main target to have a clear path to a cost income ratio of 59% in 2025.

I'm now moving to the value component of our portfolio. So those businesses, asset classes, equity, multi asset SQ1 solutions and fixed income account for roughly 60% of our management fees. They've a very low cost income ratio, are highly profitable and those are the businesses that really pay our dividend. While Enzo will go into more detail I just want to give you my view on those, starting with equity which is our single most profitable asset class. And it's also really the heart of our company when we were founded 66 years ago.

We feel we have strength across capabilities, but still have ambitious plans to grow and improve the franchise by focussing on thematic equity and expanding our ESG offering. When you look at multi asset I think that everybody knows large flex funds like Concept Kaldemorgen but we are way more. So we have 140 billion across multi asset SQ1 solutions, really across a variety of strategies. We also want to grow that by offering a modular investment platform which Enzo will describe in more detail.

Now fixed income is back, right, so fixed income is finally paying income again. It's also, when you look at our AuM after the third quarter the largest part of our franchise roughly a quarter of our AuM. Now what we have to realise is that in fixed income our performance, our track record over the last couple of years was not what clients deserve. So together with Enzo I will also be personally involved to rebuild some of the offering and rebuild some of our multi sector strategies.

Let's move to our great Xtrackers franchise and I would like all of you even more if you call it Xtrackers going forward and not passive because I like what BlackRock is doing with iShares always getting free advertisement. So we would really refer to this Xtrackers going forward. Now obviously passive is a great business because once you've built sufficient scale it's highly profitable. But it's also great business for everyone, so we are not the only one investing in passive.

So the question is really what is our right to compete? Now what we have to accept is that we have a great brand, Xtrackers, but we've underinvested outside of Europe for the last couple of years. And when you look at a market where your competitors are investing a lot you really only have two options and you can either also invest or get out.

But there's no point in starving a business when all of your competitors are investing. And what I can tell you, we approached the question pretty open-mindedly but always told the team it will be binary, you will either get full sign off on the investment ask or not but we will not allow you to just exist without sufficient funding. Now ultimately we decided to fully fund the investment case for the Americas, I think Europe was an easier decision, and for the mandates component of the franchise. Because for US we had confidence because of the brand.

Actually the track record in the US where we've been for quite some time in passive and Xtrackers and our focus is on bespoke passive. So it's an interesting niche where you focus on currency adjusted Xtrackers, you have very thematic ETF. And again when you think about, if you agree with the point that there's not broad market beta then really those bespoke passive solutions will be alpha generating and will be in high demand.

So what we want to do is see that business grow by 12% on average per year over the next couple of years. Of which roughly a third is expected to come from market appreciation and two thirds from flow. So 12% CAGR on average, a third from market two thirds from flow.

When you look at alternatives I think you would be equally hard-pressed to find any CEO without a compelling convincing story of why alternatives is the thing to build. So similarly as in passive the question is then what is our edge, what's our right to compete? And what gives us confidence is that we have a great foundation. So I called that our best kept secret earlier because we have more than 100 billion of AuM, we have been doing it for more than 50 years, we've clear strength in commercial real estate and infrastructure and liquid real assets.

And when you think about the expected market dynamics over the next couple of years we feel they will be playing to other strengths we have as a franchise. So we agreed the assumption that private markets overall will grow. And if you look at pretty much your research it says that the two biggest sources of supply and demand, you will have more demand from retail and you will have more supply because you will have banks providing less balance sheet funding to the real economy.

Now we feel that we understand consumers and retail clients pretty well, have strong existing distribution channels through wholesale, and we also feel that we have access not just to Deutsche Bank but also other bank partners who's sourcing channels, who's existing relationship managers we want to leverage.

So what you see us do is add a private debt muscle, that's the one part which we have sort of missed in the 2010s. So with out existing capabilities in real estate and infrastructure we are already offering the debt versions of that. And you have seen that we've announced Paul Kelly as our new head of alternatives who comes from the market leader in private credit. So he will ensure that we add appropriate resources to really grow alternatives.

Now overall we want to grow by 10% CAGR, so 10% per year on average until 2025. Of which about three quarters will come from net new assets and a quarter is expected to come from market appreciation.

Now one of the things you have seen us announce yesterday is what we want to do for European transformation. And I need to avoid getting a pulse check from my Apple watch because that's a topic I'm really passionate about. Because all of us, and there are a lot of Europeans in the room, I think it's the first time we see Europe really take on the necessity to transform.

So those are not just investments in transition to a greener future, that's also diversifying our supply chains, so nearshoring. It includes more R&D, especially with mid cap corporates. We need to focus more on digitisation, if you compare what Europe is offering versus China or the US. So you'll see significant investments in a combination of infrastructure, green transition, mezzanine equity financing for corporates and much more, private public partnerships and so on.

Now the challenge that Europe has always been facing is lack of access to private risk capital, it's obviously our markets are not as deep as the American market and we've a government that's less involved than the one in China, for example. So we've always lacked the risk capital for these transformative investments. But actually the challenge we have is a double challenge because it's also quite tough to get the capital into the right places.

Just imagine you want to provide mezzanine financing to German mid cap corporates, it's not like you can just raise money and then fly from New York to Frankfurt, meet 50,000 in one room, hand the mezzanine cap and fly back. These mid cap corporates are scattered all across Germany, which I've learned over the last four years, so it's not just raising the capital but also getting it to the right places.

So on the one hand we have the existing capabilities in infrastructure, real estate and so on, which obviously come handy to add solutions for financing the European transformation. But we also want to leverage our majority shareholder Deutsche Bank.

So the advantage that Deutsche Bank and DWS have together is really three steps. So DWS together with wealth management of Deutsche Bank can raise the risk capital. The corporate bank and the investment bank of Deutsche Bank can source the risk. In my old job I had 2,00 relationship managers if banks provide less balance sheet lending, which I would not confirm for Deutsche Bank so don't take that as a quote. But obviously they have existing relationships that should be leveraged and that's something that we intend to do.

But then thirdly that all needs to be brought together by a fiduciary asset manager because there's obviously an inherent conflict of interest. And we as DWS will be that asset manager, those are the people we'll recruit to really then leverage the sourcing, raise the risk capital and add value to the European transformation.

