DWS Group GmbH & Co. KGaA

DWS Q2 2019 Investor & Analyst Conference Call

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Transcript

Speaker Key:

AW	Asoka Woehrmann
CP	Claire Peel
OF	Oliver Flade

Oliver Flade

Yes, Operator, thank you very much, and good morning, everybody, from Frankfurt. This is Oliver Flade from Investor Relations, and I would like to welcome everybody to our Second Quarter 2019 Earnings Call.

Please be reminded, again, that the upcoming Deutsche Bank Analyst Call will outline the Asset Management segment results, which have a different parameter basis to the DWS results that we are presenting today.

I'm joined, as always, by Asoka Woehrmann, our CEO, and Claire Peel, our CFO. Asoka will start, as usual, with some opening remarks, and then Claire will take you through the presentation.

For the Q&A afterwards, I would ask everybody to limit yourself to the two most important questions. I would also like to remind you that the presentation may contain forward-looking statements which may not develop as we currently expect. I, therefore, ask you to take note of the disclaimer and the precautionary warning on the forward-looking statements at the end of our materials.

And now, let me hand over to Asoka.

Asoka Woehrmann

Thank you, Oliver, and good morning, everybody. Welcome to the Quarter 2 Results Call for DWS. We can report today a strong overall first half of 2019 and the second quarter. In a challenging market environment we saw continued positive flow momentum, resulting in €6.7 billion of half-year net flows, and €8 billion ex Cash.

Targeted growth areas of Passive and Alternatives have been fundamental to our net new asset gains, and we are encouraged by the demand we see for our product innovations in the ESG space and in the thematic solutions.

Our funds also performed well, adding to our inflows, especially into the flagship products. This includes Concept Kaldemorgen, Top Dividende, our Real Estate family, Grundbesitz, and also DWS Invest Asian Bonds and DWS Dynamic Opportunities. The last two funds each exceeded the €1 billion mark in assets under management during the first half of the year.

Our positive fund performance also paid off with all asset classes reporting a significant improvement in overall outperformance ratios since Q1. Efficiency measures remained a top priority for us in the second quarter and we made sustainable adjustments to key levers which can harvest benefits.

I'm pleased to say that we are firmly on track to deliver the top end of our medium-term cost savings guidance of €150 million by the end of this year. Our revenues were up in the second quarter and are stable in the first half, despite the challenging environment reflecting the benefits of our broad diversified business model.

In summary, we recorded an improved Cost-Income Ratio of 69.5% in the second quarter, and we are firmly on track to achieve our target of around 70% Cost-Income Ratio in 2019. Looking into our future, it is also imperative that we invest in areas we have identified as mega-trends of the asset management industry. With client interest exponentially growing, we are making even greater efforts to making sustainability the core of what we do.

As a firm, we have a long-standing heritage in ESG, and ESG has contributed distinctly to our inflows in the first half of the year from both retail and institutional clients, and we always want to build up on our capabilities in this super-important field of sustainable investing. The minority stake acquisition in Arabesque S-Ray does just that. It adds to our long-standing existing solution capabilities that we offer through our proprietary ESG engine.

And obviously, the importance of technology for progress in an increasingly digital asset management industry cannot be overstated. For this reason, we are working hard to modernise our core platform by incorporating technology-based analysis and investment tools, as well as increase our use of Artificial Intelligence. To this end, we are also conducting exclusive talks with Arabesque about potentially investing into their AI engine.

To summarise, we have meaningful progress as a Company in the first six months of 2019.

We have seen continued flow momentum solidified in the second quarter, for a total of €6.7 billion and €8 billion excluding Cash. We are firmly on track to achieve our 2019 Cost-Income Ratio target of around 70%, and firmly on track to deliver the top end of 150 million in cost-saving guidance by the end of this year. We are making sustainability core to what we do, adding to our capabilities with closing of acquisition of stake in Arabesque S-Ray.

With that, I would like to pass over to our CFO, Claire Peel, who will run through our financials for the second quarter in detail. Claire, please.

Claire Peel

Thank you, and welcome, everyone. I will present the recent activities and results for the second quarter of 2019, starting with the key financial highlights.

