Noah Holdings Limited [Noah]
Q1 2022 Results Conference Call
May 11, 2022, 8:00 PM ET.

Company Representatives
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Qing Pan, Chief Financial Officer

Analysts
Ethan Wang, CLSA
Emma Xu, Bank of America
Yoyo Fan, CICC
Peter Zhang, JPMorgan

Presentation

Operator: Hello, and welcome to the Noah Holdings 1Q 2022 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Jingbo Wang, Chief Executive Officer. Please go ahead.

Jingbo Wang: Okay. Thank you.

(Translated). On the agenda of today's teleconference, I'd like to talk about the macro view first, and then report on the overall performance of Noah Holdings in the first quarter of 2022 and the development of main business segments. Then let's invite Our CFO Mr. Qing Pan to introduce the quarterly financial information, followed by an interactive Q & A.

At the beginning of 2022, Noah and Noah's clients switched on a risk-off mode; Noah's clients, relationship managers and investment managers may have never experienced a complete multi-factor superposition cycle of continuous hikes in interest rates, credit expansion aka quantitative easing, liquidity collapse and massive excess credit. At the beginning of 2022, we realized that in the strong headwind, aviation will be a challenge. In the first quarter of 2022, we talked with relationship managers and clients repeatedly and emphasized that "no one was trampled when entering the theater, but many people were trampled when they came out".

In the first quarter of 2022, we suggest Noah's clients to re-examine the asset allocation of themselves and their families, actively rebalance the asset allocation, and make the family asset allocation safer and more effective from the perspective of "protection before growth".

The ongoing war between Russia and Ukraine is worrying, but as a professional institution of wealth management, we suggest that our clients should remain rational. Under this dilemma, the only certainty is that the market will continue to fluctuate. This market environment is not suitable for "timid" fund managers and clients. Avoiding risks has become a better choice. At the beginning of the new year, Noah's strategic allocation strategy to clients is "protect first, then grow".

Since the subprime mortgage crisis in 2008, the global long-term quantitative easing policy and abundant liquidity have caused the "huge inflation" of risky assets (asset inflation has penetrated into every corner of the world). The reversal of quantitative easing policy has come, and the Federal Reserve and other countries have started multiple interest rate increase cycles. For asset prices, the shift from quantitative easing to quantitative tightening will be a challenging adjustment, and the rapid withdrawal of liquidity will turn asset inflation into asset deflation.

In 2021, many industries in China were subject to stricter supervision and frequent policy changes, which led to fundamental changes in the valuation logic of these industries, and the market feels colder than the actual economic data. Our view is to delay questioning and judgment on China's economy. Quick judgment is a simple and partial cognition based on intuition, while delayed judgment corresponds to complex cognition. The problem of China's economy is obviously a complex problem. Delayed judgment may be a wiser way.

On the whole, the direction of China is from paying attention to efficiency to paying attention to fairness; to encourage scientific and technological entrepreneurship, ensure the safety and controllability of key technologies, promote China's high-quality economic development in the future, encourage social funds to enter more early science and technology funds, so as to solve the problem of "being seized by the throat and independent innovation". From the perspective of investor asset allocation, allocating a certain portion of their capital to early science and technology funds is an inevitable choice to combat "monetary easing" and "inflation".

In the first quarter of 2022, the theme word of asset allocation given by Noah CIO office is "protection over growth". On the strategy implementation path, we suggest Noah's core clients start from the following four aspects: first, check the asset allocation of themselves and their families, and pay attention to asset protection and asset segregation. Secondly, for the domestic public securities market, we recommend allocation to multi-strategy return funds, mainly from the perspective of protecting assets, reducing volatility and pursuing dividends. Finally, private equity investment fund is the main asset category to cross cycle and maintain growth for HNW clients. We suggest strategic allocation to science and technology and pay more attention to early industry funds, white horse funds which have experiences to ride through cycles, and special opportunity funds. From the perspective of long-term asset growth, such assets fight against the inevitable long-term monetary easing and inflation by sacrificing liquidity.

I would like to emphasize that Noah and Gopher Asset Management's genes are private banks, and our clients are HNW individual clients. Therefore, our starting point is to understand "client needs" and take protecting the safety and profitability of clients' family assets as the starting point. The transformation from "product-driven" to "client-centric" has a far-reaching impact on Noah's strategic choice and management model.