You will have seen the announcement yesterday, it's really a family of funds because obviously infrastructure is quite different to mezzanine. We wanted to call it the European Transformation Fund, similar to the Vision Fund but ultimately it will be a fund family but everybody likes families so that's what we'll focus on. And again that will be a key cornerstone of our alternatives franchise for the next couple of years.

Let's move to the build component of our franchise. And honestly it's tough building things at large organisations, but I can tell you from my own experience looking after the corporate bank, rebuilding online payments, it's tough. So you need conviction on very specific topics and then tenacity to just get it done. But once you build these new things it's incredibly rewarding for clients and shareholders.

Now do not expect a large financial contribution from any of that in the first half of our planning period. And I can assure you that we will use something that we call success-based CAPEX where the teams will only get funding once they've hit certain milestones. And we will only invest in these once we have freed up the capacity from the reduce bucket.

Now there are three specific areas that we want to invest in. The first one is we, I think of all of, observe a change in the way that consumers access products, so many of us access products through platforms. And that value chain is obviously something which we simply have to accept, that we have to embrace, that we have to become part of. So the first milestone is to be API ready, so to be able to connect to those platforms.

But ultimately the vision is that in that embedded asset management we want to be the synonym for trust. So we want to make sure that people say in this embedded asset management product I want a DWS product because that kinds of symbolises strength, trust, quality.

For those of you that, similar to me, bought their first PC in the late 90s there was always this sticker in it, Intel Inside. I had no idea what it meant but even though I bought my first computer at ALDI, which is one of the cheapest supermarkets in Germany, just having Intel Inside gave me confidence and helped me buy that product. So we want to have a similar symbol of trust in the embedded asset management space.

Second is that a lot of our clients or future clients have wallets but not accounts, so we simply have to get our products on the blockchain. This is not us saying that crypto's great, it's not, there's certain components that make sense in blockchain technology but this is not us going into crypto. This is simply us ensuring that our products are accessible on blockchain by people having wallets.

So the first milestone is for us to create digital twins of existing products but the vision is to be the home of the EUR stablecoin. And I would love if anybody asks me a question what that means during Q&A but I don't want to spend too much time on it. But that's something which is currently missing in the ultimate vision.

Now the third area is that we believe the market structure that we know will change over the next five to ten years. So if you just think about the steps between investor and investment you have like eight to ten middle men. Between the retail investors you may have an insurance company, DWS, a broker, an exchange, a custodian, a trustee, an IPOing bank, a bunch of lawyers. So you have plenty of participants, some because of regulation, some like us because they provide great advice, some purely because of convenience.

And we believe that his is going to be disrupted and we would like to be one of those disruptors. So in order to prepare for a change in market structure the first milestone is to build or buy necessary components. But the ultimate vision is to the be Tokenizer. Which means you will need to have a couple of parties credibly representing that what you buy in tokenised fashion is actually what you think you buy.

So if you securitised, tokenised this building, somebody needs to be the trusted instance that says yes, it does have, whatever, seven floors and it has been the host to awesome capital markets days like the DWS 2022 one. And that is something that you wouldn't just expect a couple of €25 techies to do. So we believe that there's going to be a place for a couple of trusted parties to be the ones representing trust on the blockchain.

Now what I've done over the last couple of minutes is to work through our pair [? 00:34:53] franchise from an asset class and client perspective. Now we want to look at regions, that's tough to go all the way over there. So starting with Asia Pacific which obviously is the region with the biggest growth. And one of the toughest decisions that you have to take as a management team is if you look at the market which is growing really fast but just realise that you cannot access it in dependently.

So what we had to realise is that over the last ten to 15 years we simply haven't built sufficient scale and then in great markets like India we don't have a licence or a brand. But we have awesome great partners, so with Nippon Life and Harvest and a couple of others we have really strong partners in Asia Pacific. So what we will do going forward and Dirk Goergen will talk more about partnerships overall, is really focussing on growing with our existing partners. But there's way more that we can do both ways.

And we can only be a leader globally if you have strength, a pole position in your home market. So we obviously want to remain a leader in Germany. In EMEA ex-Germany we're already reasonably strong but believe we can grow further with additional partnerships and by growing Xtrackers, and we discussed the European transformation.

Now in the US what gives us confidence is that we were not too long ago the fifth largest asset manager in the US. So we still have a lot of the bread and butter capabilities, so fixed income, money markets and so on. And with Dirk moving over and running, being the CEO on the ground we have ambitious growth plans also for the Americas, really with a focus on alternatives and Xtrackers.

What we've covered so far is the market environment that we believe we operate in, the client preference changes, our DWS strategy, but it's still an ambitious plan, as some of you have pointed out. Now what gives me confidence that we can actually deliver on that plan is that we have a bunch of self-help enablers at our disposal.

We have great partners and I will in a second talk about all these in turn. I want to do more with them. We view Deutsche Bank as obviously it's like a multi-faceted relationship where we will continue to focus on becoming the independent standalone asset manager while still reaping low hanging fruits, which I will discuss in a second.

Tech is not a cost-seller, it is an enabler and we're looking forward to having Angela Maragkopoulou on board on 1st January. Now high performance culture is something that every asset manager needs because our clients deserve the best possible performance. Now obviously clients also need to ensure that their money is safe, and so you need to have the combination of a high performance culture that's really focussing on risk management and controls.

And somewhat biasedly I am convinced that we have a great management team because ultimately all of you will have to trust us that we can actually deliver that plan. So talking to each of them in turn, the clients of our distribution partners account for roughly a quarter of our total AuM. So this is not just a nice to have, this is a key part of how we drive our business.

We want to grow it further and we have specific KPIs and executive board sponsorship with all of them, so you will see us grow with our partners. I expect, and during the press conference the questions were basically either ESG or Deutsche Bank, so looking forward to those questions later. But I think what is clear is that our relationship with Deutsche Bank is multi-faceted.

And I think that over the last couple of years there was too much focus on getting away. So just to be clear, we'll remain laser-focussed on being independent from a governance and a platform perspective. So the reason why you would want to have a standalone asset manager because you would want us to have, or you want us to have, the rules, the controls, of an independent asset management company. And that is something that Karen Kuder is laser-focussed on.

You also rightfully want us to be fully independent from a platform perspective, from a tech perspective, so that is something which we're also fully focussed on. But then when you look at the upside that we haven't really harvested over the last couple of years it is too big to ignore.

