

DWS Group GmbH
Q3 2025 Earnings Call
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Transcript

Speakers:

Stefan Hoops
Markus Kobler
Oliver Flade

Oliver Flade

Operator, thank you very much. And good morning to everybody from Frankfurt. This is Oliver Flade from Investor Relations, and I would like to welcome everybody to our earnings call for the third quarter of 2025. So, before we start, I would like to remind you, as usual, that the upcoming Deutsche Bank analyst call will outline the asset management segment's results, which have a different parameter basis to the DWS results that we're presenting now. I'm joined, as usual, by Stefan Hoops, our CEO, and Markus Kobler, our CFO. Stefan will start with some opening remarks, as well as the deep dive on digital developments, and Markus will take you through the main part of the presentation. For the Q&A afterwards, please could you limit yourself to the two most important questions, so that we can give as many people a chance to participate as possible. And I would also like to remind you that the presentation may contain forward-looking statements, which may not develop as we currently expect. I therefore ask you to take note of the disclaimer and the precautionary warning on forward-looking statements at the end of our materials. And with that, I will now pass on to Stefan.

Stefan Hoops

Thank you, Oliver. Good morning, ladies and gentlemen, and welcome to our Q3 2025 earnings call. As this is the last quarterly update before concluding our three-year plan, I hope you can see the progress we've made over the past quarters, not only in our strategic initiatives but also clearly demonstrated in our numbers. We said we would deliver on our long-term financial targets, and we're now on the final sprint to the finish. At the same time, we continue to invest for the long term, something you will see reflected in today's digital deep dive.

But before we get to that, let me start with the numbers. Our earnings per share came in at €1.10 this quarter. Assuming a similar EPS in Q4, we will get to an EPS in the 4.20s by year-end, exactly in line with our bridge from last quarter. On top of that, the seasonal performance fees from our flagship fund Concept Kaldemorgen are expected to contribute meaningfully in Q4. With this seasonal uplift still to come, we have a clear path towards our €4.50 EPS target.

Turning to the highlights from the quarter, long-term net flows were €10.3 billion, reflecting a solid quarter and continued investor confidence. Reported revenues came in at €754 million, up 10% year on year, and 1% quarter on quarter. Net income rose to €219 million, an increase of 30% year on year, and 2% quarter on quarter. Our cost-income ratio improved to 57.7%, a reduction of 6.6 percentage points year on year, and 1.5 percentage points quarter on quarter.

We also marked an important milestone with receiving the

necessary licenses to open our new office in Abu Dhabi. Strengthening our regional presence and client engagement in the Middle East reinforces our position as the preferred gateway to Europe for global investors. With that, I will hand over to Markus, who will take you through the details of our financial performance.

Markus Kobler

Thank you, Stefan. And good morning, ladies and gentlemen. Let me start by saying that we delivered an improvement across all, and I would like to reiterate all, key financials in the third quarter, which is something we are very proud of. Starting at the top-left, long-term assets under management totalled €935 billion, up 5% quarter on quarter, predominantly driven by net flows and market appreciation. Total assets under management stood at €1.54 trillion, which is a 4% increase quarter on quarter.

Moving to the top-right, revenues increased to €754 million, a slight increase from Q2, and 10% higher compared to the third quarter of 2024. On the bottom-left, costs amounted to €435 million, down 2% quarter on quarter. Thanks to our active cost management approach, the cost-income ratio improved to 57.7%, down 1.5 percentage points quarter on quarter, and 6.6 percentage points year on year. As a consequence of operating leverage, we report a 30% net income increase versus Q3 2024, reaching €219 million. This was achieved despite the higher tax rate this quarter, reflecting the remeasurement of deferred tax assets following Germany's corporate tax reform starting in 2028.

Let me now share some insights into the client dynamics during Q3. In Q3, we saw strong business momentum, with clients increasing their market exposure to more liquid offerings while remaining cautious overall. This shift reflects confidence in our product range and adaptability to market conditions. Overall, the reported net flows of €12.1 billion and long-term net flows of €10.3 billion, underscoring the enduring strength and resilience of our diversified product suite.

We were able to retain positive flow momentum across all client segments, capturing our clients' demand for risk management and diversified strategies. Long-term retail flows stood out, with €9.3 billion of net flows, marking the 11th consecutive quarter of positive flows. We also saw growing demand for discretionary portfolio mandate solutions and ongoing industry transformation and high market volatility.

Long-term institutional flows were positive, at €1 billion, mainly focused on high-margin strategies, including infrastructure and LRA. These were partially offset by two large one-off redemptions. Key themes for investors are cost efficiency, customisation, and capturing illiquidity premiums in times of

decreasing rates. Furthermore, we achieved positive long-term net flows across all regions except APAC, reflecting the strength of our global franchise.