Adjusted profit before tax was €185 million, up 21% quarter on quarter, primarily driven by higher performance and management fees. Adjust Cost-Income Ratio improved to 69.5% as a result of higher revenues.

Quarterly net inflows were €4.2 billion, driven by Cash and continued strong inflows into our targeted growth areas of Passive and Alternatives; excluding Cash, net inflows of 0.6 billion in Q2.

Let’s move to our financial performance snapshot. Starting at the top left, AUM increased to €719 billion, up 2% from Q1, driven by positive market performance and net inflows. Moving to the top right, revenues of €608 million represent a quarterly increase of 14%, reflecting higher management and performance fees, and this supported a resilient management fee margin of 30.3 basis points.

On the bottom left, adjusted costs were up 11% in the quarter, to €423 million, primarily due to carried interest expenses relating to an alternative investment performance fee. Despite this, the adjusted Cost-Income Ratio fell to 69.5%. Adjusted profit before tax increased to 185 million, up 21% quarter on quarter, due to the increase in performance and management fees.

Let’s refresh on the market environment in Q2. Following a better than expected market recovery in Q1, markets are slightly more unsettled in the second quarter, due to the re-emergence of the trade conflicts and continued geopolitical tensions. This had an impact on investor sentiment, which remains fragile, particularly in the European retail market. In addition, there has been a marked divide between equity and bond markets in Q2.

Many major equity markets began and ended the quarter trading at or near record levels, though with some volatility in between during the quarter, while bond yields have mostly headed downwards. These trends also played out in DWS’ Q2, with low fixed income rates negatively impacting fair value of guarantees but increased our fixed income revenue and asset base, while positive equity market performance contributed to higher AUM as well.

Let’s look at AUM development more closely. Assets under management increased to 719 billion in Q2, with favourable market performance and net new inflows more than compensating for negative FX impact. Stronger equity indices contributed towards 15 billion of AUM growth, accounting for the majority of the quarterly AUM increase and further supported by continued net inflows, which I will now explain in more detail.

Net inflows were 4.2 billion in Q2, driven by Cash and continued strong inflows in Passive and Alternatives. Excluding Cash, net inflows were 0.6 billion. Our active flagships contributed to the quarterly net inflows, continuing the trend that we saw in Q1.

Top Dividende sustained inflows compared to retail equity outflows in Europe, and Concept Kaldemorgen and DWS Dynamic Opportunities Fund continued to win inflows in a more difficult market environment. Our Real Estate offerings, Grundbesitz, continued to benefit from strong retail demand, while RREEF America II also saw inflows.

Beyond the flagships, our targeted growth areas of Passive and Alternatives saw positive inflows in the second quarter, more than offsetting outflows from Active Fixed Income, Equity, and Multi-Asset.

Cash was a key driver of Q2 inflows, reversing outflows in Q1 and marking the first time the asset class has been positive since Q3 ’18. Passive momentum remained strong, with 3.5 billion of inflows driven by both ETPs and mandates. Our European ETPs ranked number four in Q2 by net inflows in Europe, with a 17% market share. And we saw continued inflows to our mandates, including our first synthetic passive mandate win.

Alternative inflows totalled 2.2 billion in Q2, reflecting sustained flows to Real Estate and Infrastructure debt funds. Liquid Real Assets also remained in positive territory. Together, these more than compensated for redemptions in Active Equity, Fixed Income, and SQI. In particular, our Fixed Income business was impacted by the declining interest rate environment, including a single 2.4 billion institutional mandate loss in Asia.

However, there were positive developments in the fixed income asset class. Insurance continued to report inflows, reflecting a new client relationship and inflows from Nippon Life, while our Asian Bonds fund exceeded the 1 billion AUM threshold this quarter. Additionally, our ESG-focused funds have performed very well, including our recently launched US ESG Leaders ETF.

Altogether, we have seen more than 1 billion of ESG inflows year-to-date. This contributes to overall net inflows of 6.7 billion in half-one ’19 and 8 billion of inflows, excluding Cash.