So when you look at the private bank we have a well-established interaction with the private bank. They have open architecture so that's not going to change. But it's a well-established interaction with the private bank which obviously serves both parties very well. With the corporate bank and the investment bank our interaction can best be described as sporadic and I can tell you that from my own experience having run sales in the investment bank and having overseen the corporate bank over the last couple of years it is sporadic where people know each other.

And we feel that there's way more than we can do for corporate, corporate pension solutions for example. And obviously what we discussed around alternatives and the European transformation will also be juiced or be energised, be fuelled by a closer interaction with the corporate bank and the investment bank. So that's more to come but what we've definitely told everybody is to continue to be laser-focussed on the necessary steps towards independence but at the same time reap low-hanging fruits for our clients and our shareholders.

As I said, tech is an enabler. And there are really three things that Angela, that our tech folks are focussed on. The first one simply seeing through that independent platform and move our applications to the cloud. And for the tech colleagues that have dialled in sorry that I summarised three years of hard work in one sentence. But it's important because it's the foundation of what we do.

Now secondly we need to have much more agility between tech and our businesses, for a variety of reasons which I think are quite obvious. And we're convinced that human's will continue to take decisions but they should be better augmented with data, so there will be much more focus on data science going forward.

Now one of the things that I think is really important about the asset management industry that if you want your clients to have the best possible investment performance you need to strike the right balance of having a high performance culture, but at the same time it needs to be built on integrity and discipline. And Enzo will go into more detail later.

Now, the starting position of that is diversity and not just because it's the right thing to do but you need diversity of though in order to make sense in this crazy world that we wall live in. So we're convinced that diverse teams will simply take better investment decisions, better decisions around who to cover, better decisions around all parts of our franchise. And that then starts with recruiting.

So we will be very focussed on recruiting from diverse backgrounds because people need to have been educated differently. Those tenants need to be trained, they need to be nurtured, and we also need to have the right incentive structure which is more than before rewarding outperformance for clients but obviously factoring in all of the requirements of a fiduciary asset manager.

Now what makes me comfortable that we can execute on our strategic plan, that we can be disciplined when it comes to cutting cost and self-funding, that we have the ability to maintain leadership in the value part of our franchise, that we can have a proper growth mindset for Xtracker and alternatives, and that we can be bold when it comes to building new things, is our team. So I'm confident at we can pull it off because of that team.

Now what I could tell you is that the team is diverse and experienced and has a getting it done mindset, but I'm sure that every CEO would tell that about their team so you would probably discount it. So I want to do as a millennial CEO is tell you why I personally like all of my team members.

Now firstly I want to add or thank Mark and Stefan for significant contributions over 24 and almost 40 years, to the DWS franchise. With Dirk Goergen our head of coverage we have a hands on strategist. So that is the rare combination of somebody who's been trained as a consultant but is just focussed on getting stuff done.

Now, Karen has a very pleasant demeanour but she's a fighter. So Karen grew up in Eastern Germany, she was 16 when the wall came down and she was the first generation that conquered the West. So I met Karen when we had to get Frankfurt post-Brexit ready which didn't make us fan favourites in London. And I can tell you when things get difficult you want to have Karen by your side.

When you look at Angela in this circle of trust I wanted to bring my own person from the corporate bank where I'd focussed on tech and ops for the last four years, I wanted to bring my own person. But then interviewed Angela and I was just blown away by her passion for tech, data, platforms transformation. So she hasn't worked in the financial industry but at Vodafone, Deutsche Telekom she definitely learned what's needed to build an awesome tech franchise And she obviously also oversees ops and other things.

Manfred Bauer, our head of product, is a trained tech expert. Now what you may know is that there are more books written about the German tech system than about all tech systems of all countries combined. So I'm glad that we have somebody with Manfred's massive brain overseeing our products and wrappers and the various markets we operate in.

And when I'm with Claire I can just relax. So Claire is so incredibly knowledgeable abut every number that we've ever had and calm at the same time, that later when I'm at Q&A my heart rate will drop by 20 points just being next to her. So she's really the perfect CFO overseeing the execution of that plan.

Now we also have a great next generation of leaders and you will see Vincenzo Vedda later today who I actually covered as a client when he ran global trading for DWS. He then ran EMEA coverage before being promoted to our head of active asset management. Look, overall I'm just convinced it's a great team, it's fun to work with the team and I'm convinced that we will pull this off.

Now, what we'll pull off, and this is the last slide so you've almost made it, I'm not going to have you go through like one of those summary slides where I say everything I've said so far. Because rather than summarise it we just want to make it very clear why we do what we do. So we want to aim to create value for our clients in order to create tremendous shareholder value.

As I said, the most important financial target is clean, unadjusted, no BS earnings per share. We remain laser-focussed in disciplines of cost, targeting below 59% of cost income ratio in 2025. We want to give you two specific growth targets for alternatives and Xtrackers, just for you to understand what DWS will look like in 2025, by aiming to grow our Xtrackers franchise by 12% CAGR over the next three years, And alternatives by 10% over the next three years CAGR on average. So €4.5 EPS, below 59% cost income ratio and specific growth in those two areas.

Now we've also heard you loud and clear on other things we should so in order to make our stock more attractive. On the one hand you have things like strengthening the position of our minority shareholders, or improving the liquidity. Most of those decisions are not actually in our hand but in the hand of our shareholders. They also request for much more transparency, insights into the Harvest stake or also excess capital.

Now, hopefully what we'll get across today is that we view excess capital as your capital, right, that's your money. And we aim to either deploy it sensibly or return it. And so I'm sure by now everybody has done the math of us committing to a growing dividend from €2 in 2021 a growing dividend for 2022, 2023, 2024. A pay-out ratio of approximately 65% starting from 2025 and then either a compelling shareholder value creating way of deploying capital or otherwise a extraordinary dividend of up to €1 billion at the AGM of 2024.

Now with that I want to thank you and hand over to our head of product, Manfred. Thank you.

Manfred Bauer

So thank you Stefan and good morning everyone. Let me explain how our product capabilities position us for growth. Industry forecasts show the global asset management industry continues to grow, we expect assets under management to reach about €170 trillion by 2030, which translates into an annual growth rate of about 6% since 2021.

Net new assets contribute about two percentage points a year to that growth, this is slightly slower than in the past but asset management continues to be a highly attractive industry. So the question is how can we compete successfully in this environment? At DWS we have a competitive edge in three ways, our product mix, our global fund platform, and our product range strategy.