In APAC, the flow picture was impacted by one client corporate decision to enforce their investment capabilities. EMEA, including Germany, accounted for more than €10 billion of long-term flows, demonstrating strong client engagement across the region, as clients are increasingly receptive to European investment opportunities. The US region recorded €0.3 billion in long-term net flows. Client demand further shifted towards highly liquid, short-duration products, especially in US fixed income.

Moving to the quarterly highlights within our active business. In the third quarter, our active assets under management stood at €453 billion, a 2% increase quarter on quarter, primarily driven by positive market impact, particularly within active equity and fixed income. While the flow picture in active remains challenging, it has been a quarter of gradual improvement, with €0.3 billion in net outflows, which outlines encouraging underlying momentum, particularly in fixed income.

We continue to record positive flows into SQL, our bright spot, with €1.5 billion in the third quarter, and almost doubling net flows year to date, to €3 billion, with retirement products being a key contributor. Fixed income returned to positive net flows of €0.2 billion, mainly driven by significant mandate top-ups, as well as our top-selling DWS floating rate funds, which continue to attract strong inflows. We further see increasing positive momentum into credit funds.

Although our equity business reported outflows of €0.6 billion, momentum for active equity is improving, especially in Germany. Style and thematic equity funds, such as DWS Invest Artificial Intelligence, and DWS Invest Critical Technologies, continue to see steady inflows. Multi-asset saw outflows, which were largely driven by two large, low-margin redemptions. Excluding these effects, the flow picture for the broader multi-asset platform remains stable.

We grew our newly launched active ETF offering, which continues to gain traction with clients, reflecting the clients confidence in our approach. This demonstrates our ability to innovate and bridge our active and passive capabilities, an area where we see significant long-term growth potential. We further plan to launch the Xtrackers floating rate notes Active UCITS ETF in Q4 2025.

Moving now to our Xtrackers business. After a challenging second quarter, our Xtrackers business has regained strong flow momentum, reaffirming its position as our key flow contributor. Our Xtrackers business delivered net flows of €10.3 billion,

marking the 11th consecutive quarter of positive flows. Assets under management increased to €376 billion, up 9% quarter on quarter. The main flow contributor was our UCITS business, which delivered net flows of €9.4 billion. This was mainly driven by equity ETFs, especially by our top seller, Xtrackers MSCI World Financials.

Our Mandates and Solution business delivered €0.8 billion in net flows, driven by a mandate win in Germany, as well as continued flows into our scalable MSCI AC World Xtrackers UCITS ETF. Our US retail funds, also known as the US 1940 Act, saw net flows of €0.2 billion in the third quarter, maintaining its positive trajectory. Our focused campaign, Think Outside the US Box, concluded successfully, and our US platform surpassed USD 29 billion in AUM for the first time ever.

Overall, we are confident in our strategic development, and our flow momentum has returned after a challenging Q2. As Stefan mentioned in previous quarters, our multi-year growth plan is focused on accelerating digital distribution, expanding our regional footprint, and scaling our active offering marks a key milestone in Xtrackers growth journey. As an example, in Q3, we expanded our strategic footprint through two new digital distribution partnerships in Switzerland and Sweden, driving further expansion across key European markets.

Let me turn to our Q3 highlights for our Alternatives platform. In Q3, our assets under management totalled €107 billion, remaining stable versus the previous quarter. Our Alternatives business delivered overall net flows of €0.3 billion in the quarter, with infrastructure remaining the growth contributor within our Alternatives platform, followed by liquid real assets. Infrastructure contributed €0.4 billion of net flows, largely supported by fundraising efforts across various strategies, such as our PEIF IV fund and our infrastructure debt strategies. They continue to generate positive momentum and position us for future growth. We further continue to benefit from strong investor appetite for the European transformation.

In liquid real assets, flows remained positive in the quarter, recording €0.3 billion. We saw a momentum shift in client sentiment, with increasing levels of renewed interest in core tailored strategies, particularly in listed real estate and infrastructure. The sentiment for real estate remains challenging. We report outflows of €0.6 billion in Q3, as traditional real estate strategies faced continued pressure this quarter. Throughout the third quarter, we built on strategic initiatives, focusing on expansion in real estate debt, and launched our second vintage property debt strategy in Europe.

Our private credit platform build-out is progressing steadily.

During the third quarter, we finalised a number of key hires that strengthen our capabilities, ensuring we have the right expertise in place. In parallel, we have kicked off a series of roadshow activities to engage directly with investors and showcase our differentiated approach.

Let me now move to our revenue development. Total revenues increased slightly, quarter on quarter, at €754 million, and marked a 10% increase year on year. Management fees increased by 4% quarter on quarter, to €655 million. This was largely due to higher average assets under management, mainly coming from active and passive businesses.