Let’s move on to fund launches. DWS product innovation is core to meeting our clients’ needs, and we have seen rising demand for ESG investment products, a trend we expect to continue and one we are fully embracing.

This quarter, we teamed up with S&P to launch an ETF that provides a sustainable alternative to its US equity benchmark, the S&P 500. We have also launched ESG versions of existing Active Fixed Income and Multi-Asset funds, as well as a new Equity fund investing in emerging market companies with strong ESG ratings. Looking forward to Q3, we have a pipeline of product launches across several asset classes, subject to demand assessments and approvals.

Moving on to revenues. Adjusted revenues of €608 million are up 14% quarter on quarter, reflecting a combination of higher management performance fees. Management fees and other recurring revenues increased by 31 million in Q2, driven by positive market conditions and net inflows.

Performance and transaction fees were up 55 million, compared to Q1, due to the recognition of a non-recurring alternative performance fee in the second quarter. Together, these more than compensated for the reduction in other revenues which saw a negative change in the fair value of guarantees due to declining interest rates.

Overall, revenues helped drive a significant improvement in our adjusted Cost-Income Ratio, which feel to 69.5% this quarter. In the first half of 2019, total adjusted revenues are up slightly compared to the first half of 2018. We expect revenues to remain in line with 2018 total adjusted revenues.

Moving to management fees and margins. Overall, our management fee margin increased to 30.3 basis points in Q2. The quarterly increase can be attributed to a strong market recovery in Q1 and sustained improvement in Q2. This is reflected in higher recurring revenues across almost all asset classes, including Passive and Alternatives, which benefitted from continued strong inflows in 2019. The management fee margin was 30.2 basis points for the first half of the year, demonstrating resilience in the current market environment.

Moving on to costs. Total adjusted costs increased by 11%, to €423 million in Q2. This is primarily due to carried interest compensation expense relating to a non-recurring Alternative investment performance fee. Excluding this carried interest item, total adjusted compensation and benefit costs were below those of Q1.

As anticipated, total adjusted general and admin expenses were up over this quarter, as some favourable non-recurring items in Q1 normalised in Q2.

Despite this, we saw Half-Year 2019 adjusted costs fall by 5% compared to the first half of 2018 and we remain on track to deliver our gross cost savings objective of 150 million by year-end and reached our targeted adjusted Cost-Income Ratio of approximately 70% in 2019. However, due to the related carried interest expenses, we now expect Full Year 2019 adjusted costs to be in line with those of 2018.

I will now move on to our capital position. In the first half of 2019, our CET1 capital was 2.7 billion. This includes the recognition of profits for the second half of 2018 and also provisions for guaranteed funds and pension plans, as well as FX movements.

Intra-year 2019 profits are not reflected in CET1 capital, as this requires prior regulatory approval which we will seek to obtain in due course or the first half 2019 profits. The impact of H1 2019 profits on CET1 is also recognised net of dividend accruals and in line with our previously communicated payout ratio targets.

Our Pillar I requirements were stable in the first half of the year, with 9.2 billion of RWA at the end of the quarter compared to 9.2 billion at the end of 2018. Our CET1 ratio stood at 30% at the end of Q2, comfortably above requirements.

I will now pass to Asoka to conclude.

Asoka Woehrmann

Thank you, Claire. So, in summary, the DWS continue its positive momentum in Q2, concluding a good first half of 2019. Positive net inflows throughout the first half mark a reversal from 2018 outflows and underpin the intrinsic strength of our business model.

At the same time, we were able to defend the high margin on our asset base, despite a challenging environment. As emphasised last quarter, the Cost-Income Ratio is our number one target to maximise shareholder value and I am pleased with the progress made so far, putting us on the right path to achieve our targeted Cost-Income Ratio of around 70% for the full year of 2019.

Looking ahead, the strong fund performance we have seen, especially in many of our flagship funds, cross our diversified business of Active, Passive, and Alternatives, supports our ambitions to growing organically. We will also continue to concentrate on and further strengthen our capabilities in the two mega-trends that will shape the asset management industry in the future – ESG and Digitalisation.

And finally, we will work to increase our agility in responding to our clients' needs by accelerating our product development and fund innovation process.

