DWS Group GmbH Co KGaA

Q1 2025 Results with Investor & Analyst Conference Call

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Transcript

Speakers:

Dr Stefan Hoops - CEO

Dr Markus Kobler - CFO

Oliver Flade - Head of Investor Relations

Oliver Flade

Good morning to everybody from Frankfurt. This is Oliver from Investor Relations, and I would like to welcome everybody to our earnings call for the first quarter of 2025.

Before we start, I would like to remind everybody that the upcoming Deutsche Bank analyst call will outline the asset management segments results, as usual, which have a different perimeter basis to the DWS results that we're presenting here.

I'm joined by Stefan Hoops, our CEO, and Markus Kobler, our CFO. Stefan will start, as usual, with some openings and also closing remarks, 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 the forward-looking statements at the end of our materials. And with that, I'm handing over to Stefan.

Dr Stefan Hoops

Thank you, Oliver. Good morning, ladies and gentlemen, and welcome to our Q1 2025 earnings call. There's a lot to cover today.

In addition to our results and a more in-depth outlook, Markus will take the opportunity to provide a deep dive and shed some light on our Alternatives Platform, which has more than €100 billion in assets under management. This is part of our ongoing commitment to provide in-depth insights into one specific aspect of our franchise with each quarterly update.

It may feel somewhat unusual to be discussing quarterly results at a time when market volatility is at nearly unprecedented levels, given the ongoing uncertainty around US tariffs, the future of global trade, and the implications for companies and capital markets worldwide. While our Q1 results reflect a period largely before this turbulence, they underline the strength of our platform and our ability to create shareholder value.

The asset management industry is now entering a phase many would describe as a more challenging beta environment. This operating landscape is marked by margin erosion, rising cost pressures, higher volatility, and muted flows for asset managers. This makes the ability to generate alpha for our shareholders, therefore performance above the market, even more important. And we believe we are well positioned to deliver it.

I'll return to this in my closing remarks, but for now, let me start by briefly recapping the first quarter of the year. We started the year with strong momentum. Our Q1 results reflect the continued progress towards our strategic goals and highlight the strength of our diversified business model.

We delivered €11.7 billion in long-term net inflows, €19.9 billion, including cash and advisory services. These flows were again driven by a strong demand for our Xtrackers products, where we saw the second highest net inflows in DWS's history.

Our Active SQI and Fixed Income Platforms also supported net inflows, demonstrating the breadth of our offering. And while we saw outflows in active equities and multi-asset, as well as in alternatives, the latter were mainly due to technical reasons, which we will explain in due course.

In a tough environment, with continued inflationary pressure, we once again managed our cost base tightly. Going forward, we will communicate our cost-to-income ratio on a reported basis, which improved by 5.7% year on year, and 2.3% quarter on quarter, to 62.2%.

Our disciplined approach to cost management, coupled with rising revenues of €753 million, resulted in a 13% increase of net income quarter on quarter. This demonstrates the strength of our operating leverage.

Finally, despite the turbulence in markets over recent weeks, the defensive positioning of our retail equity funds has enabled us to deliver alpha for our clients. A reflection of the hard work across our investment teams, and typically an indicator of future flows.

Beyond our results, our share price continued to perform well, both in absolute terms and relative to our peers. This strong and consistent performance led to our promotion to the MDAX in March, further increasing our visibility among investors.

We also delivered on a strategic goal we set out at our Capital Markets Day in 2022, launching a partnership with Deutsche Bank to offer unique private credit investment opportunities for clients.

While this did take some time, the partnership provides us with privileged access to Deutsche Bank's asset-based finance and direct lending books, enabling us to accelerate growth in our Private Credit Unit, an area with increasing client demand.

And in April, we concluded the ESG-related investigation in Germany. The settlement had no financial impact on Q1, and draws a line under historical shortcomings that we've previously acknowledged. As we highlighted in the past, we had already taken steps to strengthen our controls and governance, and continue to raise the bar on transparency and accountability.

Collectively, these achievements underscore the resilience of our business model, the strength of our Investment Platform, and our ability to perform through continuously evolving market conditions. With that, I'll hand over to the MDAX CFO, Markus Kobler, for a closer look at the financials.

Dr Markus Kobler

Thank you, Stefan, and grüezi mitenand from my end. Let me guide you through our financial snapshot in the first quarter of 2025, from now on focusing on reported figures. This does not mean that we leave out our 2025 adjusted cost-to-income ratio target of below 59%, but would rather focus on the reported one.

For your reference, we have included a slide on page 17 in the analyst presentation, where we show what the equivalent reported 2025 cost-to-income ratio would be, namely below 61.5%.

Starting at the top left, long-term assets under management totalled to €891 billion, being down 1% quarter on quarter, mainly driven by unfavourable forex movements and market depreciation, which have more than offset our strong net flows.

Our total assets under management remained flat quarter on quarter and stood at €1 trillion and €10 billion. On the top right, revenues increased to €753 million, which is a 3% increase quarter on quarter and 15% year on year. On the bottom left, costs amounted to €469 million, being down 1% quarter on quarter.

The positive top line development and our strict cost management resulted in a further improvement of our cost-income ratio to 62.2%. Our net income increased by 13% quarter on quarter and 37% year on year, reaching €199 million as a result of our operating leverage.

Now, let's have a closer look at the business environment, more specifically the client dynamics which we experienced in the first quarter. While we saw a strong flow momentum in Q1, the client dynamics were characterised by risk aversion due to current market uncertainties.

The client sentiment can be outlined by the following dynamics. Demand has shifted more towards liquid and short-term products. Flow concentration continuing to be skewed towards high-performing offerings, where we could even observe a lower price sensitivity in the investment behaviour, as the margin spread between inflows and outflows has narrowed compared to the last quarter.

Our client interaction has further increased, as clients were seeking advice to gain clarity and confidence, to make informed investment decisions in an uncertain and complex market environment. Furthermore, we have noticed a higher interest in European and German investment opportunities, mainly driven by the anticipated strategic reforms from governments.

As a result, and building on our strong positioning as a global asset manager with a leading presence in Europe, we launched dedicated focus campaigns to offer clients targeted solutions, aligned with current growth opportunities in Europe and Germany. We continue to prioritise our digital distribution channels, where the market is expected to grow at around 25% CAGR in the medium term.

Our growth remained above market level, supported by strong partnerships and ongoing marketing campaigns across global platforms. Institutional clients largely adopted a wait-and-see approach, keeping their portfolio allocations unchanged, while continuing to monitor market developments, a trend particularly evident among corporate clients.

Additionally, US insurance clients withdrew money due to expected higher claims arising from the California wildfires. As a result, institutional net flows totalled €4.9 billion in the first quarter. For wholesale clients, the flow dynamic was different, as it is more characterised by sticky ETF net flows. Overall, wholesale net flows amounted to €15 billion.

Despite being cautious, retail clients were more eager to leverage on the opportunity to buy the dip, and adjusted their portfolios with active strategies, which could deliver alpha in a volatile market.

Moving to the quarterly highlights within our active business. In the first quarter, our active assets under management stood at €447 billion, being down quarter on quarter, impacted by the negative forex movement, especially in fixed-income products and the overall market depreciation.

The flow picture in active remained challenging, as overall market net flows continue to be skewed towards passive strategies.