Performance and transaction fees totalled €50 million, down 14% versus Q2, mainly due to lower contributions from real estate performance fees, partially offset by increased transaction fees in EMEA real estate. As Stefan already mentioned, performance fees from one of our flagship multi-asset funds, Concept Kaldemorgen, are expected to contribute substantially during the fourth quarter, currently standing at a high-double-digit-euro number. Other revenues amounted to €48 million, which reflects the decrease in our fair value of guarantees, and includes €21 million from net interest income, and a €16 million contribution from Harvest.

Moving to our cost development. I am very proud of the proactive and disciplined way of managing our resources and our cost base at DWS. And the Q3 outcome is another testament to that. In this quarter, total costs declined by 2% quarter on quarter, to €435 million, despite higher volume-based costs and ongoing investments. It keeps us on track for essentially flat costs in full year 2025. Compensation and benefit expenses were managed prudently, reflecting a 2% decrease from the previous quarter, primarily due to lower retention-related expenses. General administrative expenses also went down slightly, and stood at €218 million, despite rising AUM in Q3.

As a result of these concerted efforts, our reported cost-income ratio improved by 1.5 percentage points versus the prior quarter, now standing at 57.7%, being significantly below our full year 2025 guidance of less than 61.5%. Again, this outcome reflects disciplined cost management whilst driving revenue growth. It provides us with meaningful capacity to invest into future growth initiatives without compromising our profitability. Handing now over to Stefan for a deep dive on our digital strategy.

Stefan Hoops

Thank you, Markus. Now, let's take a step back from the quarterly numbers and talk about how we are positioning DWS for the decades ahead, by building the digital foundations for the future of finance. When you do a deep dive on digital, you always run the risk of sounding too abstract or heavy on buzzwords. So

let me start by underlining that our build category is not about hype. It is about disciplined execution, like everything else we do.

At our Capital Markets Day in 2022, we introduce our digital priorities and set specific milestones. We brought in the right calibre of talent to drive this transformation, most notably Rafael Otero, who joined us to oversee technology and operations. Rafa's deep experience in payments and FinTech has been instrumental in building our digital foundation. Three years later, we have been delivering on our plan as promised. I will touch on a few of the specific initiatives that we are currently working on in just a moment.

Our focus now lies on scaling three key areas, embedded investment solutions, digital assets, and artificial intelligence. We believe these are the digital developments with the greatest potential to redefine asset management and drive shareholder returns. Allow me to share an analogy that captures how we think about the future of finance. Think about your house or your apartment. You have electrical installations to ensure your lights turn on. There's a good chance that the main electric wiring was built long before you moved in, and will stay in place for many years to come. We like to think of embedded investment solutions as the electric wiring of your home, the connections that keep everything running. At DWS, these are the digital links that let our partners connect directly into our products and integrate them seamlessly into their own platforms. You simply expect those wires to work, and you wouldn't replace them unless you absolutely had to.

Now, every once in a while, a new material or standard is invented, like smart grids or renewable energy systems, transforming how the infrastructure works. That is how we see digital assets, a new way of representing asset ownership with currencies, stocks, bonds and funds moving onto blockchains. And like any new standard, success depends on trust and scale, scale to produce at volume, and trust built on credibility, regulation, and the confidence that investors assets are secure.

And finally, you have what flows through those wires, the energy or signals that make everything function. This is how we see artificial intelligence, as the intelligence shaping and optimising what flows through the system. AI can transform how we operate, enhancing alpha generation, improving efficiency, and reducing the cost to produce. This layer evolves quickly, and AI is attracting substantial excitement right now. Nevertheless, at DWS we are focused on generating sticky recurring revenues and annuities, represented by the wiring underneath, the infrastructure and trust layers which stay the same. That is why we are focused on building those foundations through

embedded investment solutions and digital assets, while using AI to enhance and transform the products flowing through them.

Let's take a closer look at each. Let's start with embedded investment solutions. Digital channels are becoming the dominant gateway for investors. We see this shift clearly at DWS, with around one-third of Xtrackers AUM, coming from digital platforms. This brings both opportunity and challenge as products become more embedded. Product providers risk turning into a commodity, while platforms own the client interface. You first heard us talk about this concept in our Q2 call last year, using the example of how Amazon or PayPal use embedded payment services of Deutsche Bank without the end clients noticing. We described this as operating in a b2B2C environment, with the first B being the little or less relevant B.

The same shift is happening in asset management. Investors will still want exposure to US stocks, to German mid-caps, but how they get that exposure may soon become the commodity. At the same time, customers expect hyper-personalised investment solutions that need to be integrated into their daily lives whenever they need it. That is where embedded investment solutions come in. They are the invisible infrastructure that powers investment platforms and digital channels behind the scenes.

Our goal is for DWS to provide the trusted, indispensable IT infrastructure that connects investors seamlessly to products and capabilities, wherever they invest. We've already made strong progress in building an IT platform that integrates our investment intelligence directly into client systems. Our first APIs are live, and we have onboarded our inaugural client, who is leveraging the platform to deliver individualised asset management solutions. Additional clients are already in the pipeline.

