Noah Holdings Limited [Noah]
Q2 & Half-Year 2024 Results Conference Call
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Company Representatives
Jingbo Wang, Co-Founder, Chief Executive Officer
Zander Yin, Co-founder, Director and CEO
Grant Pan, Chief Financial Officer
Melo Xi, Director of Investor Relations

Analysts
Peter Zhang, JPMorgan

Presentation

Operator: Good day, and welcome to the Noah Holdings Second Quarter and Half-Year 2024 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). This event is being recorded.

I would now like to turn the conference over to Mr. Melo Xi, Investor Relations Director. Please go ahead, sir.

Melo Xi: Thank you, operator. Good morning, and welcome to Noah's 2024 second quarter earnings call. Joining me today on the call today are Ms. Wang Jingbo, our Co-Founder and Chairlady, and Mr. Zander Yin, our Co-Founder, Director and CEO, and Mr. Grant Pan, our CFO. Mr. Yin will begin with an overview of our recent business highlights, followed by Mr. Pan, who will discuss our financial and operational results. They will all be available to take your questions in the Q&A session that follows.

Before we begin, please note that the discussion today will contain forward-looking statements that are subject to risk and uncertainties, that may cause actual results to differ materially from those in our forward-looking statements. Potential risks and uncertainties include, but are not limited to, those outlined in our public filings with the SEC and the Hong Kong Stock Exchange.

Noah does not undertake any obligation to update any forward-looking statements, except as required under applicable law.

With that, I would like to pass the call over to Mr. Yin. Please go ahead.

Zander Yin: (Speaking foreign language).

(Translated). Thank you, and good morning or evening to everyone. Our domestic business model has undergone significant restructuring lately, including the clear separation between our domestic and international business, optimization of our operating model, and adjustments to our organizational structure and relationship manager team. As a result, we are adjusting our financial reporting disclosures.

Starting this quarter, we will begin reporting financial data based on this new organizational structure, which we believe will provide a more accurate reflection of the progress we are making during this transition. Therefore, on today's conference call, I will go over our second quarter results, separating them into domestic and international segments, followed by the overview of our growth strategies for both.

Domestically, we have been adjusting our client service model and deepening the organizational restructuring in recent years to comply with the evolving regulatory requirements, including dividing and deploying sales personnel to specific independent and licensed business units, namely, Noah Upright Fund Distribution, Glory Insurance Brokerage, and Gopher Asset Management. Each sales personnel is able to only recommend products and serve clients of that specific independent business unit.

At the group level, our branding and business development departments are responsible for branding, marketing activities, client acquisition, investor education, and other tasks, but will not directly recommend financial products.

In the global market, we launched a new wealth management brand called ARK Wealth Management, and continued to expand its overseas RM team, with 113 currently on board. Through its offices in Hong Kong, Singapore, and the U.S., ARK provides comprehensive wealth management and value-add services targeting the local Mandarin-speaking population.

Likewise, we launched a new overseas asset management brand, Olive Asset Management, which is focused on building a more comprehensive product matrix covering different asset classes globally. We have recently established a U.S. product center to deepen relationship with local GPs. Under Olive, we are also gradually building out its own dedicated RM team targeting institutional clients with nine currently onboard.

In the first half of 2024, we raised USD 338 million for overseas private equity products, private credit, and other primary market product, a significant 40.2% year-on-year increase as a result of the above. Additionally, USD primary AUM and AUA also grew 14.9% and 5.5% year-on-year, respectively.

We also launched a new overseas insurance and comprehensive services arm, Glory Family Heritage, which is primarily focused on building global insurance, trust, and identity planning products and capabilities. Glory has also begun establishing a new commission-only agency team and has made notable progress. 20 agents are already on-boarded, with each one already starting to make contributions.

On the international online wealth management front, we established a dedicated team focused on serving clients through online channels. With the rollout of the iARK APP in different countries and regions, including Singapore most recently, we are providing services to local Mandarin-speaking clients, institutions, as well as IFAs, RIAs and EAMs and have already made notable progress. I'll go into more detail on their operational performance during the quarter later.

Domestically, while the investment and regulatory environment is becoming increasingly challenging, demand for RMB asset allocation from high-net-worth clients remains strong. We are confident that this industry will continue to generate growth opportunities for us. Our core strategy is “client-centric, survival is the bottom line”. So “client-centric” in this sense means prioritizing the protection of client assets and allocating them to achieve long-term returns, which is central to all our efforts.

