

## Quercus TFI

### 1Q22 take-aways from call with the Management.

**Michał Fidelus**

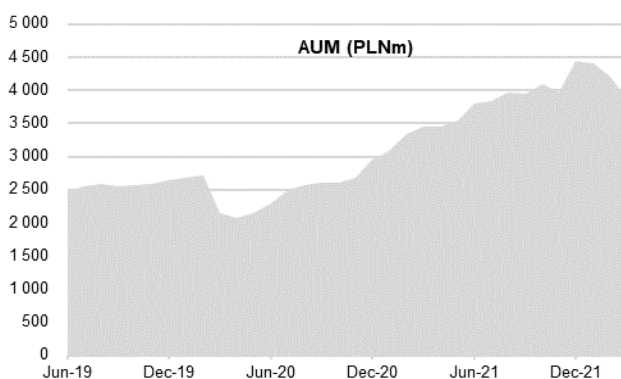
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- **Flows** – April saw further outflows from funds although lower than in March. CEO expects positive flows to bond funds not earlier in Autumn, i.e. after 2-3 months of positive rates of returns that may start to appear with the end of rate hikes cycle. Flows to equities are likely to accelerate rather in 2023. CEO expects reference rate in Poland to reach 5-6%.
- **Consolidation** – The company maintains its interest in acquisitions and expects consolidation in the market to continue especially given ongoing regulatory changes and market conditions (cap on fixed fee, changes in success fee, rising rates etc.).
- **Success fee** – Quercus TFI removed caps for success fee in each of 7 open-end funds. Majority of the market is in a process of getting approval from KNF to remove caps. CEO does not expect material contribution of success fee to earnings this year.
- **Xelion** – Net profit of Xelion DI in 1Q22 came in at PLN 0.5m (40% y/y) and asset under administration at PLN 4bn (-1% YTD). CEO maintains that plans Xelion to remain independent distributor offering the best products for customers (not necessarily of Quercus TFI). In medium term expects Xelion to return to previous level of earnings (net profit at c. PLN 5m).
- **Dividend/buy-back** – On April 27<sup>th</sup> AGM will vote on a distribution of PLN 22m as a dividend/buy-back. Company reiterated its dividend policy assuming distribution of close to 100% of earnings.

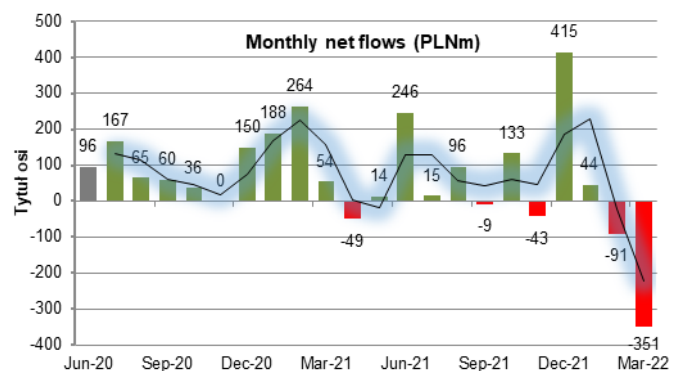
#### Our view: NEUTRAL

*Interest in consolidation was already flagged by the company. Cap on fixed fee, ESMA regulations, competition from rising interest rates and difficult market conditions for both bond and equity funds appear to be key headwinds fund managers will have to deal with over the next quarters.*

- **What draws our attention?** – Still strong AUM (left chart) facing pressure from outflows (right chart) on the back of less competitive rates of returns.



Source: Company, Pekao Equity Research



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