Looking ahead, our focus for the next years is on scaling quickly and building a true platform business. For that, we are currently focusing on further developing our IT platform to deploy additional DWS capabilities as a service. Moreover, we aim to establish a partner ecosystem that allows us to offer investment solutions in a modular and flexible way, adapting to client needs across different channels. All of this contributes to our long-term vision to embed our investment expertise seamlessly into both individual and institutional investor portfolios.

Let's move to digital assets, where we have already translated a challenging vision into tangible progress. Over the past three years, DWS has established a Swiss-domiciled ETC platform, offering physically-backed Bitcoin and Ethereum ETCs that give investors secure and convenient access to crypto markets. And

when it comes to stablecoins, I guess when we first spoke about this and the Capital Markets Day in 2022, it must have sounded like a pretty bold vision to you, as we were quite early with this topic. Today, we are proud to say we delivered on it.

AllUnity, our joint venture with Galaxy Digital and Flow Traders, launched EURAU, the first fully-regulated, euro-denominated stablecoin out of Germany. The joint venture stands for expertise in blockchain technology and asset management credibility. These achievements position DWS at the forefront of digital finance in Europe, combining blockchain innovation with the trust and governance of a global asset manager.

Looking ahead, our focus is on scaling and diversification. Within the next 18 months, we plan to broaden our crypto offering with a diversified crypto basket of leading digital currencies. In parallel, we will develop complementary products and services around AllUnity's euro stablecoin. Once agent payments and machine-to-machine transactions become the norm, we want to be the backbone and enabler of that ecosystem, connecting traditional finance with the on-chain economy.

Finally, we are preparing to tokenise our first fund, with discussions already well advanced with potential partners. Ultimately, our goal as DWS remains to become the trusted tokenizer, the party aiming to ensure each token truly represents what it claims to. When people talk about democratising alternatives through tokenization, they rarely think about how to ensure the token they buy actually represents what they think they are buying.

Tokenization of real-world assets is not easy. While several companies can handle the technology, few can actually bring real assets on-chain in a way that unites technology with legal compliance and regulatory expertise, while ensuring investor protection. That is where DWS has an edge. As a fiduciary asset manager, we combine precisely those capabilities, positioning us as the credibility layer of digital finance, and the bridge between real-world assets and the digital economy.

Finally, let's turn to artificial intelligence, which optimises the way the system functions. For us, AI provides the potential to enhance the way we work, to deepen investment intelligence, make our products more efficient and effective, and ultimately improve client experience. Like many peers, we are testing and experimenting broadly. Our teams are using AI productivity tools, and we are engaging with our Chinese joint venture, Harvest Fund Management, where the use of AI in asset management is already well advanced.

We are in close touch with leading players across the field, and so far most of what we see at DWS and across the industry has

been in efficiency gains rather than alpha generation. But we believe this to be the necessary first step in building long-term capabilities. Over the next two to three years, we will focus on creating a data platform with integrated AI capabilities, and launching an AI companion that supports and challenges portfolio managers in their daily decision-making, based on trained and observed behaviours.

When it comes to our long-term ambition around AI, we are distinct from many others in the market. We are less focused on a probability-driven, what-is-the-most-likely answer. Instead, we're doing the exact opposite, not most-likely answer, but rather what is the question or perspective that no one has thought of before? As such, we are not competing with the tech industry to build AI models. That is the domain of tech giants. We are focused on tapping into that new technology to elevate what DWS does best. Disciplined, insight-driven asset management.

Our real advantage comes from decades of proprietary investment data, the cumulative decisions of nearly a thousand portfolio managers across asset classes, market cycles and regions. By combining that knowledge with machine learning and generative AI, we hope to scale human insight and connect the dots others may miss. Our best portfolio managers are the ones who ask the questions that have not yet been asked. Imagine a proprietary AI model that challenges conventional thinking in markets, a sort of digital Klaus Kaldemorgen model on steroids. We see this as the true opportunity of AI and asset management, human-plus-machine collaboration, not replacing judgement, but sharpening it.

In the long run, we believe AI will be a key enabler of alpha, asset growth and cost efficiency, helping DWS stay at the forefront of intelligent investing. Hopefully, this gives you a clear picture of our overall vision for digital channels, digital assets, and AI. Together, these initiatives are differentiating DWS, and embedding us more deeply into the digital architecture of our clients and the overall financial systems. They are building lasting value that will sustain DWS well beyond this strategic cycle.

So, to wrap up, in the big scheme of things, the 2025 earnings per share target may appear to be just a milestone. However, for us, as a management team, it is paramount to deliver the €4.50 that we promised to you. We are confident we will reach our full year targets, and are well positioned to deliver 10% EPS growth in both 2026 and 2027. Hopefully, today's update has provided confidence, not only in our ability to meet our short-term goals, but also in the investments we are making to secure our long-term growth. We are now concluding our sprint to the finish, executing with the same discipline and consistency that you

expect from us. And now handing over to Oliver for Q&A. Thank you.