Thank you very much for your attention, and I will now hand over to Oliver for the Q&A.

Oliver Flade — Yes, thank you very much, Asoka. Operator, we're ready for Q&A now. Again, if I could remind everybody in the queue to limit themselves to two questions. Thank you.

Operator — Ladies and gentlemen, at this time we will begin the Question and Answer session. Anyone who wishes to ask a question may press * followed by 1 on their touchtone telephone. To withdraw your question, you may press * followed by 2. If you are using speaker equipment today, please lift the handset before making your selection. Anyone who has a question may press * followed by 1 at this time. One moment for the first question, please.

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

Jacques-Henri Gaulard — Yes, good morning, everyone. Thanks for taking my question. Just a quick question on the performance fee that ended up being very high this quarter. I know it's very difficult for you to give a guidance, but I remember that at the time of the IPO I think the idea medium-term was to have the performance fees representing roughly 3-5% of total revenues. Is it fair to actually have that in 2019? In the results, you're at about 7% right now.

Claire Peel — Hi, good morning. I can address that question. Yes, we advised that we would anticipate our performance fees and transaction fees to be around 3-5% for total revenues, and we still anticipate that that's good guidance for the full year of 2019. So, we still operate within that guidance.

	We've obviously seen a strong performance fee in this quarter and that's obviously subject to the hurdles that we have achieved in our Infrastructure fund in Alternatives.
Jacques-Henri Gaulard	Great. Thank you, Claire.
Operator	The next question is from the line of Hubert Lam with Bank of America Merrill Lynch. Please go ahead.
Hubert Lam	Hi, good morning. I've got two questions. Firstly, on Fixed Income, you had 3.7 billion of outflows in the quarter. You're saying that this is due to the lower rate environment. Given that rates are expected to go down even further, do you expect to have as big of outflows going forward just because of the rate environment and what it means for your clients? That's the first question. The second question is your parent, Deutsche Bank, is going through some big strategic changes. Do you think this affects you in any way? Does DWS become more of a focus now and maybe even benefit from this, or do you think nothing really changes from what's happening at Deutsche? Thank you.
Claire Peel	Good morning. Thank you for the question. On the Fixed Income question, with the declining interest environment, we see mixed effects. We saw in the second quarter our AUM increased in Fixed Income and our revenues, effectively, off that basis improved. However, we did see some redemptions in Fixed Income in the second quarter. Those were isolated to a single outflow mandate loss in Asia, which was driven by corporate events as opposed to the interest rate environment. But the lower interest rate environment does, of course, change behaviours between the short-end and longer-end dated funds that we have, so we continue to ensure that we will offer innovative products that offer credit solutions in the interest rate environment.
Asoka Woehrmann	Thank you, Claire, and I will take the second question regarding Deutsche Bank. I think Deutsche Bank has announced that it will make substantial changes to create a new and a better bank that will position to prosper in the years ahead. So, we fully support this bold overhaul, as it will not only benefit our majority shareholder, but as it will also have a positive effect on the bank's and our clients relationships.

The change of the bank do not impact us or our business. We will stay on course in servicing our clients as a fiduciary asset manager. DWS is a distinct and publicly listed company, with Deutsche Bank being an important client, service provider, and also remaining our biggest shareholder.

At the Deutsche Bank, as you might well know, this year Christian Sewing re-enforced his commitment to our business, reiterating the goal to form a top ten global asset manager, along with the fact that DWS are not for sale. None of this is changing.

What that means for us, to DWS, I do think we have been very transparent in explaining to the market our own dedicated strategic aspirations as an asset manager, as well as the need to weatherproof our business through cost discipline efficiency improvements, and we are making good progress, as you have seen.

We are continuing our focus on emerging growth opportunities and mega-trends. These include growing the Asian market to meet the global world shift, accelerating our digitisation forward and ensuring that sustainability, as I mentioned in the summary, is at the heart of what we do.

Operator: The next question is from the line of Arnaud Giblat with Exane. Please go ahead.