“Survival is the bottom line” emphasizes our commitment to absolute compliance, managing our team and operations conservatively, even stricter than regulatory requirements. “Long-term sustainability” is our fundamental goal as we continue to refine our domestic operations.

Turning to our financials for the quarter, total revenues were RMB 621 million, a decrease of 34.3% year-on-year and 5.1% sequentially, primarily due to our strategic decision to reduce the distribution of various products domestically.

Starting this quarter, we have broken down revenue by business unit, or BUs, to more accurately reflect the progress we are making in each area. Going forward, I will use these BUs as the primary framework for updating investors on the performance and operations of each business unit. Following my remarks, our CFO Mr. Pan will provide an analysis of our overall financial performance.

Firstly, we rolled out initiatives to align domestic business with our adjusted strategic direction. These initiatives include a persistent focus on investor education, selecting products that can safeguard client interests in the long term, effectively reducing costs, and ensuring compliance to drive healthy growth.

In the public securities segment, the primary products offered are mutual funds and private secondary products, which are distributed through Noah Upright. This segment generated RMB 118 million in revenue during the second quarter, a decrease of 20.8% year-on-year. By the end of the first half of the year, Noah Upright had over 10,600 clients with assets over RMB 1 million.

Thanks to the outstanding performance of the carefully-selected fund managers, we generated over RMB 4 billion in profits for our clients during the first half, with 86% of clients achieving overall positive investment returns.

In domestic public markets, we advise clients to invest in QDII and QDLP products denominated in RMB to generate beta returns from global markets. During the first half of 2024, our QD products generated transaction value of RMB 3.1 billion, with AUM totaling RMB 3.8 billion. The percentage of clients who achieved overall positive investment returns was 82.7% .

In the domestic asset management segment, our key products include RMB-denominated private equity funds and RMB private secondary products managed by Gopher Asset Management. This segment generated total revenue of RMB 198 million in the second quarter, a decrease of 5.4% year-on-year.

In the primary market, our investment team has been actively expanding exit strategies. We strengthened the daily supervision and management of our portfolio funds and projects, exploring diverse exits and enhancing dividends of underlying assets to improve DPI. Additionally, the investment team is proactively broadening buyer's market, pursuing exit opportunities through asset acquisition or secondary fund transactions, successfully generating approximately RMB 4 billion in primary market exits during the first half of the year.

In the secondary market, private secondary products managed by Gopher primarily focus on deploying RMB to invest in onshore cross-border ETFs, aiming to capture beta returns from the global markets.

In the insurance brokerage segment, total revenue during the quarter was RMB 12 million, a 93.1% year-on-year decrease, which was primarily due to concerns over the underlying asset quality of insurance firms, which resulted in us temporarily suspending the distribution of domestic insurance products in the first half, while we conducted thorough due diligence on these existing insurance products and underlying assets. During this period, we repositioned the strategic focus of our insurance business, identifying “medical and retirement caring insurance” as key products to drive our efforts forward.

We have clearly defined the strategic direction of our business domestically, launched insurance products centered on retirement and global healthcare solutions. We are confident in this new positioning, as these products align well with the needs of Noah's clients, entrepreneurs and business leaders born in the age of 1950, 60s, and 70s era, who are seeking retirement, healthcare, and elderly care resources for themselves and their aging parents.

Internationally, our strategic direction is squarely focused on “expanding the global market”. Key initiatives include enhancing our product matrix, improving operational efficiency, and serving both Mandarin-speaking clients and business already overseas and those preparing to move abroad. Successfully serving our existing clients while driving new client acquisition growth is crucial to our success.

In our overseas wealth management business, we launched two new brands, ARK Wealth Management for offline services and iARK for online services.

Our offline international wealth management operations focus on Hong Kong, Singapore, and the U.S., where we serve existing clients and expand our business by targeting Mandarin-speaking clients.

We continue to expand our overseas RM team and enhance our professional service capabilities to strengthen local client acquisition capabilities and capture a larger share of their wallets. As of the second quarter of 2024, Noah had 113 relationship managers in Hong Kong and Singapore, an increase of 101.8% year-on-year and 24.2% sequentially. Overseas AUA, including distributed products, reaching USD 8.5 billion, a 7.4% year-on-year increase.