In the first quarter, we reported net outflows in our active strategies of around €200 million, which were mainly driven by active equity and multi-asset outflows. This was almost balanced by the strong inflows in fixed income and SQI, due to the increased demand in short-term and systematic solutions.

Despite the ongoing low risk appetite and structural trend among retail and institutional clients, especially in active equity, we do see a positive development once we are able to create alpha.

We are experiencing positive flows into selected thematic funds, like DWS Invest Artificial Intelligence, by targeting high-growth sectors, which are able to outperform traditional markets and align with long-term structural trends.

Our flagship funds showed a good investment performance versus peers, despite turbulent market conditions over the 12 months, and particularly since the start of 2025.

DWS Top Dividend and DWS Invest Top Dividend both significantly outperformed their benchmark. Key driver of the outperformance was, they're underweight in US equities and strong selection in Europe. Furthermore, our multi-asset flagship fund Concept Kaldemorgen delivered net flows, as well as a positive performance.

Active fixed income reported strong inflows of €1.1 billion, which were driven by mandate wins and net flows into DWS floating rate notes. The fund benefited from the current portfolio of rebalancing, and recently passed the €10 billion AUM threshold, driven by both alpha returns, generated through active management, and beta gains from market conditions.

The positive flow momentum of €1.4 billion in Active SQI was driven by rule-based inflows from our pension products and successful product launches. A key flow contributor was the newly launched DB StepIn Global Equities, which allows investors to gradually enter into equities, mitigating the timing risk by investing into fixed income. These investments are then gradually shifted into equities.

The European Active ETF market is steadily picking up, with the major flow share being based on systematic active strategies. Active ETFs remain a growth area within our active capabilities.

We are not only building up our own product pipeline, but we are also leveraging our ETF expertise on the partnership side to co-launch active strategies. This was successfully demonstrated with the launch of Xtrackers DJE US Equity Research.

We continue to believe in our active value proposition, which is and remains core to our business, especially in volatile and complex markets. These conditions allow us to demonstrate our expertise, deliver alpha, and manage the downside risk for our clients.

To reinforce this, we launched our "Pro-Active campaign", highlighting the benefits of active fund management. The campaign has been well received, with positive initial feedback from our distribution partners following its launch.

Moving to our Xtrackers business. Our Xtrackers business remains a key growth engine, delivering its ninth consecutive quarter of net flows, which totalled €12.7 billion in Q1, and around €76 billion since 2023. The positive flow development was offset by forex movements and market depreciation, which led to assets under management of €338 billion.

The main flow contributor was our UCITS business, which recorded net flows of €8.9 billion, marking its best first quarter ever.

Driven by the change in sentiment and the success of our dedicated focus campaign, we saw a shift towards European and German equity flows. These captured market share well above our overall positioning, with particularly strong demand for our EURO STOXX 50 and DAX ETF.

On the fixed-income side, our bestseller product, the Euro Overnight Rate Swap ETF, alone captured almost €3 billion of net inflows in the first quarter. To better align with ongoing portfolio rebalancing, we have repositioned our targeted maturity ETF range towards high yield in Southern Europe, in response to broader market demand.

Our US 1940 Act business captured positive net flows of €0.9 billion, thanks to our niche thematic offering, which had good flow momentum around China and forex-hedged products. This positive development made our US platform grow to above €24 billion for the first time.

Our mandate business reported net flows of €2.9 billion, driven by institutional equity mandates. In addition, the Xtrackers business benefited from the Solution Partnership launches that we initiated last quarter, and the strong visibility generated through recent publicity.

We maintained our strong positioning in the European ETF market with a market share of 10.8%. Despite the competitive environment, our margin was not impacted by major price adjustments in the first quarter.

Now, before discussing our Q1 highlights of our alternatives business, let me give you an overview of our alternatives platform.

Our alternatives business is a core pillar of our growth strategy and is managing over €100 billion assets under management. Stefan even referred to it as our best-kept secret during the Capital Markets Day, as about 20 years ago, we were the largest alternatives manager globally.

The platform spans across three key capabilities. Real estate, infrastructure, and liquid real assets, LRA. Furthermore, we have recently added another core capability, private credit, where we aim to accelerate our ambitions on the back of a strategic partnership with Deutsche Bank.

Let me give you a quick overview on each of the capabilities. Real estate. Our real estate business is managing around €60 billion of assets under management across Europe, the Americas, and Asia-Pacific. With over €300 million of revenues, it is the key contributor within our alternatives platform.

Leveraging deep expertise, we have the ability to invest up and down the capital stack, across the risk-and-return spectrum, and across equity and debt. Over the years, we have delivered consistent outperformance against relevant benchmarks. Our flagship products are focused around the Grundbesitz and RREEF Fund families.

Infrastructure. Our infrastructure platform is managing around €20 billion in assets under management and is offering debt and equity strategies, with an emphasis on core European middle-market private equity.

A key differentiator is our track record of innovation, including the launch of the first US infrastructure CLO offering, and Germany's first open-ended private retail solution, our Infrastruktur-Sondervermögen Fund.

Furthermore, we offer an edge over competitors, with unique and exclusive investment opportunities in mid-sized companies, with a significant portion of our deal flow being sourced bilaterally.

Our LRA platform is among the largest globally, with around €26 billion in assets under management. As of 2024, it achieved the highest margin across all our alternative subcategories, generating €124 million in revenues. We generate strong returns through active stock selection, underpinned by in-depth, fundamental research.

Let me now turn to our Q1 highlights of our alternatives platform. In the first quarter, our assets under management amounted to €106 billion, slightly down versus the previous quarter, as the positive market impact was more than offset by forex movements and outflows. The outflows of around €800 million were driven by a technicality within our infrastructure capabilities.

The real estate business continued to see signs of relief as incoming redemptions were further decreasing. You will remember that we started, during our Q3 results call, that we expect to see a positive flow momentum in infrastructure going forward.

The reported outflows of €100 million in the first quarter is rather driven by a technicality from unutilised capital in our PEIF III Fund, which is booked as an outflow, according to our internal definition. The inflows in our Infrastructure Debt Fund were not able to fully offset this impact.

The positive momentum in infrastructure continued, as our marketing phase for our Pan European Infrastructure and Sustainable Growth Infrastructure Strategy is ongoing. Our LRA business saw momentum shift in client sentiment, with increasing levels of renewed interest in listed infrastructure, while being awarded multiple separate managed accounts, amounting to €1 billion.

With the announcement regarding the strategic partnership with Deutsche Bank, we are aiming to leverage respective strengths in origination and investment management, to accelerate growth in our newly established private credit business.

In Q1, we advanced our strategic initiatives in real estate by intensifying marketing efforts towards institutional clients, and further diversifying our European platform through the expansion of value add and debt offerings.

Now, let me turn to the outlook. Our diversified alternatives platform is well positioned to capture future growth. Let me go through each asset class and our corresponding growth expectations.

The outlook for our real estate business is strongly correlated with the interest rate environment. As of now, the market is rather muted. To ensure we are well positioned when sentiment improves, we are building out and broaden our debt and value-added product offering, and have, in response to client demand, launched the DWS European Real Estate Partners Fund in Q4 2024 already.

We also see significant growth potential in Asia and plan to expand our fundraising into this region, not only to manage more assets locally, but also to channel capital into European and US markets. As of now, we have built up over €2 billion of dry powder, ready to be deployed into new investment opportunities.