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

Operator We will start with the question-and-answer session. Anyone wishes to ask a question may press star and then one on the telephone. You'll hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode and eventually turn off the volume from the webcast while asking a question. Anyone with a question may press star and one at this time. And we have the first question coming from Hubert lam from Bank of America. Please, go ahead.

Hubert lam Hi, good morning. Thanks for taking my questions. I've got two of them. Firstly, Stefan, thank you very much for the overview on digital and AI. Can you tell us how much investments are you putting into them across all three pillars? And also, talk about the timeline for these initiatives to start paying off in terms of revenues, particularly around the digital assets and the business solutions side of things.

The second question is on PEIF IV. I was wondering if you can give us a further update on it in terms of when you expect it to close. Should we expect that later on this year, or Q4, or next year? And it seems like also you had some inflows into it in the quarter, so just wondering where AUM is, or commitments are, in that fund today, what your target is for the fund? I think last time we checked, it was between 4 billion to 5 billion. Just wanted to confirm these numbers. Thank you.

Stefan Hoops Hubert, thank you. I will actually take both, starting with PEIF IV, because that's probably the shorter and easier one. So, firstly, we do not need any fundraising of PEIF IV to reach our €4.50 EPS, so that we'll get to just with the run rate plus Concept Kaldemorgen. Now, our ambition to get to 4 billion to 5 billion, that remains intact. The question is simply how many investors will come in this year, and how many will wait for the final close, which is Q2 2026. What we currently see in these types of large private equity funds is that there's a very barbelled way of investors coming in. They come in very early to get discounts, or at final close, and there's very little upside to come in between.

So what seems to be the case right now is that people observe how we're investing, we just signed a couple of other investments for PEIF IV, just seeing portfolios, seeing what we do, and then potentially come in for the final close. So, therefore,

we are still fully committed, fully confident in reaching the 4 billion to 5 billion overall. How much of that comes in Q4 versus Q2 next year remains to be seen. And I think everyone remembers that there's going to be a big catch-up management fees, dating back to August 2024, when that flow comes in.

Now, the first question, which I think is a pretty broad question, and also, for all of you smart folks out there, we would love to get your feedback and see what questions you ask. So if you follow up with investor relations on those three things, so embedded investment solutions, digital assets and AI, I would actually personally try to join as many meetings as possible and bring some of the experts, because, again, we'd love the challenge and want to see what questions you're asking. There's going to be some sort of prize for the best, smartest questions that are given [?] in Berlin, where many of the smart folks sit.

Now, question on investments and timelines, so how we invest in those three is actually quite different. So embedded investment solutions is our own folks sitting in IT, mostly. We have a team of two dozen, a little bit more, close to 30 really smart people, mostly sitting in Berlin and London, that are working on that. They are folks that have been working in the API world for most of their lives. Not that many actually have as asset management experience. Many of them, a fintech background, but those are people coding, working on DWS payroll.

The investment isn't that significant. It's smart people coding, but it's not that we are buying massive licenses. It's really an API platform with the intention to then deliver our own services. But I think that's relevant. Also in-source services delivered by others, which we would then bundle and deliver to our clients.

For digital assets, the investments are mostly through AllUnity, so in that case, it's basically an equity investment which, to some extent, translates into human labour and cost at the level of AllUnity, but therefore that you wouldn't see currently in our cost base, but it would be an equity investment. Obviously, we have plenty of people at DWS contributing to that, but the full time employees sit with AllUnity.

AI is, again, different. So there, obviously, we have a few people in tech and data. When I say a few, it's actually a mid to high-double-digit number of people that are fully dedicated to that. But then, there's obviously tooling for everyone at DWS. So most of our folks have access to AI tools, and there's obviously licensing costs and so on. So therefore, for AI, I think we can maybe quantify it at the next earnings call. It's not gigantic, but it's combination of license costs and then some dedicated folks, but then everyone sort of contributing a percentage of their time to

AI.

When it comes to timeline, some of those milestones are quite specific. So for digital assets, we said what we'd do in the next 18 months. For embedded investment solutions, we are pretty much live. It will continuously be improved, there will be more services being added, but we have our first clients, so the first revenues will come in. AI, it remains to be seen where there will be efficiency gains, but for that to be contributing to revenues may take some time.

Overall, I think it's difficult to see difficult to anticipate, and I don't want to start speculating, how meaningfully that will contribute to revenues and by when. But I think the way that we think about it, and again, happy to take any and all questions on it, is what is the total addressable market for the respective area? What will the future market structure look like, so is it going to be an oligopoly, will there be many players and so on? And then, third, what does it take to win and, therefore, can we win?