For overseas new market expansion, we expect to complete the establishment of our branch offices in Japan and Dubai by the end of the year. We are also actively expanding our footprint in the U.S. With our U.S. product center, our service now in the U.S. encompass actively-managed VC funds, rental apartment funds, funds of funds, and external partner products, also comprehensive services like insurance and family trusts. Establishment of our wealth management business in the U.S. are also well underway, and we anticipate completing the groundwork within this year.

By the end of the second quarter, the number of overseas registered clients exceeded 16,700, an increase of 23% year-on-year. The number of clients who purchased our cash management products reached 5,047, a remarkable increase of 101.2% year-on-year, while the number of discretionary investment clients reached 959, an increase of 103.6% year-on-year.

Our online international wealth management business, which includes money market mutual funds and securities trading, generated total revenue of RMB 7 million during the quarter, an increase of 221.9% year-on-year. We have already successfully launched the iARK app in Singapore, and will continue to implement the same in other regions. As our online products expand, our client base is also growing, allowing us to provide tailored solutions for both individual and institutional clients.

In the second quarter, the number of overseas active high-net-worth clients reached 3,244, an increase of 62.8% year-on-year. Total transaction value during the same period reached USD 1.1 billion, up 40.4% year-on-year. The number of active clients for USD mutual funds reached 2,822, an increase of 108.1% year-on-year, with the transaction value of USD 484 million, up 80.5% year-on-year.

In terms of overseas transaction value for corporate and institutional clients reached USD 70 million in the second quarter, an increase of 84.8% year-on-year, while the U.S. AUA reached USD 185 million, a year-on-year increase of 46%.

Our online international wealth management business began trial operations for agency clients in late 2023, empowering EAM and family office clients with a SaaS platform integrated with our full suite of products. To date, we have signed more than 20 agency clients.

On the international asset management front, our key offerings include actively-managed and externally-managed alternative investment products as well as non-money market mutual funds products.

During the second quarter, transaction value for USD private equity products reached USD 152 million, a significant increase of 46.2% year-on-year. Transaction value of USD private secondary products, including hedge funds and structured products, reached USD 401 million, an increase of 23.4% year-on-year.

At the end of the second quarter, AUM for overseas products reached USD 5.4 billion, a 14% year-on-year increase and accounting for 25% of the total AUM, compared with 21.8% during the same period last year. AUM for overseas private equity and other primary market funds reached USD 4.1 billion, a 14.9% year-on-year increase.

Our goal is to increase USD AUA, including externally-managed products, from the current USD 8 billion to over USD 20 billion within the next 3 to 5 years.

In the insurance products segment, we provide comprehensive solutions, including global insurance products, to clients through our Glory brand. This segment generated total revenue of RMB 101 million in the second quarter, a decrease of 52.6% year-on-year, primarily due to the intensified competition in the Hong Kong market, increasing product homogeneity, and the prevalence of malicious market competition for commission rebates.

To address these challenges, we strengthened our customized product services for key clients, and partnered with leading insurance companies to develop exclusive and customized products. We also launched comprehensive businesses and individual solutions, such as VIP insurance for major clients, and continue to build a diverse product portfolio in Singapore, the U.S. and Bermuda, providing clients with globally-tailored insurance solutions. These efforts have enhanced our competitive edge through differentiated products and professional services.

Additionally, we are encouraged by the Hong Kong insurance regulatory authority's efforts to strengthen the management and penalties for malicious competition, such as excessive commission rebates. In the long run, we believe customers will benefit from a healthier competitive environment in the industry. By utilizing regulated institutions like Noah for integrated wealth management and insurance solutions, clients can expect lower costs and better service.

In summary, while we anticipate a slowdown in the performance of our business overall in the next few quarters due to external challenges and our internal transformation, we view this as a necessary phase in our growth trajectory. We have clearly defined our strategy of refining the domestic market and expanding the international market, and we remain confident in the wealth management opportunities available for global high-net-worth Mandarin-speaking clients.

The separation of our domestic and international businesses enhances our ability to serve clients and ensures better compliance. We believe that wealth management segment is a long-term endeavor, and the initiatives we have implemented will deliver long-term value to our clients, shareholders, and management team.

Given the management team and Board of Directors' confidence in the expansive opportunities in the wealth management industry for global Mandarin-speaking clients, we are rewarding long-term shareholders who have supported Noah's development during this transition phase through enhanced shareholder return initiatives. Leveraging our healthy balance sheet, the Board has authorized a USD 50 million share repurchase program.