So let me start with the product mix. The breadth of our capabilities continue to be a real strength. We are one of four asset manager globally to be ranked among the top 20 by assets under management across active, passive and alternatives. Given this diversification we can manage shifts between asset classes by maintaining stable revenue streams.

We have not always achieved market growth in the past, as Stefan said, but our product mix today is skewed towards growing markets. If you apply market growth assumptions to our specific mix of asset classes, client segments and regions it resides in a forecast growth for net new assets of more than 3% per annum. This is significantly higher than the overall market growth of 2% I have just mentioned.

So we will continue to leverage all our capabilities to realise this potential. And or performance since 2019 shows we can do this. Our global fund platform is another factor enabling our success. As of today we are able to launch wrapped products in 11 countries, offer up to 23 types of vehicles, with clients invested from 46 countries in Europe, Asia and the Americas. And we expand our reach around the globe through our major product hubs and cross-border registration.

This also delivers economies of scale. In addition we offer separately managed accounts to our institutional clients. Moving onto our third strength, our global product strategy which has three main goals.

First, we launch products based on a joint view across divisions, with a focus on both our core capabilities and innovation. This enables us to capture a significant share of net new assets to new funds. For example, new funds have contributed about two thirds of our overall net new assets since our IPO, 48.7 billion.

Second, we aim to scale funds to increase profitability. As of Q3 we had roughly 100 funds above €1 billion of assets under management. While this is a good starting point we think we can convert a higher percentage of our funds to the billionaire's club. To do so we are working closely with our client coverage division and our strategic partners.

Third, we actively manage the lifecycle of our products. We have a clear view on profitability and have merged or closed more than 8% of our funds across the liquid platform, always in line with our clients' best interests. We have also repositioned more than 30% of our funds mainly driven by the sustainable finance disclosure regulations. This let us be ranked number two in Article 8 by Morningstar.

The development of our independent IT platform will give us the ability to take our lifecycle management further and increase profitability.

I will now take you through our priorities for active, passive, alternative as well as digital. Let's start with active. Funds for active asset management are a key driver of profitability. In active we have more than 40 funds above 1 billion and several funds above €5 billion of assets under management. As I said earlier we have funds we can convert above 1 billion given their performance and market demand.

For example, we want to leverage our position in both core and sustainability fixed income strategies and we continue to grow thematic equities. Just as important is capturing flows from new funds, to address client demand we update our offering constantly based on market dynamics, internal strengths and again, innovation.

In our 2022 pipeline we concentrate on thematics such as a new metaverse strategy as well as on sustainability including net zero and climate position. In addition, our global fund platform enables us to export successful strategies from one region to another. We rolled out our successful Blue Economy concept in the US, these funds invest in companies that contribute to the health of our ocean. We developed and launched it in Europe in close cooperation with the World Wildlife Fund, WWF. And also soon to be launched in the US.

We will also invest in expanding our capabilities when changing market conditions lead to new opportunities. Due to rising interest rates and a renaissance of active we are exploring fixed maturity strategies, one of our success stories of the past. And so the leverage on active in more detail later on.

Moving onto passive, or better Xtrackers. We all know passive has been a strong driver of industry growth in the past, equally important ETFs have proven stability in times of market volatility. We believe passive will continue to grow and our aim is to achieve continuous inflows. Building on our existing expertise we want to grow our European Xtrackers platform. In 2023 we will expand our product range focussed on the US, sustainable development routes and climate transition benchmarks.

In addition, we are targeting a product line base of increased marketing for Xtrackers and new digital channels, offering digital twins is one milestone in our journey to a digitised offering. In the US we want to build on our Xtrackers presence with targeted products. Our ETFs have a high market share in specialised categories such as China A-shares or currency hedging. Going forward we see different opportunities in thematic and sustainability ETFs. And we aim to leverage our strong active investment activities in ETF wrappers, active ETFs.

Lastly, we see continuing demand for customised solutions from institutional clients, which we are matching with a global index development team. Turning now to alternatives. Forecasts for alternatives continue to show strong growth rates despite the challenging environment in the near term. So there are clear opportunities in this high margin business. We aim to realise our potential in three ways.

First, our flagship offering. To position ourselves for growth, we will expand our successful vintage series and open-ended fund offering across infrastructure and real estate, with new products coming to market next year.

In the United States, we've launched a new real estate strategy in order to establish another flagship fund, and in Europe, we've raised funding with a new sustainable infrastructure growth strategy for institutional clients.

Second, we want to capitalise on the democratisation of private assets, as Stefan said earlier. We have a strong wholesale distribution network, especially in Germany and Europe. Combining this with our alternatives expertise will put us into a super strong position to grow. To gain further traction, we will launch a new European infrastructure fund early next year, mainly targeting retail clients in our home market.

And third, we want to grow our liquid real assets business which is delivering very strong investment performance. In order to continue our growth, we have replicated our successful real assets strategy from the US in Europe. This is another good example of the potential of a global platform. And to emphasise again, mobilising private capital for the European transformation is one of our top priorities.

We feel uniquely equipped to access the key players through our strong partnership with Deutsche Bank and our links to the public sector. This will enable us to create real impact. One important area of transformation is digitisation, so let's move on to our own digital strategy.

Stefan already outlined our vision, so let me pick up on that. Consumer behaviour is evolving. The increasing adoption of digital and mobile technologies is already changing now how our clients select our products and where they buy them. This means we have to seamlessly embed our products and services into digital channels.

Today, in our traditional ecosystem, we want to provide an asset management-as-a-service offering which can be integrated seamlessly and at scale via application programming interfaces, or APIs. Our first focus will be on API-powered content delivery. Over time, this will include additional services such as model portfolios, tokenization or accounts.

We are also seeing increasing adoption of the token economy, so we plan to take our products on the blockchain to distribute them to wallet-based investors. For this, we aim to go live with our digital twins next year. You heard already about them.

In addition, there is a market need for blockchain-based money. We want to play a key role in the development of a Euro stablecoin to fill this gap. And we can also realise efficiency gains through blockchain technology and smart contracts, for example, by investing in tokenized real assets.

In the future, we envision a world where major parts of the asset management value chain becomes tokenized, allowing us to offer new services and to expand our current business model. In particular, we see significant opportunities for DWS to become a trusted tokenization provider. So there are plenty of opportunities ahead of us, and we are ready to win.