The outlook for infrastructure is poised for growth, particularly in Europe and Germany, where strategic government initiatives are creating favourable conditions. As a European asset manager with deep roots in Germany, we are well positioned to act as a gateway to Europe for international and institutional investors, with a focus on APAC and the Middle East.

We are confident that our PEIF IV Fund will become our largest-ever closed-end fund, with a target size of around €4 billion. We have already raised €1.6 billion in the first close, supported by strong reinvestment from existing clients.

To attract additional flows, we are expanding our distribution channels to retail investors by growing our open-ended private retail solution in Germany. Furthermore, we are scaling our global debt platform and continuing to build our US infrastructure CLO business, as we see a strong demand for mezzanine capital solutions.

We expect to benefit from continued positive momentum also in liquid real assets. Liquid real assets are increasingly being used as a complement to private allocations, especially among institutional clients and investors. Furthermore, in uncertain markets, liquid real assets give investors the opportunity to diversify into liquid exposures with asset classes that are typically characterised by illiquidity.

Leveraging our strong track record as an early mover, we see significant potential to penetrate underrepresented opportunities within the natural resource and supply chain verticals. Moreover, we aim to enhance the partnership with our Xtrackers Team to offer additional active ETF products, after the successful launch of our Active Natural Resources ETF last year.

We anticipate a pickup in demand initially from our institutional clients, with retail investors expected to follow as market conditions stabilise. Among all segments, our strongest relative growth case lies in the private credit segment. The asset class is projected to be the fastestgrowing subcategory in alternatives, with double-digit compound annual growth expected over the next year.

Our recently announced strategic collaboration with Deutsche Bank will play a key role in accelerating our expansion. The privileged access to certain asset-based finance, direct lending, and other private credit segments will further strengthen our ability to serve a global client base.

We expect to launch the first products by the end of this year and beginning of next year, by focusing on European asset-backed finance and Asia private credit products.

Let me make a remark regarding our European CLO business. As part of the strategic alignment or realignment of our private credit offering in the past months, we decided to focus our activities and capital on differentiating businesses.

Due to the latest changes in the market environment, we feel that building a European CLO business would not fall into this category. We will therefore not follow through with it.

Let me elaborate how the business performance impacted our P&L. Our revenues increased to €753 million, reflecting a 3% growth quarter on quarter and 15% year on year, supported by management fees and the favourable development of other revenues.

Management fees were slightly down by 1% and stood at €639 million. This development was mainly impacted by fewer calendar days in the quarter. Performance fees amounted to €37 million, supported by the recognition of PEIF II fees.

The decrease compared to Q4 2024 is attributed to the sizeable contribution from our multi-asset flagship fund, Concept Kaldemorgen, which is usually booked in the fourth quarter of each year.

Other revenues developed favourably, quarter on quarter, totalling €78 million. While net interest income and Harvest remained stable contributors with €25 million and €13 million respectively, fair value of guarantees and miscellaneous items reported a positive contribution, mainly driven by the share price hedge.

In this context, I would like to remind you that the impact of the share price hedge is EPS neutral. We book the costs in the compensation and benefits line items.

Moving now to cost development, which is always a highlight of our disclosure presentation, and which I'm very proud to emphasise.

In Q1, our costs stood at €469 million, representing a 1% decrease quarter on quarter. The decline was driven by efficiencies in our discipline-based cost structure, which more than offset the rise in volume-based costs. This development reflects our consistent focus on cost management.

Compensation and benefits rose by 11% and amount to €243 million, mainly due to the strong DWS share price development during the first quarter. On the other hand, general and administrative expenses declined by 11% quarter on quarter to €226 million, while higher AUM led to increased volume-based costs. They were more than offset by lower transformation expenses and seasonal effects from the previous quarter.

As a result of continued operating leverage, our cost-to-income ratio improved to 62.2%, down 2.3% quarter on quarter, and 5.7% versus the first quarter in 2024. Let me now hand over to Stefan for his closing remarks.

Dr Stefan Hoops

Thank you, Markus. It is important to reflect on the broader market environment we are operating in, and how DWS can best seize the opportunities it presents. In that context, there are four key questions we believe are worth discussing.

First, what assumptions are we making about how the current operating environment will evolve? Second, what does it take for an asset manager to be successful in this environment? Third, does DWS have the right capabilities to lead through the period ahead? And fourth, are our financial targets still valid in light of everything we have discussed?

Geopolitical uncertainty and the recent announcements of tariffs, counter-tariffs, pauses and exemptions, have added further pressure and insecurity to already volatile markets. Investor sentiment remains cautious, and the industry is clearly entering a more complex and challenging phase.

In this environment, focusing too closely on specific index levels or yield forecasts adds little value. Markets are being driven by fast-moving, conflicting forces, making any base case just one possibility within a broad spectrum of outcomes.

So what does it take for an asset manager to succeed in this kind of market? Diversification, discipline, and a strong footprint in Europe matter more than ever. And in what is admittedly a somewhat biased assessment, we believe

DWS is well positioned in this challenging beta environment for asset managers.

When we look at diversification at DWS, it goes beyond asset classes. But let's start there. We are one of only a few global asset managers with more than €100 billion in each of active equity, active fixed income, active multi-asset and SQI, ETFs, and alternatives.

That scale across a broad spectrum of asset classes sets us apart. It means we are not reliant on any one asset class and can remain resilient, even when markets shift or clients' needs evolve.

Our diversification also extends to our client base. We are well balanced across the wholesale and institutional segments, and we are not dependent on captive distribution. In an environment where partnerships can shift quickly, that independence removes event risk and gives us greater control and agility.

In addition, our global footprint adds further strength to this model. We are growing in regions with rising wealth, and our partnerships, such as Harvest Fund Management in China, help to deepen our presence on the ground. This local expertise ensures we adapt to regional client needs and regulations, while staying globally connected.

When it comes to discipline, we have managed our costs thoroughly, resulting in a solid reported cost- income ratio that is stronger than most of our peers. This gives us a meaningful margin of safety, a valuable cushion in a market where revenue growth is becoming more exposed to volatility and investor caution.

With this foundation, any additional revenue growth can significantly contribute to the bottom line, demonstrating our operating leverage.

Moreover, having successfully completed our restructuring programme over the past two years, we now stand out as one of the few global players in the industry with no ongoing restructuring or post-merger integration. This allows us to focus entirely on execution and growth without any distractions.

Together, our diversified business model, disciplined approach, and global footprint make DWS a true one-stop partner for our clients, able to support them across investment strategies, asset classes, regions, and market cycles.

Shifting from our operational strength to strategic positioning, this is where our identity as a European asset manager with deep roots in Germany gives us a unique advantage in today's evolving macro and geopolitical landscape.

You may remember me talking about our goal to be a gateway to Europe for a while. For some time, Europe was viewed with caution by global investors amid concerns around growth, stability, and fiscal unity. But that perception is changing.

Long-term secular tailwinds are gaining strength across the region, creating new and sustained investment opportunities. For this reason, we expect a structural shift in capital flows into Europe, driven by both improved sentiment and compelling opportunities in sectors such as defence and infrastructure.