I think for embedded investment solutions, the total addressable market is gigantic. You can debate how big, but I think if platforms source products through these APIs, it could be a lot of services, like sticky fees, sticky revenues, service fees come in. I think for payments for stablecoin, who knows what the total addressable market could be. It could be gigantic. For tokenization, which I think is a key feature that so far hasn't attracted a lot of attention, really, across the industry, what are the revenues generated by custodians, by clearinghouses, by exchanges, and so on, which I think could all be disrupted once ownership is represented on blockchain? So gigantic total addressable market.

I think we could continue, but I think that's what we would love to discuss with you, how you see that. I think most of those will be oligopolistic market structures where those that come in early have a better chance of success, and that's why we are so fully focused on it. Thank you, Hubert.

Hubert lam

Thank you.

Operator

The next question comes from Jacques-Henri Gaulard from Kepler Cheuvreux. Please, go ahead.

Jacques-Henri Gaulard

Good morning, everyone. Congrats for the results today. Well done. Two questions. I guess you replied to each, Stefan, already. Your parent company is going to have an Investor Day on 18th November, are you going to issue a press release or anything like that to renew and reiterate, or maybe add new targets, in that context? Or no need, and basically we have the game plan and it continues as it is?

And maybe the second question as well, on your deep dive,

which was indeed very interesting, you just mentioned that you had already some clients in the embedded investor solutions, so what type of profile do you get in that type of client? And are you actively pitching for partners in that area? And if you can give us even a little bit more colour of the tangibility of that? Thank you.

Stefan Hoops

Thank you, Jacques-Henri. I think I will again take both. So, the Deutsche Bank Investor Day is on November 17th, and I will actually present the asset management segment. We will not have new targets. Deutsche Bank is likely going to have potentially until 2028, and then we may have to add year 28, but our current financial targets of 10% EPS growth in each of 26 and 27, from the jump-off point of this year's EPS, that remains intact, and I don't see that changing or any additional targets being added.

Now, on embedded investment solutions, the inaugural client is a wealth retail bank, private bank, that offers digital solutions and will simply in-source asset management capabilities through our individualised asset management API platform. I think most of the clients initially will be these platforms, neo-brokers, private banks, that all have digitally-savvy consumer clients, end clients, retail clients, and need to deliver asset management services at scale.

I think, over time, I would expect institutional investors to also be much more interested. Think about a pension plan, think about a corporate that wants to provide pillar-two solutions to their clients. You could see how they would quite seamlessly in-source those capabilities through an API platform in order to deliver to their employees. So I think, over time, most of the, let's say, interaction between us and clients I would expect to happen more and more digitally through this type of platform.

And again, happy to discuss in more detail as a follow-up, but the way you should think about it is there is a platform that integrates all of the capabilities that can be sourced internally, so obviously a bunch of things we produce, but can also be in-sourced from other asset managers. That is then integrated into what we show to our end clients, so will then essentially be a client-facing layer. And that could be scaling quite interestingly. But again, that's something that's going to play out over the next couple of years. Thank you, Jacques-Henri.

Jacques-Henri Gaulard

Thanks.

Operator

The next question comes from Angeliki Bairaktari from JPMorgan. Please, go ahead.

Angeliki Bairaktari

Good morning, and thank you for taking my questions. Just two from me as well, please, on Alternatives, both of them. So, first of all, there was an announcement a month or so ago that

Deutsche Bank is partnering with Partners Group and DWS for the launch of ELTIFs. And I was just wondering if you can give us a little bit more colour with regards to the DWS's role in this initiative, and also why, in your opinion, Deutsche Bank is not just going directly to you, their in-house asset manager, and requires a third party to launch these ELTIFs to their private banking clients?

And second question, with regards to private credit, you mentioned in your presentation that you are hiring a few people there. Shall we expect to see some inflows already from private credit origination in cooperation with Deutsche Bank in 2026? And perhaps a comment more broadly, we've obviously seen private credit managers being put much more in the spotlight over the past couple of months with some defaults in the US. What is your view with regards to the risk-reward at the moment in the market when it comes to direct lending and origination? Thank you.

Stefan Hoops

Thank you, Angeliki. I guess it's probably a good sign that there are not a lot of tough questions for our CFO, who's relaxing too much.

Markus Kobler

I'm not relaxing.

Stefan Hoops

The next question all should be addressed [?], so on the ELTIF, essentially teamwork between Deutsche's private bank Partners Group and us, in which we are, essentially, the ones servicing the AIFM, so we have the one setting it up, managing the ELTIF. But then, the capabilities on private markets Partners Group is providing. Now, we have to be honest, Partner Group is a formidable, long-storeyed, alternative asset management firm out of Europe, with great knowledge in private equity, in private credit, and so on. We simply do not have private equity or VC capabilities. So if you choose somebody who is then managing a fund of fund of a variety of strategies, frankly, Partners Group simply have broader capabilities than DWS. And so it was a very amicable, collaborative discussion between Partners Group, us and DB's private bank.