This share repurchase plan does not form a part of our corporate actions budget under our new capital management and shareholder return policy. We believe that our stock is deeply undervalued and this share repurchase program will effectively enhance our ROE and capital allocation efficiency, while also reflecting our unwavering commitment to prioritizing shareholder interests and delivering sustained returns.

I would now like to turn the call over to Grant to go over financial results in more detail, as well as the details of the repurchase program. Thank you, everyone.

Grant Pan: Thanks, Melo, and thank you, Zander, and greetings to everyone joining us today. During the first half of 2024, our total net revenues were RMB 1.3 billion, a decrease of 27.5%

year-over-year. The short-term pressure on the performance is mainly due to the challenges brought about with the transformation, as just described by our CEO Zander. As he noted, we're undergoing a profound transformation on the RM service model, and are actively adjusting the business directions of several business units. This decision-making process has been thoughtful, but it has taken some time to ensure that we're making strategic choices that align with our long-term vision and client interests.

While the path forward is clear now, it also takes some time to optimize the processes involved and ensure that they could smoothly integrate it into our sales and service activities. In the short term, the integration of the new sales processes are indeed more intricate and time-consuming. It's crucial for our sales team to have the time needed to adapt to these changes and their new roles. This transition, however, will lead to greater success in terms of serving the client's interests, but with a temporary dip in sales efficiency and short-term pressure.

Now let's get into the details of financials. Starting this quarter, we have included additional disclosures of revenues by product category and global metrics in the supplemental information section of our release. This enhanced disclosure will provide a more precise picture of our strategic direction, enabling investors to track our business development efforts on a global basis, assess the development stages and financial contributions of our various businesses, and see how they align with our resource allocation.

The encouraging sign that our U.S. dollar investment products performed well, generating stronger transaction values and increasingly contributing to revenues. As the fed's higher-for-longer interest rate lasted, the demand for U.S. dollar cash management products remained strong in the first half of the year, with revenues increasing 278.6% year-over-year. And the revenue growth in U.S. dollar alternative investment products were also impressive.

On a comparable basis, excluding the impact of one-off performance-based income, the revenue contribution of U.S. dollar alternative investment products increased by 9.3% year-over-year to RMB 245 million during the first half. In addition, their share of total one-time commissions and recurring service fees increased from 14.9% to 21%. However, revenue from global insurance products slowed down due to the higher competitive market environment.

Continuing on the positive side, our overseas total net revenues in the first half reached RMB 585 million, accounting for 46% of the total net revenues, up from 41% during the same period last year.

For our domestic business, the revenue decline was significant, mainly attributed to the strategic realignment of our business focus. In line with our CIO house view, we have slowed down the distribution of domestic investment insurance products and also RMB PE products. The focus of RMB secondary products has been shifted towards QDII and QDLP offerings for our clients to capture growth opportunities elsewhere in the globe, especially in a stronger U.S. equity market.

On a quarterly basis, our total net revenues were RMB 616 million during the second quarter, a decrease of 34.6% year-over-year and 5.2% sequentially. By revenue type, one-time commissions fell 26.9% sequentially to RMB 136 million, mainly due to reduced insurance product distribution. Recurring service fees dipped slightly 2.9% sequentially to RMB 404 million, primarily influenced by decrease in onshore AUM.

Performance-based income saw a robust 95% sequential increase to RMB 28 million, driven by exits from private equity investments. Notably, Series one PE RMB Secondary Fund, managed by Gopher, generated carry income of RMB 12 million, reflecting our continuing efforts in exiting domestic PE products and thereby delivering substantial returns to our clients.

In terms of transaction values, we distributed 33.3 billion products during the first half of the year, down 5% year-over-year, reflecting a continuous shift towards USD products. Specifically, RMB transaction values fell 30% year-over-year to RMB 17 billion, where transaction value of U.S. dollars increased by 45.6% USD to 2.3 billion. The proportion of U.S. dollar products in our total transaction value has increased significantly therefore from 31% last year to 49% this year.

This quarter, we also observed the clear trend that our clients are increasingly interested in a wider array of U.S. dollar investment products, moving beyond just cash management solutions, in particular, our long-term alternative U.S. dollar investment products, including private equity, private security, and private credit products have seen a notable increase in demand, raising US$463 million in the first half, a substantial 39% increase year-over-year. These products are set to deliver a consistent flow of recurring service fees for us in the longer term.