Germany, with its industrial strength and announced changes to fiscal policy, is emerging as a key beneficiary. In fact, conversations with clients in recent weeks suggest that this reallocation is already underway, and we, as the leading German asset manager, are in a strong position to capture this momentum.

While our focus remains firmly on executing our organic growth strategy, we also believe that the volatility ahead could present attractive inorganic opportunities. Periods of market stress often expose structural weaknesses, and as a well-capitalised and focused firm, we are in a strong position to act where others may struggle. This is why it's important for us to continue operating with financial flexibility.

Despite paying out an extraordinary dividend last year, we retain a substantial excess capital buffer. This positions us to pursue emerging opportunities while staying laser focused on those that create real value.

So, what does all of this mean for our financial targets? We continue to target an EPS of €4.50 for the year. This remains both realistic and achievable, even as the recent market volatility has widened the range of possible outcomes.

If you recall the original bridge to our target, it was based on three key assumptions. A reduction in one-off costs, performance fee delivery, and growth in assets under management. We have already started to deliver on the first two. Our large and well-known transformation project is fully behind us, and we are starting to generate meaningful performance fees, driven by PEIF II.

While assets under management levels decreased in recent weeks, they remain comfortably above the 2024 average that underpinned our target bridge assumptions. With our strong investment performance and ongoing client engagement, we are confident in our ability to attract further net inflows and support AUM growth in the second half of the year.

To close, we believe that DWS is well positioned. We are highly diversified across regions, asset classes and client segments, and we have the scale, financial flexibility, discipline and strong track record needed to navigate market volatility and a difficult operating environment for asset managers.

As asset managers, we are not only focused on creating alpha for our clients, but also for those who invest in our shares. This underpins our ability to deliver sustainable long-term value for all our stakeholders. Thank you, and over to the MDAX Head of Investor Relations, Oliver Flade, for Q&A.

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

Operator — Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone.

You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Anyone who has a question may press star and one at this time. The first question is from Hubert Lam, Bank of America. Please go ahead.

Hubert Lam — Hi. Good morning. Thanks for taking my questions. I've just got two of them. Firstly, thanks, Stefan, for talking about the bridge to the €4.50 target.

So, just on the performance fees side, just wondering if the outlook’s changed for that. And do you expect more to come from the P2 Fund? Just because exits have been proven to be harder now in private markets. Do you need exits for to recognise performance fees, or does recognising performance fees not depend on that? The first question.

Second, on M&A. Just checking if there's been a change of tone on this. I know you mentioned in your closing remarks. Just if there is a change in tone, why is this? Or you just take an opportunity? Taking, using this opportunity during the market stress, or is it something more fundamental than that?

And what types of deals would you consider, and which areas and asset classes or distribution, etc.? Thank you.

Dr Stefan Hoops

Perfect. Thank you, Hubert. I suspect those are questions that other colleagues also would've asked. Let me start with the bridge we always spoke about, and then specifically performance fees and then M&A.

So, if you recall the bridge, we always compare the 2023 numbers with our assumption, or essentially the target for 2025. Three components, the one-off cost performance fees, and then higher management fees.

For the one-off costs, for all of you to remember, we always show that we had just over 170 million of one-off costs in 2023, and said that those would reduce or be reduced by about 125 million, compared to 25 to 23.

And so, I think we always assumed that there would be 45 to 50 million of transformation, not necessarily independence from Deutsche Bank, but cloud migration. Markus wants to have a new ledger finance. There's always something happening. But we said that there would be a reduction of 125 million, which I think you've now seen come through.

On performance fees, we said that we would expect about 100 million from P2, and to answer your question specifically, this does not depend on further asset sales. So what happened is, in previous asset sales, we always retain some, let's call it provision, for potential conflicts with a buyer or legal provisions and so on. And as time passes, you can release that provision.

So the 31 million of performance fees for P2 in Q1, you can consider as the first instalment. We would expect 100 million of P2-related performance fees in 2025, without additional asset sales. I think if rates go down, I think there's substantial demand for infrastructure in Europe, so you could make the case that those asset sales could accelerate. Then there's potential further upside.

Also on performance fees, our Concept Kaldemorgen could again deliver performance fees in Q4, and you would imagine that a bunch of other asset classes, for example in real estate, are probably more eligible to deliver performance fees in 25 than in 24, 23.

And I think some of you probably consider performance fees to be slightly lower quality than management fees. What I can tell you, half-jokingly, is that I work pretty hard on getting those low-quality performance fees as the Head of Alternatives right now. So, watch this space. I think this will go up in the future.

When it comes to M&A, our view hasn't really changed. I don't want to play back the interview last week, but I think you know me by now, and we've always said that M&A should be done and not talked about.

So the discussion was, do you expect in this environment more M&A to take place? And my response was, yes, I do believe that some competitors operating at a 70%, 80% cost-to-income ratio, without an ETF business, may find it difficult if markets do not go up, like in 23 and 24. So I would expect more M&A going forward.

Second question. What about DWS? And I think in the past, we had called M&A to be the equivalent of taking steroids. And by that, we meant that if you're out of shape, meaning you don't have organic growth or you have plenty of homework, don't just do M&A to escape. But you need to work pretty hard, at which point in time, you deserve the right to at least contemplate.

So, I think in our current environment, where we have shown organic growth, we have done our homework, I think inorganic opportunities, I think, would be more like taking supplements. But we have been doing our hard work, and now we could potentially increase the growth by inorganic opportunities.

But otherwise, nothing has really changed in terms of where we focus on. We do continue focusing on Asia. I think we spoke about China and India. And otherwise, I think we're just watching the space. And again, I would imagine the next couple of months to be quite interesting. Thank you, Hubert.

Hubert Lam — Thank you.

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

Jacques-Henri Gaulard — Yes, good morning to the MDAX CEO, the MDAX CFO, and the MDAX Head of Investor Relations. Two questions from me.

The first one. You discussed the 2025 EPS of €4.50. What about the 10% increase in 26 and 27? Is it something it’s still valid? It's in your annual report that you refer to in the press release, so I assume that's the case. If you can confirm it.

And second question may be a little bit for Markus. I hear you on the other revenue side, and thank you very much for the disclosure, but the degree of volatility of this line is actually reasonably brutal.

I think all of us were expecting this minus 24 to turn into something positive in Q1, but get to a record other revenues was nonetheless a little bit surprising. Any chance you can guide us for how we should model or guesstimate that line until the end of the year? Thank you.

Dr Stefan Hoops

So, thank you, Jacques-Henri, to pick up on the subtle message on the MDAX. I think going forward, you can all refer towards back to Stefan, Oliver, and Markus. But we wanted to celebrate a full week.

So, the first question on EPS for 25 and growth rate. So, we remain committed to the financial target of €4.50 for 2025. In the prepared remarks, I spoke about a broader range of outcomes. I think if I'd had to bet three months ago, I probably would've made you a 4.30, 4.70 market, right? Can be a little bit better, a little bit worse, with 4.50 being solidly in the middle of that range.

I think a little bit the offer's probably widened a bit. I think at this stage, I would probably make you, I don't know, maybe a 4.15, 4.60 market. So 4.50 is still well within that range. I'll be probably at the upper end of the range. But there's no point in looking at volatility for a couple of weeks, and then become nervous and change financial targets.