Arnaud Giblat: Oh yes, thank you. Good morning. I have two questions, please. Firstly, there's been a bit of press coverage on your intention to liquidate the 2.6 billion fund range, the FlexPension, due to negative rates, so I was wondering if you could give us a bit of an indication on what the financial impact that would have on the P&L, but also if there would be any balance sheet benefits from this, given that you hold quite a lot of capital against these funds?

And second question is on the Infrastructure fund. So, you've launched your PEIF version three and seem to be targeting 3 billion. I was wondering if there was a bit of upside to that target, given the appetite we're seeing in the market for infrastructure right now? And what sort of timing should be looking for in terms of closings? Perhaps if you could give us a bit of commentary also on your track record on Fund One and Fund Two, that would be quite helpful. Thank you.

Claire Peel: Good morning and thank you for the questions. Firstly, on the liquidation of DWS FlexPension funds, that's correct; they will be liquidating in the fourth quarter of 2019 and account for 2.5 billion of AUM.

That is a guaranteed fund product and given that the hurdle is achieved for the guarantee, the point for liquidation makes sense for our clients for reinvestment into Alternatives, and also, as you've commented on, does provide benefit to RWA and to capital requirements, as well as giving the opportunity for a transition into funds that can provide a better return in a low interest rate environment.

On the question around P3, we do indeed have an infrastructure fund launch planned for the second half of 2019, with a target level in the range indicated, and we expect the first closing, as indicated in the earnings presentation, to be in the second half of the year.

There is, of course, high demand in our Alternatives asset class. As we've seen in our first-half results we have around 5 billion of inflows across the Alternative asset classes and continued demand for the pipeline going forward. So, we will monitor that fund launch in due course.

Arnaud Giblat: Just a quick follow-up. You said clients are likely to invest. Is that a belief or is that a fact? Or do your clients get reinvested automatically into other funds for the FlexPension?

Claire Peel: Yes, I can't comment on how reinvestment takes place, of course, but we will be liquidating the DWS FlexPension fund, as we have announced, and provide the opportunity for clients to reinvest in funds that can provide a better return in such a low interest rate environment.

Arnaud Giblat: Thank you.

Operator: The next question is from the line of Gurjit Kambo with JP Morgan. Please go ahead. I'm sorry, the next question is from the line of Stuart Graham. He's an independent. Please go ahead.

Stuart Graham: Oh, hello. Can you hear me okay?

Asoka Woehrmann: Yes, we can hear you, Stuart.

Stuart Graham: Oh, thanks. So I had three questions, please. The first one's a number question. Maybe I missed it. What was the one-off performance fee in Q2, both in revenues and costs? And then the second question was – maybe it's just me – but I thought the net new money X money market funds was a bit disappointing in Q2. Were you happy with that 0.6 billion?

And then the third question is this goal of being a top ten asset manager. It looks to me like that means you have to do a transformation deal, but I think the kind of criteria you've laid out, it has to be complementary in terms of bringing capabilities and geographies you don't have, and it mustn't lead to significant disruption. That's quite difficult to execute on a transformational deal. So, is it a real we need to be top ten by 2022, or is it a kind of vague ambition? Nice to have, but not something which is really driving your strategy. Thank you.

Claire Peel

Hi, good morning. Thank you for the questions. On the first one, the one-off performance fee that we saw in the second quarter that related to an Alternative Infrastructure fund, the performance fee we recognised in revenues was 47 million. And on the cost side, we had an accompanying carried interest cost of 26 million. Hence, when you adjust for the 26 million in our adjusted cost base, then we see comp and bank costs declining, and we would see the adjusted cost excluding that carried interest coming in at 397 million.

On the second question regarding flows, excluding cash of 0.6 billion for the second quarter and 8 billion for the first half, we're happy with the mix that we see in both the first half and the second quarter on our ex cash flows. In particular, the trends that we see around Passive and Alternatives continue to be strong and supported by pipelines and product launches and distribution partners going forward.

So, in Alternatives, we see 2.2 billion of net flows in the second quarter and almost 5 billion for the first half. In Passive we see 3.5 billion of net inflows in the second quarter, and almost 10 billion in the first half. And across the population of our active asset classes, we see the flagship funds continuing to bring in inflows, and we also see a strong improvement in our investment performance in the second quarter, which is supporting those flagship fund inflows.