Let me summarise our priorities to drive growth by 2025. For active, we aim to grow our funds above 1 billion by 20%. In Xtrackers, our target is to grow assets under management above 12% per annum on average over the next three years.

In the higher margin alternatives business, we plan to grow assets under management above 10% per annum on average over the next three years. And finally, regarding digital, we will carefully balance short-term opportunities with building foundations for the future to establish a digital value chain by 2025.

Thank you very much. I will now hand over to Enzo, who will bring us to the active investment capabilities. Thank you.

Vincenzo Vedda

Thank you, Manfred. A warm welcome, everyone. So active. Active is our largest book of business, and we're convinced there will be a renaissance of active, especially in current market conditions.

We start from a strong position. We have about 300 investment professionals across 13 hubs, giving us a truly global and integrated active platform. We run about half a trillion Euros across all major asset classes and many different investment styles, from fundamental bottom up to quantitative strategies, and from retail investors to highly sophisticated institutional investors. So our business is highly diversified across asset classes, regions and client segments.

You can see how this translates into performance. 73% of our active strategies outperformed their respective five-year benchmark, and 35% of our funds are rated four- or five-star by Morningstar, which is above the industry average. Having said this, we have areas where we can improve, as mentioned by Stefan earlier. Our goal is to continue expanding on the share of our top-performing strategies. So what is the foundation of the success to date?

We rely on highly experienced teams. The average tenure of our portfolio managers is above ten years, and we have been managing client assets for over six decades. Our proprietary research and our highly disciplined investment processes are key, and we have strong risk management capabilities across a range of market conditions and have done especially well in difficult markets.

Let me show what I mean by touching upon three of our flagship strategies. All of them fit in the top decile of their respective peer groups of what we believe will be growth areas in active.

I'll start with our largest fund on the platform, our equity income strategy, called Top Dividende. Given its value tilt, it is no surprise that this fund went through a pretty difficult time during the biggest growth run in history. But as the tide turned this year, we have delivered strong performance by staying true to our approach.

History has shown that the mean reversion between value and growth is very likely, so we expect a prolonged outperformance of value very similar to what happened 20 years ago, the last major mean reversion. In these circumstances, we would expect Top Dividende to do extremely well as the largest global large cap value in Europe.

My second example is our Asian Bond fund. It has done extremely well on the back of excellent duration management and avoiding exposure to China, especially the Chinese real estate sector. This is what we really think of as taking active risk. Complementing this with our overall strength in credit, we believe we can take advantage of an asset class that historically delivers strong returns in early stages of the cycle.

My third example is our flagship fund, Concept Kaldemorgen, along with the full suite of total return funds. These have proven themselves capable of navigating all kinds of market conditions, and this outperformance in down markets usually bodes well for future flows. And we expect continued growth in these strategies.

So we have shown why we can do well in these segments of active that we believe will grow. But why do we think there will be an overall renaissance of active? We have entered a new market environment in which we face challenges such as geopolitical risks, deglobalisation, inflation and climate change, just to name a few. It is beyond the scope of this presentation to go through our market views, but there are some important takeaways for active asset management.

With central banks having to fight inflation to the detriment of growth, the time of ample central bank liquidity and backstops is over. You add an economic slowdown into the equation, and we expect more muted asset returns for quite some time. In a world like this, we expect bigger tail risks, higher dispersion and changing correlation patterns. In other words, in a low beta world, alpha, on a relative basis, will be more important to the overall return.

But it’s only an advantage if you are confident, as we are, about your active management capabilities. So why do we believe we will do well? I’ve already shown our strong track record and capabilities, especially in growth pockets of the active market.

We have also taken steps towards a more integrated active platform. In the past, and this is true for the entire industry, portfolio management teams operated within siloes. This meant duplication and different quality standards from team to team.

Over time, the industry has implemented more horizontals to mitigate these disadvantages. We believe that this trend towards a capability driven or modular investment platform will continue. Striking the right balance between innovation and stability on this journey will be very important for future success.

So what are we doing in this respect? First, we have started to create investment modules for our multi-asset teams. These allow portfolio managers to take advantage of direct access to our first-class capabilities, as an example, when it comes to stock or bond selection. Currently, we run about 3.5 billion across 17 different modules. These range from Euro sub-funds all the way to equity quant.

Second, we have created an implementation platform that will foster collaboration between our portfolio construction and execution teams. In this way, we have been able to centralise processes such as foreign exchange hedging or cash management.

Third, we continue to leverage our data to improve investment performance, as an example, running a pilot that looks at portfolio manager behaviour to improve their timing decisions. This trend requires to further develop data and technological capabilities and will also impact on how our people operate.

So we need to foster a culture that incentivises collaboration across formal lines, a culture in which everyone contributes to performance, a culture in which everyone can trust their fellow teams to deliver a first-class capability. That is why we're focused on creating a high performance culture, as mentioned by Stefan earlier. But what does this mean in the context of active?

Diversity of thought is especially important for making the best investment decisions in active. That is why we are strengthening collaboration across asset classes so that people with widely different skill sets contribute to those decisions. We also need to complement our skill set as data analysis and technology becomes more important. So all of this means recruiting the very best people we can from diverse background and broad skill sets.

Finally, collaboration calls for incentivisation that rewards teamwork. A high performance culture means recognising and rewarding outperforming teams and individuals who deliver outperformance to our clients, obviously always in line with our fiduciary duty as an asset manager. In the context of active, obviously this is very measurable.

So in summary, first, we have a well established track record of delivering a strong investment performance to our clients. Second, in the lower beta world, alpha will play a bigger role, so we expect a renaissance of active. Third, this market environment plays to our strengths, especially in growth areas. At the same time, we're focused on building the best operating model for high performance culture, so we're well positioned for the future.

Thank you very much. I now would like to hand over to Dirk, our Global Head of Client Coverage.

Dirk Goergen

Thanks. So good morning, everyone here in the room, on the screen. A pleasure to meet you. For the next 15 minutes, I will talk about what matters most at DWS, and that's our clients. And I also want to give you the conviction that we can deliver on the ambitious numbers we are having ahead of us.

So, surely, we want to make a difference in how we serve our clients, how we listen to them, how we turn this into focused action and profitable growth. You have heard that banks are facing a complex world, digitalization, inflation, geopolitical challenges, increasing regulatory burden. So what do clients expect from us?