I think we have a clear path to reach €4.50 for 2025, supported by a bunch of good things that happen in Q1, and therefore the growth rate also remains as is. If you'll recall, we mentioned when we spoke about that growth rate, that we assume equity market appreciation of mid-single digits.

So if you recall, at that point, we didn't have heroic assumptions on asset appreciation. We said mid-single digits for, it'd be the three years, 25, 26 and 27. And I think when you look at consensus for the broad index indices, I think that still aligns with the broader view in the market. So we feel comfortable with both the €4.50 and the 10% EPS growth rate in 26, 27. With that, back to Markus.

Dr Markus Kobler

And thank you, Jacques-Henri, on your second question with regard to other revenues and the observed high volatility quarter on quarter.

Referring to page 16 of the analyst presentation, these are the different components. And again, given the circumstances in the market that has been impacting items there, net interest income pretty stable. Our Harvest contribution we get, for the 30% stake in Harvest, is also quite stable.

However, there are two components. One is the fair value of guarantees. That is the 30 billion of guarantees, which we have as a part of our product offering. And we have seen quite some remarkable movements in the swap spreads, and if that is going to normalise, we would expect that for the rest of the year, with a positive contribution.

And on the miscellaneous item, these are valuation adjustments of our co-investments mainly, and the hedge on our own share price. And again, we have now seen a remarkable move of our own share price over the last, let's say 18 months, and that's impacting the debt part.

But I explained before, what we record under other revenues, and I think it has been around 10 million in the first quarter from the share price. That is also adding to the cost line, under compensation and benefits. Again, we probably don't have this type of volatility in every single quarter.

Jacques-Henri Gaulard

Thank you, Markus.

Operator

The next question from Bruce Hamilton, Morgan Stanley Please go ahead.

Bruce Hamilton

Hi. Thanks. Good morning. Thanks for taking my questions. First one, just on the perceptions of Europe changing, which is obviously a good story. Could you elaborate a little bit in terms of which? Are you seeing that in particular from certain clients, certain geographies, or is it fairly broad based?

And I guess, in terms of sustainability and key dependencies, it's continued progress on the general fiscal plan and on the Savings and Investment Union plans, I presume.

And then, second question. When I look at the Active ETF opportunity and where you are now, can you outline which products you're seeing most success with at the moment, and if that's coming via specific types of distribution? Thank you.

Dr Stefan Hoops

Thank you, Bruce. Let me take the first question, then hand over to Markus, given that you know how much he cares about the Active ETF business.

So, we're on Europe, and obviously we read what all of your colleagues are writing and research, so I don't think we're alone in saying that there are strong secular tailwinds on Europe.

I think that some of the reactions to announcements of the White House have led to irreversible changes in fiscal policy. So, what Germany has announced when it comes to infrastructure, when it comes to defence, the ReArm EU project, all of these are irreversible changes in the growth path of Europe.

So, therefore, I think it goes beyond just a sentiment shift. I think there's going to be investment opportunities for the next few years, that will be of interest to global investors.

Now, what we've seen over the last, I would say, six weeks is, firstly, I would call it a repatriation of European savings back into Europe. So, we have not seen US retail buy European assets. However, we have seen European retail get out of the S&P, whatever, US assets, generally speaking, and invest much more in Europe.

Institutional investors, I think, have been cautious over the last couple of weeks. But what I can tell you is, both in Middle East, so among sovereign wealth funds, Middle East, Asia, but also other institutional investors, so pension funds and insurance companies in Canada, in the US, the interest in, how can I invest in Europe?

Fixed income, potentially interesting. But then, specifically infrastructure, specifically private credit, so alternatives, that is something which has gained a lot of traction. I don't see that changing, simply because of supply demand.

There's going to be a lot more supply. There's going to be growth amongst the German defence supply chain. You see the large companies. You don't see all of the small suppliers. All of them require growth capital, so there's going to be a multi-year excess of supply that somehow needs to be financed at attractive yields. So, we view this as a long-term trend that we feel that we can benefit from, given our strength in European alternatives offering.

On active ETF, handing over to Markus. Again, I think Active ETFs are one aspect of our, what we would call ETF as a service. So we use ETF, not necessarily as a product, but as a wrapper, as a way of displaying certain risk. And Active ETF falls squarely into that strategy. So, yes, over to Markus.

Dr Markus Kobler

Yes. And thank you, Stefan, and thank you, Bruce, for asking the question, because that's really an area that is close to our hearts.

And we have also identified it as one of the focus areas we have been working on quite intensively behind the scenes since 2024, because it's combining the best of both worlds. Because, on the one hand, we are very much at our core an active asset manager. On the other hand, we are one of the few who have, on the wrapping side, the ETF capabilities.

And so we have already launched, much earlier, Active ETFs. We have launched last year two additional funds, and we have in the pipeline three Xtrackers equity-enhancing active strategies, which we're going to launch in the second quarter. So, that is what we do.

And I also mentioned before there, in particular areas like SQI or LRA, which offer very good capabilities to be wrapped into active ETF, we also follow the market.

We see that the US has, also due to tax reasons, there was a huge demand in debt. And we believe, when we look at the European market, that is also going to catch up over the years, and we want to be there as one of the main proponents.

Who are the people and who are the clients buying that? We see that it's mainly wholesale clients. We're focusing on, again, the wholesale segment across the globe, in Europe in particular, on the platforms with neo-brokers and digital platforms.

Bruce Hamilton: Great, thank you.

Operator: The next question from Arnaud Giblat, BNP Paribas. Please go ahead.

Arnaud Giblat: Yes, good morning. Two questions, please. If I could start with the ETF business. You've been outperforming your peers there for quite a number of quarters, from a flow perspective. I was wondering if you could drill down a bit more in detail there.

Is this down to your geographic exposure, I suppose? More exposed to Germany and Northern Europe, where it's more open architecture? Or is it down to your exposure to digital channels, which you just mentioned? Could you talk about what share of flows could perhaps come from digital channels? Anything specific on ETFs that make you stand out versus peers?

And my second question is in relation to private credit. So, yes, you indicated during your presentation that you're launching at the end of the year. I was wondering what fund structures you're putting in place, how much seed money you have involved, what your short-term flow expectations would be if I look at 18 months out. Thank you.

Dr Stefan Hoops: Thank you, Arnaud. So, on the first question on ETF, in addition to what Markus just said, which is, we have strength in essentially the product delivery capability. So, to some extent, when you think about ETF, if you landed from Mars, you could debate whether this should sit in asset management or in transaction banking.

But to some extent, it's not completely dissimilar to the trust business or the custody business in Deutsche Bank's corporate bank, where you have competent people set up mechanisms, set up SPVs, set up wrappers in order to deliver something reasonably stable, which doesn't require a lot of portfolio management, to a client base.

And we're very good at that. So we have strong legal teams, strong product team, strong operations, tech, and so on. I think we're just quite good in launching it at speed, and I think competent enough that we're now doing it for some partners.

I think the DJE white-label ETF, that Markus mentioned, is an active ETF for a German asset manager, so for another German asset manager that asked us to wrap their active strategy.

So I think, number one, Arnaud, is essentially just the ability to deliver at speed and at scale. I think, secondly, the team is fast, is quick. All of them are just equity derivatives or equity people from backgrounds, so they moved over from markets a long time ago.