We did see, as mentioned, in Fixed Income one or two specific corporate event matters which were a swing factor in the Fixed Income net flow number, but aside from that, we're happy with the dynamics that we continue to see in the second quarter, which are strong flagship performance, positive returns from distribution partners, and positive returns in ESG.

Asoka Woehrmann

Stuart, I'd like to answer your third question, regarding the aspirations to become into the top ten in the world of the asset management industry. I do think you're right; besides our organic desire to grow in the next years and improving our efficiency, I do think to become top ten there is a transformational deal needed. Again, many are speculating. We can't comment on any speculation on that.

But it's also very clear we are doing our best to grow organically, to do also really the things that we need to do to improve our organisation but also to build up our capabilities in the area. But again, as I said last time and also, I think, at our bilateral meetings, any deal must fit either that we have access to new client bases or must extend our capability asset. If not, it makes no sense for us.

So I do think we are patient enough to wait for this kind of criteria to be fulfilled and then I do think that things can happen. And end of the day, we know what we have to do as a market-listed company – shareholder value. To be big is not our main target. Increasing the shareholder value is the most relevant target that we have in our minds as management.

Stuart Graham — Thank you. So, just to be clear, if you had a transaction which got you into the top ten but didn't make shareholder value, you would not do it? It's got to be shareholder value first, and then it gets you into the top ten, yes?

Asoka Woehrmann — Look, as I said, these two targets – extending the client bases, or better regional access to the markets and clients, as well as capabilities – are super relevant for us. You can see – and Stuart you know the market better than I – how many mergers happened in this industry, and after three years you are sitting asking the reason why. This is exactly what we are going to avoid.

Stuart Graham — Got it. Okay. Thank you for taking my questions.

Operator — The next question is from the line of Gurjit Kambo with JP Morgan. Please go ahead.

Gurjit Kambo — Hi, good morning. Yes, I'll try for the second time this time. So, two questions. Firstly, in terms of your outlook for net flows to be outperforming the industry 2-3%, what gives you confidence around that? Is there a pipeline that you're seeing? Are there certain fund launches which may help you get above the 2% you're running at the first-half level? So, that's the first question.

And then the second question is just around the revenue margins. So if we look at the revenue margins across all of your asset classes they're either stable or they're improving versus

	the Q1 level. Just what's the outlook for the margins going into the second half and into 2020? Thank you.
Claire Peel	Hi, thank you for the questions. I'll start with your question around revenue margin, which we've seen to be quite resilient during 2019. We have 30.3 basis points this quarter compared to 30 basis points in Q1, and, as you've commented, is stable across all of our asset classes. That said, we do acknowledge that there is margin compression in the industry, and, of course, we see that taking place as well. I would say most profound, probably, we would anticipate that our passive portfolio would see between 1-1.5 basis points of margin dilution, as we look forward in the outlook. But so far it has been very resilient in the first half of this year, still at 23 basis points in the Passive asset class alone. So, I think that resiliency has given the diversification we have across our asset classes and the growth that we're seeing in Alternatives is, of course, supporting the overall margin. But, as we've always said, market volatility can be a contributing factor in the outlook.
Asoka Woehrmann	The first question, I do think we really have an aspiration to outperform the market. That has not been changed. As I said – and I do think we have discussed also last time and outlined – our mid-term aspiration is 3-5% net inflow growth on average. This year in the first quarter we had a judgment around that the market will grow 2-3%. I do think for the most recent data – and I think they have not been so much published in companies so far – but what I have seen so far, we can expect the industry average to come down from the original projection. I do think nothing has changed around aspiration, but also is underpinning our pipelines inflow that we want to keep the ambition to outperform the market average industry flows in 2019 is, for us, a given, and we are confident to meet this.
Gurjit Kambo	Okay, thank you.
Operator	Ladies and gentlemen, if you would like to ask a question at this time, please press * followed by the 1 on your telephone. The next question is from the line of Samarth Agrawal with Citi. Please go ahead.
Samarth Agrawal	Good morning. I have just one question on the positive retail flows. What were the key underlying drivers for the positive inflows this quarter? Do you think that sentiment is improving,