First and foremost, clear advice and guidance. When we at DWS talk about markets, it's not just the pure investment market. It's also the industry our clients are working in. And our clients appreciate that we are bringing this together and delivering thought leadership to our clients.

Second, clients require that we understand the specific situation they are operating in. so they are looking for tailormade solutions, kind of bespoke solutions, not one-size-fits-all. Clients want to have interaction with the entire franchise.

So we, from the client coverage division, that's a very important component. We make sure that we orchestrate the franchise, making sure that they have interactions with our investment platform, the implementation teams to get the best out of our franchise to our clients.

Last, but not least, service. So clients are looking for swift onboarding, great reporting, even embedded in their own ecosystem. Here, we can make a difference. So let me talk about our client base and give you some more colour.

So at the end of September this year, we managed €833 billion. You have heard from Stefan at the very beginning, our client base is equally split, 44% on the wholesale side, 56% on the institutional side. But more important, if you look at the pie chart, it's very diversified.

We have implemented, two and a half years ago, a distinct client tiering. Our distribution partners are accounting for 25% of our asset base. We have identified 50 so-called platinum clients. Those are the clients we are typically serving on a global level, and those clients account for another 20% of our asset base. Then on regional level, so-called gold clients, in total, 200, and those clients account for another 200. So in total, roughly 250 of our clients account for two thirds of our asset base. How do we serve them?

The coverage teams across the globe consist of 600 people. They are centred around four regions, our home market, Germany, Austria, it's EMEA, it's US and it's APAC. Our interactions on the wholesale as well as on the institutional side are globally coordinated. We have, in line with our growth strategy, dedicated specialists on the Xtrackers side as well as on the alternatives side. We are globally aligned, but regionally suited, because ultimately, the business is happening locally.

From a coverage perspective, and this is now a very important item, we act as the advocate of our clients. So we are bringing the voice of our clients in the organisation, making sure that it's heard loud and clear and making sure that we are matching the demands and delivering really the best of our franchise to really match also the requirements they are having by the bespoke solutions.

Let me give you some tangible evidence of how this approach/set-up, has worked out over the last years. So first, flows. We have delivered, since the IPO until September this year, 58 billion of long-term asset flows, meaning excluding money market, the cash business. If you strip out 2018, so since 2019 until September this year, we have raised 77 billion of flows. And we will, in line with our strategy, continue that path, and you can see the momentum here on that chart.

Second, it's not only about flows. It's also about the margin, and Claire will talk about this in her speech. But we had been able, over the last years, as DWS, to keep the margin relatively stable if you also compare it to the industry, and why, from a coverage perspective, this is also going back to the mindset of delivering profitable growth to the organisation, meaning we want to achieve higher margin on our gross inflows and lower margin on our gross outflows. And in 2020 and 2021, we had been extremely successful by adding to the top line based on our flows.

Lastly, super important for the long-term perspective of the franchise, it's the satisfaction of our client base. So we have conducted this year, in October… This year, in October, so against a background of a challenging year, we have asked our most important clients, the platinum clients, including the distribution partners, how satisfied are you with DWS overall?

The feedback we got was a net promoter score of 50. You can compare this to an industry average of 28. Since our most important clients are the cornerstone of our future growth ambitions, this was nice feedback. Of course, we have to some extent hoped for it, because we have asked our most important clients.

But more important than the score itself is really that we ask our clients and that we are getting insights across the entire value chain. Where do we need to get better? Where do we need to improve? And that's our aspiration. So we understand the overall satisfaction, but most importantly, on the reporting, on the implementation side, on the coverage side, on the performance, where can we improve? We want to roll out this in 2023 to the entire client base, to make sure that by 2025, we are in full swing and get this on a regular basis. And of course, we'll keep you updated.

Stefan made the point, partnerships. And before I go into game plans on wholesale as well as on the institutional side, let me spend one minute on partnerships, and to make one point. Of course, we have very strong partners. Wholesale side, institutional side, long-lasting relations, trusted dialogue, dedicated account teams, connected on the top of the houses.

But for us, going forward, and where we want to continuously improve, is how can we drive change together? How can we create joint solutions that are making a difference? And how can we drive those solutions for scale? So the overall strategy is very much centred around our strategic partners as well as the client tiering I mentioned, because it goes back to our mindset of listen to the client and deliver a solution, and that best works on a foundation of trust and mutual understanding.

So the game plan on the wholesale side. So let me talk about the wholesale business. And the wholesale business is clearly embedded in our DNA. So it's our home turf, I would call it. We are market leader in Germany. We are having a strong business in Southern Europe, strong business in APAC, especially with private banks, but also our business in the US, the mutual fund business.

The strength is very much centred around the advisors. So be it private banks, be it professional fund buyers, be it distributors, they like, of course, our investment platform, our flagships, our service, but most importantly, that we speak the same language that the retail end clients do.

So what we deliver to those advisors and wholesale partners is the whole package. It's the product, the solution itself, but it's also topics, like be it marketing, be it training, that are extremely important. And when it then comes down to how can we accelerate the momentum we are having on the active side into alternative growth, that's extremely important.

But, of course, the world is changing, and our challenge, and, at the same time, opportunity, is how do we carry this strength into the digital environment? What we have done over the last two years is focused on new brokers. So new brokers, nice business. We have grown our passive business saving plans, and we will continue to do so. So expanding partnerships in that space.

Let me pick up the example Manfred and Stefan made, digital twins. Why is this important from a coverage perspective? Because it's opening up completely new client segments, clients that are having today a wallet instead of an investment account. And those are the clients we want to tackle, going forward.

But, of course, this kind of transition we need to manage. That needs those enablers. We want to build. Embedded asset management, how can we get the full suite to the retail clients by modularized solutions based on APIs? That is the enablers we need to deliver on this transformational journey going forward, and to capture the opportunities in our home turf business.

On the institutional side, our starting position is slightly different. And Stefan made the point, we had open and honest discussion in our management team. And if you look at the catalyst for the institutional business, where we need to get better is how can we create a scalable platform? I talked about swift onboarding, fast implementation, easy to understand investment processes. That's something that we will focus on and something we will invest into.

The second item, global consultants. Global consultants became more and more important over the last years. They are acting as the kind of interface between us and the institutional end client. We have done a decent job over the last years. To give you a number, in 2018, we had five consultant-rated products. By today, we have 50.