The team has been together for a long period of time, and I think they're just pretty good in anticipating client demand. And when you think about some of the very large, successful billion-dollar ETFs today, they were just fast in S&P, equal weight. We're quite fast in the Euro Overnight, and so on and so forth. So, I think they're fast to market.

I think digital channels, I would give Simon Klein, who runs coverage for Xtrackers, a lot of credit for being quite early to call the relevance of digital distribution channels. And roughly one-third of our ETFs, of our Xtrackers, are distributed through digital channels, and that's really savings plans.

Especially in this environment, where there may be a risk also to some extent, those savings plans continue to create inflows for ETFs.

So I think I could continue, but knowing that some competitors are listening, I probably wouldn't want to go into more detail, Arnaud. But I think it's a combination of factors which makes the business strong.

Now, you will always have certain regional strength. Last quarter, we spoke about Chinese A-shares in the US being a strong contributor.

As you would imagine, the month of April was not that favourable when it comes to getting US retail investors to buy Chinese Asia, so it's sometimes those strengths that you have, also expose you to some volatility. So, not everything is perfect in the platform, but I think overall, we are very somewhere between probably satisfied and impressed by what the team has done.

Now, on private credit. So, a couple of key changes. We brought in new people. We will abort becoming an issuer of CLOs, as Markus has mentioned. That is a change. I spoke about us launching CLOs.

And really, two reasons. One, I think the arbitrage has just disappeared, so it's very difficult to create any arb, and the world isn't really looking for yet another European CLO issuer.

And secondly, we always thought that we need to be a CLO issuer to simply have pricing information, when we originate broadly. And now that we have this partnership with Deutsche Bank, we probably rely a little bit less on that, so meaning this additional benefit of being a CLO issuer isn't as relevant anymore. So we will abort that.

We will continue with our launch of a European direct lending fund, so private credit fund in Europe. We brought over a strong team in Asia-Pacific. That was part of that team, with Deutsche Bank trying to set up their own private credit asset manager. And the Asian team moved over to us, so they brought a couple of mandates with them. So, we are launching an Asian private credit fund, and have a couple of investors for that.

And thirdly, we expect to launch a European asset-based finance fund in 2025. The partnership with the Investment Bank, we announced a couple of weeks ago. We concluded or we agreed on a partnership with Deutsche Bank's corporate bank on Saturday morning, so this is hot off the press. So we are pretty optimistic with the ability to get differentiated risk and then manage it for our clients.

Operator: The next question from Angeliki Bairaktari, JP Morgan. Please go ahead.

Angeliki Bairaktari: Good morning, and thank you for taking my questions. Just two for me as well, please. With regards to the EPS target of four and a half, or within that range that you mentioned before, I think you mentioned that the one-off costs that you foresee for this year should be around 45 to 50 million.

When I look at consensus, consensus has around 20 million of restructuring or other adjustments within the cost base.

So what are you planning to provision for, or what adjustments do you expect to book this year that will get you to this 45 to 50 million?

And I would have imagined that that would mean that the EPS, the reported EPS, would actually end up being somewhat lower than the four and a half, relative to the message you had given before.

And then, second question. With regards to the alternatives, thank you so much for the colour you just provided on private credit. How should we think about the overall alternative net flows outlook for this year?

I think when we discussed about it last year, especially on the back of an inflow in Q4, we were looking at a gradual improvement. Obviously, the market has moved now, sentiment has moved. How should we think about alternative flows for 2025? Thank you.

Dr Markus Kobler

And thank you, Angeliki. Happy to take the first question on adjusted versus reported cost-to-income ratio. And personally also, when I read through your comments this morning, I was personally not happy with myself, just because, in a way, we have not explained properly what it means.

And so, thank you very much for asking the question. And if you know me, then you know that's certainly something I'd like to be. I'd like to be more transparent and clear.

And Stefan already explained 23, the jump-off point with 170 million. And when we said we see savings of 125 million, that brings us to the 45 million. And also we mentioned in during our Q3 call, that whilst we closed Proteus as a transformation project, there are two IT projects ongoing. One is the investment into our cloud environment, and the second one is the upgrade of our SAP platform. And that is part of expenses which we have.

What Stefan and myself also, what we dislike is costs below the line, because we feel there is less accountability, and we also feel that the true measure to steer is EPS and EPS growth. And that's why we said we really want to keep…

Don't see any litigation expenses, we don't have any restructuring programme in the pipeline, and we no longer have any transformation programme, so which is again part of that being, it is now included in general and administrative expenses, mostly.

But what we also say, two more things, Angeliki, is, one, we're not saying we're going to be at 61.5% reported cost-to-income ratio. We're clearly stating it will be below 61.5%. And what holds, in this context, is the guidance on the cost run rate, which we have provided with regard to 2025. Namely, that we expect our costs being essentially flat versus 2024. So that's number one.

And secondly, that our discipline-based costs are expected to stay essentially flat, whereas volume-based costs are expected to slightly increase.

Dr Stefan Hoops

And Angeliki, just to add to that part and then answer your second question. Again, Markus and I are pretty complementary, but one thing we both hate more than most other things is excuses. And everything which is below the line, as always, as Markus has said, nobody takes it seriously, so we moved everything above the line.

Now, we're always learning. Sometimes you fall in love with a headline and nobody likes it. Sometimes you'll think that something is almost a non-event, and people are surprised.

I think in this case, as Markus said, we probably just assumed that everyone would just mechanically adjust it, because we always spoke about 45 million of one-offs in 25. Again, the 172 minus 125. And by just shifting it above the line, we just figured it would just be a mechanical adjustment of adjusted cost-to-income ratio of 59%, or below 59%, to reported of 61.5%.

So, just to be clear, nothing has changed. And we find the first quarter to be a solid quarter. Nothing spectacular. Nothing to the upside or the downside.

We delivered €1, so 200 million of that income, €1 per share, again in what was unremarkable. And therefore, we just expect this to be times four, plus more performance fees of things that we booked in the fourth quarter. So that's why we're fully on track, from our view, to get to €4.50.

Coming to alternatives now, I will start with infrastructure, because one thing that everyone needs to keep in mind is our P4, we expect to get to 4 billion in the calendar year 2025, right? So, we expect two and a half billion of inflows to come in 25.

And if we recall, they accrue management fees back to the date when we had our first purchase, which was on August 24. So, whether it comes in today or December 31st, it will pay basically four and a half months of fees for 24.

And then the full-year 25, none of that was booked in Q1. So, when you think about management fees, modelling for the coming quarters, that's probably something that you simply want to, or may want to, to factor in.

Now, I'll turn this overall. I will keep it high level. We promised an alternatives deep dive, and so there may be more questions, but let me just high level go through the five components. And I will do it in order of remaining work to be done, starting with the one that requires the least quantum of work.

So, the liquid assets, very well run. John Vojticek, a very stable team. Strong performance, very little investments we need to make, on the investment side. At this stage, we just need to sell more of it. I would expect this to be net new asset positive in Q2 and then for the remainder of the year. So, that's the business. Again, well run, and something that we would benefit from in terms of new assets.

US real estate, actually all the businesses are well run. I probably shouldn't give you the names of the people, because they've been with us for ten years-plus, and we want them to remain loyal DWS employees.

But US real estate also very well run, very strong performance, when you look at our flagship fund, the RREEF America Two, that in the ODCE Index has been top quartile performer for the last five years-plus.