	and how much of these retail flows came from ESG and Passive funds? Thank you.
Asoka Woehrmann	Look, in my opinion – and a great question – I do think the fourth quarter 2018 with the harsh market corrections really a little bit weakened the momentum of 2018 in the asset management industry. But I have to say also for the first half of the year the sentiment is still challenging and, I think, slightly negative in the market, and that's why we are pleased to really see a 6.7 billion inflow in the first half of the year. I do think what is very much underpinning so that we can outperform but also against the slightly negative sentiment in the market is that we're really driving our two driving forces; Passive, as well as Alternative areas, are really more or less delivering the growth that we are expecting. I do think also the flagships have really contributed to that. And your ESG question is an absolutely relevant one. We know the industry has nearly 15% of overall inflows are ESG. We can not only stay around 15%; we are above that. So we have 0.9, nearly, for the first half of the year, and from 6.7 billion in ESG. So, therefore, I do think we are very happy that we are really seeing in this area especially flows into that. An important remark is not only into Institutional; especially also the Retail area is taking. The German Postbank has really taken the SDG fund – the Global Equity fund – now over 200 million they have raised assets in this area, I'm very pleased to say. So, this is really crossed the lines and crossed the channels we are seeing the flows there.
Samarth Agrawal	Thank you.
Operator	The next question is from the line of Mike Werner with UBS. Please go ahead.
Mike Werner	Thank you. I just have one question here. I think Claire mentioned the improving performance of the AUMs in Q2 relative to what you had at the end of Q1. In the past, particularly around the IPO, you provided some very helpful information as to what per cent of funds or AUMs in the Active and Alternative spaces were outperforming their peers and their benchmarks. Do you have that type of information? Is that something that you guys can provide? Thank you.
Claire Peel	Hi. Yes, so on your question around the increase in AUM in the first half of the year, or the second quarter, we've seen 15 billion

of increase in AUM market performance and 35 billion in market performance in Q1. In Q2, the 15 billion of market performance is split between Equity performance and Fixed Income performance.

And, if I understand your question correctly, you're referring to the sensitivity that we see to our AUM from Equity and Fixed Income moves that we disclosed at the point of IPO, which generally holds true for what we see in the market movements in our AUM this quarter.

So, for an increase in Equity markets of 1%, we would see AUM impact of 2 billion annualised, and for a Fixed Income decline of 10 basis points, we would see an AUM increase of 2 billion annualised.

Mike Werner: Thank you. Actually, I was more referring to the relative performance of your AUMs. If you recall, during the IPO you provided some information as to what per cent of your AUMs were outperforming benchmarks, both in the Active and Alternative. Is that something that you're willing to provide today?

Asoka Woehrmann: Okay, I think the question is clear. The detail in the investment performance is hopefully really clear to me, how am I going to answer. I do think in a three-year time horizon we have 79% of the funds in all asset classes are outperforming their respective benchmark. And this is a very strong number. This is where we have the very big improvement.

I do think also the flagship funds, especially a flagship fund in a multi-asset area, has really strongly outperformed the benchmarks, and I think also a very good sign for us.

Also, in 2018, we had quite a difficult time in Active management in the Equity space, and I think that has turned very much, swung very much – from the fourth quarter to now, mid of this year – very much in performance. So, this is the big improvement that we can see, and I think with that, especially in flagship funds, the turnaround in performance that has started already in the fourth quarter 2018 has really come also with inflows and has been a very nice trend that we have seen.

Has that answered your question or is that something we left open?

Mike Werner: No, that's very helpful. Thank you very much.

Oliver Flade	Mike, you will find all the details in the analyst's presentation appendix on Slide 18.
Mike Werner	Thank you.
Operator	At this time there are no further questions. I hand back to Oliver Flade for closing comments. Please go ahead.
Oliver Flade	Yes, thank you very much, and thank you, everybody, for dialling in today. Obviously, for any follow-up questions, please feel free to contact the IR team. Otherwise, we wish you a good day. Bye-bye.