Our AUM and AUA remain stable overall with a decline in the RMB AUM and AUA due to ongoing exits, while the U.S. dollar AUM and AUA picked up its growth. At the end of second quarter, our U.S. dollar AUM grew significantly by 14% year-over-year and 4.4% sequentially. The U.S. dollar AUA grew by 7.4% year-over-year and 2.5% sequentially, reflecting our ability to capture a larger share of clients' U.S. dollar wallets.

Moving on to the income statement, operating costs and expenses fell by 18.7% year-over-year during the quarter and almost 10% year-over-year during the first half of 2024, reflecting continuing efforts of controlling costs.

Compensation and benefits decreased significantly by over 20% both year-over-year and sequentially. As mentioned last quarter, we're continuing to consolidate our network centers in smaller cities and further improve human capital efficiency by reducing overhead costs. While the financial benefits of these optimizations might not be immediately fully apparent, we're now starting to see the cost savings in our latest financials.

Selling expenses, general and administrative expenses fell sharply by 19% year-over-year and increased 6.3% sequentially. The slight sequential increase was primarily driven by technology-related costs.

Operating profits for the quarter increased by 10.3% sequentially to RMB 134 million. The operating margin expanded by 3.1% to 21.8%. For the first half of this year, operating profit was RMB 256 million, and operating margin was 20.2%.

Total other income increased to RMB 62 million during the quarter and RMB 117 million during the first half of the year due to continued optimization of treasury management.

Non-GAAP net income was RMB 106 million for the quarter and RMB 267 million for the first half of the year.

In terms of clients, as of the end of the second quarter, we had a stable total of 9,495 Diamond and Black Card clients. Specifically, the number of Diamond Card clients was 7,209, while the number of Black Card clients was 2,286.

As our global business accelerates, our overseas clients base is obviously experiencing robust growth, with overseas registered clients now exceeding 16,000, up 23.0% year-over-year.

The total number of overseas diamond and black card clients, which require minimum investments with US$2 million and US$5 million respectively, continued to grow this quarter, exceeding 1,500. Overseas active clients reached 3,244, increasing 62.8% year-over-year and 18.2% sequentially.

Turning to the balance sheet, we have maintained a healthy liquidity position and very strong cash reserves with our current ratio of 3.0x and debt-to-asset ratio of 22%, with zero interest-bearing debt. We have RMB 4.6 billion cash after the distribution of RMB 1 billion dividends, providing ample resources to support our global expansion plans and allocate further to shareholder returns, which remains a priority for the Board.

As you know, in August, we paid out the annual dividend and special dividend for 2023, totaling RMB 1 billion, an equivalent to 100% of our annual non-GAAP net income last year. Based on the share price before the ex-dividend date, the total dividend yield reached and exceeded 20%. This reflects our strong liquidity position and confidence in long-term growth prospects.

While China's wealth management industry is facing a challenging time and is undergoing a transition mode, we remain very confident of Noah's unique advantage, benefiting from our deep understanding of high-net-worth individuals' demands and capabilities to deliver products and services to the still-growing client base. We're one of the few independent firms that still have access to years of investor education, access to the largest group of qualified individual investors who are still seeking professional services.

As we believe that our stock is deeply undervalued, which doesn't reflect the growth prospects, robust balance sheet and cash reserve or our special bonds to this client group all over the world, so I'm very pleased to report that our Board has approved the share repurchase program on top of the already-existing capital policy, which will allow the company to buy back up to US$50 million of its ADS effective immediately.

It's worth noting that this program is separate from the corporate action budget for 2024 under the new shareholder return policy announced last year November. The specifics of 2024 budget will be determined later on.

We're very excited about the prospects ahead and believe our value will be fairly reflected by the market. We value the long-term and new shareholders, and are committed to continue to share our successes with them through more proactive capital allocation policies in the future.

In conclusion, 2024 is a year of significant transformation for Noah. Our performance this quarter clearly reflects the progress we are making and, at the same time, the pressure we're facing. We recognize this transformation will take time, but are confident that these adjustments will lay a solid foundation for future growth.

Once again, thank you all for your trust and support. I'll now open the floor for questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Peter Zhang with JPMorgan.

Peter Zhang: (Speaking foreign language). Let me do translation. I have two questions. The first question is I wish to understand what's a driver behind the 50 million loss from equity affiliates recorded in our second quarter result?