And this is really a catalyst. If the consultants are rating our products, bringing those to the institutional clients, that is a real catalyst for the business. And we will invest into our coverage teams to improve the service we are getting to the consultants, because we perceive this as a big leverage.

And then we want to leverage the strengths we are having, for example, on the insurance side, the fourth largest independent insurance asset manager. Clients give us feedback. They love our one-stop offering, the advisory also on ESG, net zero, we are giving to them.

And we want to leverage this positioning on the basis of scalable platforms, strong positioning with consultants to underline our growth ambitions when it comes to active, fixed income, income is back, on the alternatives side as well as on the passive side.

Pensions and corporates, great relations across the globe, Europe, APAC as well as in the US and here in Germany. And let me take the example around the European transformation fund family, because that's the mindset we need to grow that business, bringing together the ultimate strengths. So Deutsche Bank sourcing the risk. We are fiduciary managing it and then also raising the capital with the corporates and the pensions. That's our future plan to grow that business in a growing segment.

But I can tell you, having nice game plans, strategies, and Stefan described me as a hands-on strategist, that's nice, but I can also tell you, to execute on plans, it comes very much down to the right mindset. And we have framed it over the last years in the client coverage division around two key statements, and I will give you some insights around it.

We call it win as one team, meaning you need to have a winning attitude. You need to have a growth mindset. Clients see this. They perceive it. They see in us, also the guys, how do we stretch ourselves? But most importantly, and Manfred made the point, it comes down to team play. Team play matters most.

If you want to deliver the best out of your franchise to your clients, from a coverage perspective, we need to make sure that we team up across all the divisions, be it product, be it tech, be it ops, be it the investment platform and the coverage guys, to deliver on the requirements our clients are having and to get the right solutions out of DWS.

And secondly, we need to drive change. Change is part of today's world. And this comes very much down to having clear processes and preparation. Sometimes, we call it creating this ongoing internal urgency, having good backward planning, if you are falling short on a timeline, to reach out to the colleagues and say, hey, what can we do, how can we scale up and how can we get faster, and measuring this based on clear KPIs.

Two very important components, winning as one team, change to grow. That's the way we describe it, and I'm really proud of the teams, how they are living this every day with our clients and internally. So to sum it up, we have a game plan on the wholesale as well as on the institutional side. But more important, we have the right mindset, and we will keep this spirit up.

So thank you very much for your attention. I now hand over to our CFO, Claire Peel.

Claire Peel

Well done. Thank you, Dirk. Good energy to follow there. So good afternoon, everyone, and welcome to Frankfurt. It's good to see all of your faces. So as the team has outlined today, DWS is very much advancing forward on its corporate journey. And this is underpinned by the strength of the financial position that we have today. And I'm going to go into more details on that. But before I do so, let me recap on the corporate journey so far.

Since becoming publicly listed in 2018, we can measure our progress according to two distinct phases. In phase one, we focused on efficiency, to stabilise turnaround and reshape our business. And this enabled us to navigate difficult market conditions and uncertainty, especially during the pandemic period, and to achieve our adjusted cost-income ratio and our net flow targets that were set at the IPO one year earlier than planned, in 2020.

And this positioned us well for phase two of our corporate journey, to transform, grow and lead, but without again compromising on efficiency. Whilst there have certainly been challenges that we've faced in 2022, the stability of our global and diversified business model is continuing to serve us well, and keeping us on track to meet our financial aspirations.

Between nine months 2020 and nine months 2022, we've reported a compound annual growth rate, or a CAGR, of 12% in total adjusted revenues, supported by a resilient management fee margin over this period, and delivering a CAGR of 17% in adjusted profit before tax over the same period.

While total adjusted costs have increased and risen since 2020, the ratio of our adjusted costs over assets under management has been stable, at approximately 19 basis points, and our adjusted cost-income ratio has reduced over time whilst we have continued to invest in growth over this more recent timeframe.

And this has resulted in adjusted cost-income ratio of around 60%, consistent with our guidance for 2022 and supported by stronger revenues. This is testament to our continued focus on efficiency, whilst targeting growth, which is also reflected in the development of our net flows.

Over the past 24 months, we've attracted a total of €43 billion total net inflows across the three pillars of active, passive and alternatives. Cash has reported slight net outflows over this period, but with significant volatility as we've seen investors using this asset class to respond to market uncertainty. But more importantly, our targeted areas of passive and alternatives have accounted for 85% of total net inflows during this period.

And also to note, alternatives flows do include capital returns to investors following the disposal of real assets from the closed-end funds that are coming to the end of their life. And this capital that has been returned to investors is often being reinvested in the asset class, and helping to support net new revenue growth.

Looking more closely at revenues. As of nine months 2022, DWS has recorded €2 billion of total net revenues, representing a 12% CAGR since nine months 2020 and 7% growth since nine months 21. This has been driven by a resilient management fee margin and strong management fees, which we distinguish here between value and growth.

Value is referring to our actively managed asset classes across fixed income, equity, multi-asset, SQI and cash, whilst growth is comprising here of passive and alternatives. In nine months 2022, our value asset classes have collectively accounted for almost 60% of our management fee revenues, and in particular, retail flagship funds in active equity and active multi-asset have supported our stable management fee income, which we will continue to focus on to help retain a strong position in active value strategies, as outlined earlier by Stefan and Enzo.

Meanwhile, our growth strategies have represented approximately 40% of our total management fee revenues over the same period, primarily driven by alternatives management fees, which have increased by 26% year on year. This has been driven by investors who are increasingly turning to infrastructure and liquid real assets to diversify their portfolios and deliver higher returns in response to industry pressures and inflation.

Alternatives investments are also key drivers of performance in transaction fees, which we have seen grow by 11% in nine months 2021. Other revenues also provide an additional revenue stream, including contributions from our Chinese investment, Harvest, which I will now look at in more detail.

For more than a decade, we have participated in the successful joint venture with Harvest Fund Management in China, where we have a 30% equity stake together with China Credit Trust and Lixin Investment. In terms of financial performance, Harvest has recorded a 20% CAGR in AUM between nine months 2020 and nine months 2022, and further supported by €14 billion of net inflows over the same period.

Looking back to 2008, Harvest has generated €561 million of cumulative equity pick-up returns up to nine months 2022, delivering recurring revenues for DWS. This is captured in the Other revenue category and contributes to our overall revenue growth.