Again, not a lot of investments. We need to be expanding into US real estate debt, as we've spoke about in the past. We're expanding to some value-add strategies, but otherwise, this is all so well set up and just needs to be sold.

The infrastructure business is clearly the one benefiting most from secular tailwinds. We're very competent in core Europe, middle markets, infrastructure, and that's exactly what people like these days.

I would imagine that at some point, I will make a case to my disciplined CFO, that if we hired more in that space, we would have more humans managing more companies. And therefore, we can raise more capital for larger funds, or have the next iteration come faster. This would not have an impact, really, on 2025, but would support EPS growth in the years 26, 27, and afterwards.

So, that's the business in which we feel very well set up, both in Europe, but also with the US debt business, which, as you know, contributed one and a half billion of net new assets in 24, and also its solid contribution in Q1.

Markus made the comment on the technical change in Q1. So, as P3 reached the end of its investment period, the unused capital, which we will use for follow-on injections into the companies we bought, but just technically, this moves from AUM to dry powder.

So, it looked like a 700 million outflow, but it just moved to dry powders. We haven't lost it. It accrues management fees. We completely expect to deploy it. So, that contributed to, essentially, the minus 700 million impact on Q1 alternatives flows. Otherwise, we would have been flattish.

Fourth, European and Asian real estate, well managed, but very exposed. A lot of reliance on the German Grundbesitz retail funds, which are good risk, are properly priced. I think we see, if you recall, we have a 12 months' notice period for people who want to get out. That has bottomed out, so we are more optimistic on the future path.

But we probably need to do a bit more work on European real estate, just to diversify into value add, probably diversify maybe even into opportunities, a German opportunities fund or similar activities. So, more work there. And private credit, I just touched on. That's obviously also an area that requires more work. But overall, optimistic.

I would imagine net new asset contributions are positive, coming from liquid real assets, the US real estate, infrastructure, and private credit. And I think European real estate will continue to be probably in slight outflow, given that we still have to get through, and the tail end of the notifications we received over the last 12 months. Thank you, Angeliki.

Angeliki Bairaktari — Thank you.

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

Nicholas Herman — Yes, good morning. Thanks for taking my questions. I've only got two left.

Firstly, on ESG, we talked about how there seems to be an increase in global investor interests in Europe, and, I guess, benefitting alternatives in particular. We have also seen some pension funds changing their managers in response to US peers walking away from their climate and ESG commitments. I guess, with the ESG investigation resolved, do you see yourself being a beneficiary of these changes?

And then the second question on alternatives. Without calling out fee margins on specific products, what is the range of fee margins, across the infrastructure range, that blend to the 40 basis points?

And if I could ask one more on alternatives. Sorry, I appreciate that's a third. But just thank you for the disclosure on the margins by product. When we're building our forecast going forward, what margin do you think is appropriate for credit, given that you're now going to be doing just direct lending and ABF, rather than and not CLOs? Thank you.

Dr Stefan Hoops

Thank you, Nicholas. We treat it as two questions, because the first one, ESG, is one we really like to talk about, so therefore we treat it as, essentially, inviting us to comment. And then the other two are technical questions, so you didn't overstep.

Now, on ESG, just to make one statement, because I think the current discussions, especially in the German media, is completely misunderstood. There will not be defence in ESG funds, when it comes to ESG defined as Article Nine, or the dark green, real ESG funds that are part of the upper end of Article Eight. So, there will not be defence in real ESG funds. And I think this was misunderstood.

What happened in Europe, amongst many asset managers, is that for those funds which are essentially the light green, which are not really ESG funds, but have certain elements of basic exclusions, that for those, the distribution partners, not the asset management industry, decided that defence should be part of it.

Asset managers changed their prospectuses. We've changed our prospectuses, like many others. And going forward, those funds, which are not sold as ESG funds, can include defence. So, I think just very important, and would love for this to be rectified by journalists listening to the call.

Now, I think two points to make. One, is there more demand for ESG? And if so, is that going to be managed by European or US asset managers? Firstly, we do not see an increase in ESG demand. So in Q1, we had small inflows in ESG. In April, we actually had outflows.

I think for those people that are not really directly targeting ESG, they just moved into what I just described. Those funds, which are quite similar, but not marketed as ESG, can include defence. That obviously was a strong contributor to performance over the last 18 months, and that's why I would not expect an increase in interest in ESG funds.

I think if you do want to buy them, we do see the trend of this being managed by asset managers that, like DWS, continue to advocate ESG for those funds which are properly defined as such. So, therefore, I would see a flow from US to European asset managers.

Now, infrastructure margin, probably wouldn't want to go into detail. What I can say is that our P series is really private equity, so therefore significant performance fees. Again, something which we consider to be good revenues, because they're not random. We plan for them. And then management fees in, let's say 1%, so in line with what you would expect from private equity.

As you would imagine, our US infrastructure debt business, which is really essentially raising equity to then become the equity and infrastructure CLOs we manage, as you would imagine, there the management fees is less than what we have for private equity, and that gets to the blended.

For private credit, probably too soon to say. I would imagine this to be in line with the average margin of our alternatives business. So, high 40s, probably with some performance fees. But as you know, there will always be institutional mandates, with clients targeting 400, 500 basis points. And those obviously would have lower management fees than more total return, 10%-plus funds.

I think we currently see more demand for the former, so therefore I would imagine probably higher AUM because it's easier to launch, but with average margin in line with the average for the alternatives business. But potentially, we can also be more ambitious, more opportunistic, if opportunities arise. Thank you, Nicholas.

Nicholas Herman — Very helpful. Thank you.

Operator — The next question from Oliver Carruthers, Goldman Sachs. Please go ahead.

Oliver Carruthers — Hi there. It's Oliver Carruthers from Goldman Sachs. Thanks for the presentation and also for the quarterly deep dives. They're very helpful.

Just wanted to ask on alpha for your clients. Fund performance has generally been improving in fixed income, I know this has been a focus for you, but it's been eroding in active equities over the last couple of years. I think only 11% of your equities, active equity strategies, have beaten the benchmark over the last three years.

So, I've got two questions here. Number one, what steps are you taking to address this? And number two, how should we be thinking about flows here? Thank you.

Dr Stefan Hoops — Hey, Oliver. I will start. I am always careful in grading myself, given that I oversee an investment division, so I will start, but then hand over to Markus.

So, when you look at our equity funds, there're certain things which we, as a firm, have always been doing very well, and that is focused on value. We are much better in value, or have way more funds catering to value than to growth. We are more defensively positioned. When you look at funds like our Concept Kaldemorgen flagship fund, that's a total return, but again, very defensive in its strategy.

So those funds, as you would imagine, are top dividend. One of our largest flagship funds, targeting companies paying a high dividend, as you would imagine, they didn't really buy Tesla, Netflix, or any of the other Mag Seven that didn't really pay dividend.

Those funds haven't done well in 23 and 24, but they were not designed to do well in a high-growth environment. So hopefully, that doesn't sound defensive or coming up with excuses, but I think they have done as advertised.

I think the truth, and I think that 2025 is the year of truth for active asset management overall, and then specifically for those funds in our arsenal that are focused on value. And we feel that they have done pretty well this year, specifically in April, but over to Markus to comment on that.