I think, over time, we want to develop those capabilities, and I think having that ELTIF 2 structure is something which is going to come in quite handy for us. Overall, with our knowledge on retail distribution and our knowledge in alternatives, having those ELTIF structures for retail distribution Europe is going to provide upside for DWS.

Now, on private credit, we are progressing nicely. Again, focused on Europe. As you know, once we are in active fundraising, I can't really give updates, but based on very specific opportunities I see in private credit, I would expect this to start contributing pretty meaningfully in 2026. My team's complete

and everyone actively fundraising, so senior folks complete. We're still adding VPs and associates, senior folks complete and actively fundraising.

I think risk-reward in direct lending, I don't want to be the person that's not involved in direct lending in the US, making smart statements, I think risk-reward in direct lending seems to be somewhat exhausted, which is why everyone seems to be focused on asset-based finance. I think what we've recently seen is that understanding who owns collateral and ensuring that it's not pledged to multiple parties seems to be a skill set which is distinctly different from credit underwriting of corporates. So I don't know if asset-based finance is for everyone. But it seems that more and more focus goes towards that. But otherwise, not a lot to add to what very smart people in the US have said over the last couple of weeks. Thank you, Angeliki.

Operator

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

Nicholas Herman

Good morning. Thanks for taking my questions. Just a quick follow-up firstly, on PEIF IV. I think I missed it, what volume of commitments have you now closed for PEIF IV? The questions that I had are on your 26, 27 targets. You've been very explicit on the building blocks there, but I guess looking at consensus, it seems like the market is struggling with the revenue part of that. And I guess that's also partly because 25 is clearly also a high bar with strong contributions from performance fees and from other income.

So I guess my question is what is the market missing? And I guess a subset of that is does the current run rate of fair value of guarantees make it harder to achieve those targets? But also, am I correct that your targets seem to imply, again, outsized performance fees in 2027? And is that correct? And then, finally, just a request, given the increasing importance of your closed-ended funds, the private markets funds, it would be helpful if you could provide us with periodic updates on fund performance for each of those key private markets funds. Thank you.

Stefan Hoops

Thank you, Nicholas. Let me do these three questions. So, PEIF IV, just to make sure that it gets across clearly, firstly, we do not need any fundraise of PEIF IV this year in order to reach the €4.50. We are still confident that we get to 4 billion to 5 billion overall. We're currently in 2s. Now, what we've seen is that investors come in in a barbell fashion, either very early, so in the beginning, to get discounts, or at final close, just to see performance of those assets being bought. Final close is going to be in Q2 2026. So plenty of discussions, plenty of due diligence and so on happening. We just need to see how many choose to come in in December, which is sort of calendar year,

but not too meaningful to those investors, or come in at final close.

Now, your second question on 26, 27, what is the market missing. I would obviously phrase it more modestly. Whatever assumptions you have, your assumptions, it would be condescending to say that you're missing something, but let me just tell you how we are thinking about it. So, when you look at the revenue run rate right now, we're getting a little above 7.50 on average per quarter. So let's just call it 3 billion, plus whatever Concept Kaldemorgen is going to contribute. So I think I think it's not heroic to assume that we'll get to 3.1 billion of revenues for this year. I think the 18 [%] of cost, I think everyone sort of believes us, so that would get you to a PBT of 1.3 for this year.

Now, when we promise 5.5, not promise, when we talk about 10% or target 10% EPS growth next year, what we previously said is that would be 5.5% revenue growth and about 2% cost growth. That was the underlying assumption when we communicated it. If you break it down into management fees, performance fees, other revenues, and cost, the way that we think about it is as follows. Our AUM in Q1 and Q2 was roughly €1,010 billion. Average in Q3 was sort of 10-30, looking at Markus, 34, 35. Obviously, Markus have been on fire so far, so our current AUM is more like 10-70, 10-80. So I think when you think about the average AUM for the calendar year 2025, it will probably be in the 10-30s on average in 2025.

Now, when you think about the incoming AUM going into 2026, it doesn't require any heroic market development to kind of get quite close to €1.1 trillion. Now, if you believe our NNA assumption, our net new asset targets for next year, so the 150 billion over three years, let's just call it 50 for next year, if you believe that, you would see that our average AUM in the year 2026 would be around 113, 1.13 trillion, just based on where we stand today plus M&A, just with sideways moving markets, so without any market growth assumption for 2026.

Now, 100 billion additional average AUM, obviously, would translate, at the current margin into, let's call it, 250 million of additional management fees. Now, if you do the math, getting from 3.1, extra 5.5%, is sort of 165 million. So now, when you look at performance fees, I think this year, we will get above the 4% to 7% target. Even if you assume that next year we will not quite get there, but be at the upper end of the 4 to 7, which I think would be conservative, but based on the PEIF II sales of assets, but if you want to assume that, you have quite some cushion between the additional management fee and the 165 that we would have to get to in order to have revenue growth of 5.5%.

When you look at other revenues, this year was not special.