Moving on now to outlook. For full year 2022, we expect approximately €2.7 billion of total adjusted revenues and a slower pace of revenue growth over the next three years, until the end of 2025, as we assume single-digit market growth over this time horizon.

In 2023, we anticipate potential revenue pressures amid ongoing market uncertainty and sector valuations. But we continue to expect our diversified assets to provide us with some protection against these challenge, and resulting in essentially flat adjusted revenues year on year. Further, we will benefit from higher rates on our corporate cash balances.

Beyond 2023, we anticipate stable and strong revenues from our value active strategies, and we expect our growth asset classes of passive and alternatives to make up a greater proportion of our overall revenue composition by the end of 2025.

We expect performance and transaction fees to account for between 3% and 6% of total adjusted revenues going forward, as we continue to invest in growth and scale up our business, and with the support of growing assets under management, which we'll now look at a bit more closely.

In nine months 2022, our total global assets under management increased to €833 billion, growing by an average of 5% from nine months 2020. Net new assets represented almost 60% of organic AUM growth, primarily driven by growth asset classes of passive and alternatives, which collectively accounted for 85% of the €43 billion of global net inflows over this two-year period.

With client demand for both asset classes expected to remain strong, we anticipate continued flow momentum to support an AUM CAGR of above 12% for passive and above 10% for alternatives over the next three years. We assume, for passive, approximately two thirds of future AUM growth to come from net flows, and for alternatives, we assume approximately three quarters of future AUM to come from net flows. And this will help us to deliver higher AUM in 2025.

Moving on to transformation and efficiency. To keep DWS on track to achieve a sustainable and efficient cost base, we have spent the past two years creating a new blueprint to transform our IT platform and infrastructure. Our transformation efforts began in 2021, with the primary focus to implement a DWS-owned and managed infrastructure, using cloud-based technology and a new set of corporate functions.

As we have advanced on this initiative, we recognise these efforts have an added importance and an opportunity to help mitigate against heightened industry risks, such as cost inflation and cybersecurity. And this has resulted in higher investment costs, as we continue to intensify and accelerate ongoing work to recalibrate our platform.

By the end of 2022, we expect to incur approximately €55 million of transformation charges after shifting into programme execution this year. These expenses will reach their peak in 2023, when we will operate on a dual platform as we continue to establish our own capabilities while still running on Deutsche Bank-operated services, with upward cost pressures as the Deutsche Bank charging structure increases. Note that almost half of our 2023 transformation expenses will be driven by licence fees related to our new cloud-based technology and associated applications.

By 2025, we expect the new platform to be fully embedded, enabling a saving of approximately €40 million as we operate from our own infrastructure platform, with DWS-hosted applications and corporate functional capabilities. And more importantly, this will allow us to respond to clients' needs with greater flexibility and agility, whilst also giving us focus on greater cost control and how we can operate as a firm.

Moving to look more broadly at cost dynamics. At the end of 2022, we continued to anticipate an adjusted cost-income ratio of around 60%, as previously guided. We will continue to invest in growth areas of passive and alternatives by making around €70 million of cumulative incremental investments over the next three years, with the aim to drive future AUM and top line revenue growth.

At the same time, with our attention on scaling and delayering selected businesses, focused cost initiatives and an optimised platform, we expect to create approximately €100 million of total cumulative run rate efficiencies by 2025.

In 2023, we forecast an adjusted cost-income ratio of below 65% as we reach the peak of transformation progress, coupled with conservative revenues and inflationary pressures. As we benefit from the efficiencies derived from our cost optimisation initiatives and results from investments, we will target an adjusted cost-income ratio of below 59% in 2025.

Moving now on to capital management. We manage our capital to ensure a sound capitalisation base and, of course, adherence to regulatory requirements. We use tangible equity as our key internal metric as it bridges the accounting, economic and regulatory perspectives of capital supply. Tangible equity also serves as a common denominator to measure Pillar One and Pillar Two capital requirements.

In the third quarter of 2022, we held approximately €3.8 billion of tangible equity, which is derived by deducting goodwill and intangible assets, dividend accruals for the current year and selected other items from our reported €8 billion of shareholders' equity.

We have set an internal target capitalisation level of €2.5 billion as sufficient tangible equity to support our capital requirements, including maintaining buffers aligned to our risk appetite and planning. The level of our internal target capitalisation is periodically reviewed to ensure that we have continued alignment to business strategy and risk profile.

Excess capital represents the surplus of tangible equity above our internal capitalisation level, and stood at approximately €1.3 billion in the third quarter of 2022. Excess capital is available to be deployed for organic or inorganic growth or distribution to shareholders. And this, of course, remains a key commitment to us.

As Stefan has explained earlier, we are committed to creating shareholder value, which is fully represented in our earnings per share. Since 2018, we have consistently delivered an increasing and attractive earnings per share. And to reinforce this commitment, we are targeting an EPS of €4.50 in 2025.

In addition, we intend to continue building on our increasing dividend. Over the past four years, we have returned €1.4 billion in dividends to investors, which is an average pay-out ratio of approximately 61% since 2018. And from 2025, we expect a dividend pay-out ratio of around 65%. Further, we intend to deliver an extraordinary dividend of up to €1 billion in 2024, subject to pipeline for capital commitments to organic or inorganic growth initiatives.

To conclude, we remain very much committed to transforming and optimising our business at DWS, and we consider that we are well positioned to continue delivering against growth in what is an ever-evolving environment. By recalibrating the way we work, we are strengthening our ability to navigate market and geopolitical dislocation, which is extremely important to succeed, as we have experienced in recent years.

As a result of this, we have refined our financial targets, and over the next three years until 2025, we will target earnings per share of €4.50, supported by an adjusted cost-income ratio of below 59% and an AUM CAGR of greater than 12% for passive and greater than 10% for alternatives.

Although we expect a slightly higher adjusted cost-income ratio, with the peak of platform transformation in 2023, we are confident that the changes we are making will give us greater operational agility in the future, while sustaining efficiency.

There is certainly some work to do, but we are very much committed, and we are making meaningful progress. And this is supported by the strong financial health of the platform today and underpinned by value and growth strategies.

I thank you very much for listening and your attention. This brings us to the end of the formal presentation part, and we'll shortly be moving into Q&A. We will just need a couple of minutes to reconfigure Thank you very much.