My second question is management mentioned that overseas AUA will increase from US$8 billion in this quarter to US$20 billion in next 3 to 5 years. But in the meantime, we also expect our business to remain relative slow in next few quarters due to the external and internal environment. I wish to understand how long management expects this transition period will be? And in medium to longer term, what will be the driver of this kind, the strong increase in this overseas AUA? How Noah will achieve the growth?

Grant Pan: Thank you, Peter. I will answer your first question. The decrease on equity in affiliates is more or less related to -- as the general partner of many, many funds of funds, Gopher actually has co-investments in these funds. And sometimes when the valuation of the underlying funds adjusted down, it will be reflected proportionately onto our balance sheet as equity pickup. So this quarter reflects that equity pickup and some of the underperformance of the underlying funds.

Then on the second question -- and obviously we have very high confidence in terms of the ample growth, the depth actually, the market of high-net-worth individuals in the future, and especially, how we'll be able to maintain the growth on both the quality of service, as well as the accumulation of AUM and AUA, especially on the U.S. dollar side.

Zander Yin: (Speaking foreign language).

Melo Xi: Thank you, Zander.

Zander Yin: (Speaking foreign language).

(Translated).

Melo Xi: Thank you, Zander and thank you, Peter, for your question. So regarding the second question, first of all, I guess the near-term challenges, a few aspects that were previously mentioned during the call as well, that causing the near-term financial performance slowdown. First of all is, on the domestic market, driven from our -- I guess fundamental is to protect our clients' assets. So we'd rather lose a client than losing our clients' assets. So we basically -- during the first half of the year, we suspended the distribution of domestic insurance products due to aforementioned reasonings.

And secondly, in the overseas market, as mentioned before, the competition for Hong Kong insurance markets has become quite competitive. But we're glad to see that the regulatory authorities have implemented various adjustments to limit the malicious competition aspect.

And also, internally, we're also implementing the transformation of our sales functions. So the sales personnel are being adjusted, or have been adjusted, into the different independent business units. So the sales network, or the sales model, has been significantly changed. So these are the near-term challenges.

Looking forward to the future, first of all, in terms of domestic insurance, the strategic direction has been very clear now. We are positioning ourselves to our clients' healthcare, as well as retirement, wellness position products. And we have already started the marketing process, and we see very high interest among our clients.

So basically, we take a lot of our clients to these offline senior care facilities, and we are seeing that the transition or the clients' subscription rate is about 10%. So we expect this business to slowly pick up starting from the third quarter, and we think that the product is well suited for our clientele.

In terms of overseas, we have very high client stickiness and we understand our clients' demands. A lot of our clients are going outbound for their businesses, as well as their investment allocation needs. And also, in the overseas market, there are a lot of local Mandarin-speaking high-net-worth clients as potential clients for Noah who are underserved in their asset allocation demand and need. So we have done some early-stage attempts, including acquiring new clients and servicing clients online, acquiring clients offline. And we realized that this is a very, I guess, a blue ocean market for us to further capture.

In terms of the product competitiveness, as mentioned, we established our U.S. product center. In the overseas market, our strategy is to increase our product competitiveness, and also expand the coverage of global top-tier GPs, including VCs, PEs, hedge fund managers, and so forth.

(Speaking foreign language).

Jingbo Wang: (Speaking foreign language).

Melo Xi: Thank you, Chairlady.

Jingbo Wang: You're welcome.

Melo Xi: So overall, we are very confident in our overseas business growth or global business growth. Aside from the local overseas -- local Mandarin-speaking clients and their high demand for wealth management services, especially from Chinese background wealth managers like us. On the supply of product side, we're also seeing that basically, all of the top-tier global GPs are putting more resources in their private wealth channel; whereas before, their fundraising efforts were mainly driven by institutional LPs.

But before, I guess the private wealth channel only account for less than 10% of their overall new fundraising amount, but they're aiming to increase this percentage to over 30%. So I guess Noah, due to our product specialty, we are known as an alternative wealth asset manager and wealth manager. So comparing with a lot of global private banks or competitors who are less familiar with private equity, venture capital, and just alternative products overall, we do have an edge when we're comparing to those local peers.

Operator, turning back to you.

Operator: Thank you. (Operator Instructions). And this will conclude our conference call, as well as our question-and-answer session. I wanted to thank everyone for your participation today. And you may now disconnect.