Harvest is performing really nicely. The contribution from Harvest in Q3 was the highest since, what, Q2 2023, so we can discuss Harvest, but I think that is going up with markets going up in China. The NII is stable. You mentioned fair value of guarantees. There was nothing special. The swap spread is still significantly negative, so you can call it a reserve. So I think the other revenues, my assumption would be for it to be similar next year to this year. That's how we look at it. Again, it would be arrogant to say that you're missing something, but this is how we think about the revenue growth next year. I think the cost, everyone seems to believe us, which is why, let's see what happens over the next couple of days, but that's how we think about the 10% EPS growth in 26 over 25.

Last question on closed-ended funds. Happy to provide it. What we can say is that our closed-ended infrastructure, private equity funds are all top-quartile performance, but that's a good challenge, so we'll add that next quarter. Thank you, Nicholas.

Nicholas Herman

Thanks very much.

Operator

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

Pierre Chédeville

Good morning. Two question on my side. You mentioned the new world regarding digital distribution, AI, etc. My question is on the old world, and particularly how do you see the evolution regarding third-party distribution, ex-digital partnership, I mean with a wealth management companies, things like that? And also the development of your presence within retail, regional banks in Germany or elsewhere in EMEA, where currently we can see a kind of risk aversion, but that could change in the future, and are you still ambitious regarding this kind of old partnership?

My second question is on passive management. We can see that, despite your efforts and also your dynamism on this part, we see that market share is quite sticky in this area between the three major players. And my question was, when you talk about external growth, you always mention potential acquisition in Asia, but never, as far as I remember, in the passive management business, where we still have some MINA [?] players. What is your view on gaining market share in passive management with external growth? Thank you very much for your very interesting presentation.

Stefan Hoops

Thank you, Pierre. So, Markus and I were just smiling at each other because we have an internal allocation of duties and work, and your questions are also in my remit. So it seems that Marcus had it easier. So, please, a lot of questions for Markus next quarter. Let me do it in like reverse order. So, on passive, you're right, the market shares are sticky. In Q3, we sort of grew at our market share. Is that dynamic or not? Probably not as we'd like,

because growing at your market share implies that you're sort of growing with the market, meaning you're average. And to all of the smart Xtrackers folks are listening into the earnings call, obviously you don't want to be called average. So we want to see more dynamism going forward.

And I think that's going to come from further digital distribution partners. So, that's now in the 40s. I think the last time we spoke, it was in the 30s. We just approved the next growth phase of the Xtrackers business, I think we mentioned it last quarter. So we approved, what, 20 additional salespeople for new regions. So that will grow. And our ETF as a service, active ETF and so on, gives us hope that we will grow above market, like we've done in 23 and 24.

We're not really looking at inorganic growth in the passive space, to be frank. I don't know if you would need it. I think our brand is pretty good, and I would want to invest in our brand, further invest in our brand, rather than integrate somebody else's brand. Unless BlackRock wants to sell iShares, which appears unlikely. So, therefore, I wouldn't expect any inorganic measures in the passive space.

Now, your first question, let us be clear, the digital capabilities, and why I phrased it as such, are mostly for the next generation. We benefit from great work done by our predecessors. We are very happy to work hard so that the CFO and CEO of DWS in 2035 are happy with what we've done. I think we'll contribute earlier than 2035, but I think you understand the logic. The vast majority of revenues from DWS, for DWS, stem from the traditional business. And obviously, the biggest piece of it is our amazing retail franchise, specifically in Europe. So let's say traditional third-party distribution is the beating heart of DWS, just to be clear.

I think we mentioned before that our disciplined CFO called it a whatever-it-takes in his address to the franchise early in the year, meaning we basically approved unlimited resources, marketing folks, campaigns and so on for retail for 2025, which I think you see in the numbers. And when we talked about the positive momentum shift in active equity, in Germany, we are almost flat. We had 1.8 billion inflows in Q3. Unfortunately, 1.84 billion outflows, so we are slightly negative, but I think this quarter could be the one in which we actually turn positive in retail distribution equities in Germany. So this is by far the biggest focus that we have at DWS, and will continue to be a dominant part of our franchise. Thank you, Pierre.

Pierre Chédeville

Thank you.

Operator

As a reminder, if you wish to register for questions, please press star and one on your telephone. There are no more questions at

this time. I would now like to turn the conference back over to Oliver Flade for any closing remarks.

Oliver Flade

Thank you, everybody, for joining today and for your continued interest in DWS. As you have seen, also our third quarter results I think highlight the resilience of our business in a still challenging environment, but it also reaffirms the good progress that we're making towards our 2025 financial goals and beyond. And with that, I would like to thank you again. Looking forward to any incoming questions on digital and other topics. We are around, and please let us know if there was anything that we can help with. Have a good day, and bye-bye.

Stefan Hoops

Thank you very much, bye-bye.

Markus Kobler

Bye-bye.