Dr Markus Kobler

Yes, happy to do so. And that is, again, an indicator which we observe and monitor very closely, Oliver. And for April, again, there's no official data available yet, but we have or we're seeing a positive performance trend also into April.

And that is also due to the fact, and Stefan mentioned it, again that certain investment strategies are now more benefiting from the current market environment. But it's also reflecting the excellent market timing we had by our portfolio management, which reduced the risk upfront and also the US exposure well before the Liberation Day, and in particular with our equity and multi-asset total return strategies.

And we believe, if that is to continue, we're going to see these positive performance figures also reflected to improve our three-year outperformance over the coming months, which has yet to catch up a bit.

And just a few examples is when you look at the top dividend, with 20 billion assets under management, is up 1.4% year to date, 10% ahead of MSCI World. When you look at DWS Vermögensbildungsfonds, with 13.5 billion, it's ten basis points ahead of benchmark, or Akkumula, 50 basis points ahead of benchmark.

And just mentioning, in and out of view is the Concept Kaldemorgen. Very robust performance year to date. The fund is slightly down with 0.6%, but nothing to worry about. And probably the last is DWS Aktien Strategie, which again the fund is up 13% and 170 basis points above benchmark.

Whether that's going to translate into more flows, into active equities, that's the moment of truth.

Stefan is saying it. We don't have a glass ball, but we expect to see some movements there as well.

Dr Stefan Hoops: And Oliver, just to add one thing, and I don't think any of you thinks that I'm buying and selling shares myself all day, so it's not that I'm giving a biased assessment. But when you look at Kaldemorgen, Concept Kaldemorgen, which I'm sure you're following, so managed by Christoph Schmidt and Klaus Kaldemorgen, for a euro total return fund to be flat year to date is pretty remarkable.

So, think of a global fund. Show me one hedge fund which, in euro, is flat for the year. They went long gold a while ago. They shorted or materially reduced dollar into Liberation Day.

So, the fact that we have our risk capacity intact and can benefit from what the next few months will bring, so essentially, a properly managed euro dollar strengthening by 10 cents and remaining flat, I think, is making us pretty optimistic in the outlook for performance, for Concept Kaldemorgen, and therefore also a performance fee to potentially be booked in Q4 of 2025.

Oliver Carruthers: Yes, that's very helpful colour. Thank you. Thank you both.

Operator: The next question from Mike Werner, UBS. Please go ahead.

Mike Werner: Thank you, guys, for the presentation. Most of my questions have been asked, but one perhaps.

As you guys build out the private debt capabilities, do you see any opportunity to combine that with your ETF capabilities, and creating products that allow investors exposure to private markets via ETF wrappers or other wrappers? Thank you.

Dr Stefan Hoops: Mike, thank you. So, conceptually, yes. Why? Because, if I follow the logic mentioned earlier, that ETFs aren't really an asset class, but essentially a mechanism to distribute essentially any type of asset to investors, then conceptually, yes, that should be a conduit to also deliver private credit.

Now, I personally remain a bit more sceptical. I've seen some of those private market ETFs being launched, and I think they are closely looked at by the regulators. I honestly can't really make sense of the liquidity requirements, and I think it will be difficult to really do that, unless you blend it with a lot of liquid underlyings and have some mix.

And then obviously if there's outflows, you know what you have to sell. And then essentially, they would have a lot more exposure into private markets, being non-mark-to-market, in a negative sentiment environment.

So I guess what I'm trying to say, Mike, conceptually we could do that. I think we have the capabilities of doing it, but I personally remain sceptical of mixing, by nature, illiquid private market assets that are not mark-to-market on a daily basis, with ETFs that come with a promise of daily liquidity.

Mike Werner: Thanks, Stefan. Very sensible. Cheers.

Dr Stefan Hoops: Thank you, Mike.

Operator: The next question from Pierre Chedeville, CIC. Please go ahead.

Pierre Chedeville: Yes, good morning. One of your competitors mentioned that 8th April, which was the lowest point in Q2, its assets under management only decreased by around 3%. Could you give us an information like that? And are you worried regarding the evolution of dollar? And should we be worried regarding the evolution of dollar in Q2?

Second question is, you said you were quite optimistic regarding the evolution of Europe and in terms of investment opportunities. What is your view regarding US, where you’re quite exposed? Thank you.

Dr Stefan Hoops: Thank you, Pierre. So, a couple of things on AUM, and then specifically euro dollar. The average euro dollar for Q1 was just below 106. So, 105, eight or something. And obviously, euro has strengthened since then.

Rule of thumb is, our AUM goes down by roughly 4 billion for every cent strengthening. Euro strengthening 1 cent, AUM down 4 billion. So, as you would imagine, we have roughly 40% of our AUM in dollar. We always speak about 25% of AUM being in the US, but obviously our equity funds being managed out of Germany also by Amazon and exposed to dollar.

I think what's quite important is we obviously also have dollar cost. So, when you look at the impact on net income, your strengthening is net negative because we have more dollar revenues than dollar cost. So it is net negative.

But I don't think it's quite as mechanic as saying, I just multiply whatever your dollar strength is, times the number I just quoted, so the 4 billion times the average management fee, and that's bad. I think you need to factor in essentially what AUM is in dollar, and a lot of fixed income is in dollar, a lot of ETF is in dollar, and also factor in, that obviously we have the cost benefit.

But I think our AUM will be down if you measured it today. Let's see what the next couple of months would bring, but I guess that wouldn't be a surprise. And so, I think the 3% is roughly okay.

Now, my view on the US, that's a tricky question. So, on the record, I think having two of my daughters being US citizens and having spent many years in the US in high school and professionally, I'm probably one of the more America-friendly people with a thick German accent.

So, I am confused what's currently happening. But I think, overall, I think we remain constructive. I think that human nature is one that we like to revert to what we perceived as being a pretty comfortable mean.

So, I would imagine, yes, I think I would make a bet, that in six months, I don't think anyone is speaking about tariffs anymore. So therefore, I would be actually cautiously optimistic that some of the turbulence that we experienced in April will be not distant, but a memory in six months' time.

Obviously, some of that is mechanically having implications on industries, if tariffs go up. And our expectation's currently for them to go up to an average of maybe 14% or 15%. That will have a mechanical impact.

I think we're more worried about the sentiment changes, some of the irreversible changes to maybe supply chains being reorganised, or what is positive, the big fiscal expansion in Germany. But therefore, I continue to love the US, but I'm slightly confused with what's currently happening. That's a personal statement.

And I think from a business perspective, we remain positive on the US overall, but clearly, what happened over the last month is materially increasing uncertainty, and it's obviously not positive for the US dollar.

I think implications for us, as a firm, we are globally diversified. I think our claim of being a gateway to Europe is helpful in this environment. But yes, a significant portion of our AUM is in US dollars, and that obviously depends on what will continue to happen on the ground. Pierre, thank you for your questions.

Pierre Chedeville: Thank you.

Operator: Ladies and gentlemen, this was the last question. I would like to turn the conference back over to Oliver Flade for any closing remarks. Thank you.

Oliver Flade	Yes, thank you very much, everybody, for listening in and a good number of questions. And please reach out to the IR Team in case there are any open questions left. Otherwise, we wish you all a fantastic day, and thank you very much. Bye bye.
Dr Stefan Hoops	Thank you very much.
Dr Markus Kobler	Thank you very much.