Finance is a cyclical industry. In every financial crisis, large financial companies close down, and their clients' assets shrink significantly. As the operator of Noah, when we make some key fundamental decisions, the first criterion is to "survive" and not make fatal mistakes. It is impossible to not make mistakes in investment and asset allocation, but we should reserve time and space for us to correct and tolerate them.

In the first quarter of 2022, facing the extremely complex macro environment, Noah adopted five core business strategies: first, completely reduce costs; second, utilise multi-dimensional services and reach old clients as the main task, as well as set up goals to recover lost clients and increase the wallet share of existing clients; third, make every effort to develop new products to meet the "protective" needs of clients and their post-pandemic needs; fourth, maintain high productivity; Fifth, during the epidemic prevention and lockdown period, build good interpersonal relationships among clients, employees, suppliers, governments and medical institutions.

In the first quarter, our operating costs fell sharply, down 33% year-on-year and 57% quarter-on-quarter; the operating margin reached 39.4%, down 1.6% year-on-year and a significant increase of 29% quarter-on-quarter. In 2022, the Company's goal is the same as Noah's asset allocation strategy for clients and their families, which is protection over growth, client-centric and survival as the bottom line.

In this quarter, the non-GAAP net income attributable to shareholders was RMB 310 million, down 32% year-on-year and up 8% quarter-on-quarter, reaching 22% of the annual guidance. In the first quarter of 2022, Noah achieved a net revenue of RMB 796 million, down 35% year-on-year and down 37% quarter-on-quarter.

The total transaction value of the quarter was RMB15 billion, down 45% year-on-year and 29% quarter-on-quarter. Among them, it is worth mentioning that the private secondary funds in the standardized products decreased by 69% year-on-year and 40% quarter-on-quarter, mainly due to our initiative to reduce the launch of such products amid market volatilities; the transaction value of private secondary products was RMB4 billion, mainly consisted of CTA strategy and reverse strategy. The transaction value of mutual funds was RMB7.1 billion, mainly monetary funds and interbank certificate of deposit funds; for our mutual fund to B business, we now offer more than 10,000 funds, providing clients with a wider range of product choices. Smile Treasury now serves more than 200 institutional clients in automobile, manufacturing, science and technology as well as other industries. The transaction value of private equity funds was 3.2 billion renminbi, down 33% year-on-year and up 5% quarter-on-quarter.

In terms of international business, we adopted the same strategy to significantly reduce the product launch and allocation in the secondary market, focusing on the "protective" strategy and early primary market funds. The net income of the overseas sector was 190 million renminbi, down 44% year-on-year and 2.3% quarter-on-quarter, accounting for 24% of the group's total revenues; The overseas transaction value reached RMB2.4 billion, a year-on-year decrease of 35% and a quarter-on-quarter increase of 3%, accounting for 16% of the total transaction value of the group; the overseas AUM was 29.1 billion, with a year-on-year increase of 12% and a quarter-on-quarter increase of 3%, accounting for 18% of the group's total AUM.

I would like to emphasize again that the decline in the transaction value and AUA of public securities in the secondary market in the first quarter of 2022 is a market behavior of Noah to protect client assets and actively adjust product launch; in the fourth quarter of 2021 and the first quarter of 2022, Noah's core view is to reduce the secondary market product allocation and launch, increase the allocation of "protective" assets, and support the health inspection of client's family asset portfolios. The strategic asset allocation strategy is "protection before growth". Due to the impact of the new short-term regulatory policies, the transaction value of protective assets in the first quarter was 700 million, down 17% year-on-year and 40% quarter-on-quarter. We believe that the allocation scale of these assets will be improved in the second quarter.

In the first quarter of 2022, Noah continued to adhere to the strategy of promoting the stratified management of clients, and the number of core clients, diamond and black card, continued to grow to nearly 8,300, a record high. The number of black card and diamond card clients increased by 31% and 7.3% year-on-year respectively, together representing a 12% growth year-on-year. In 2022, client growth is still one of our most important strategic investment and growth goals. At the same time, we have also established the project goal to recover lost clients and reactivate dormant clients, identify clients' core demands and solve their pain points; at the headquarters level, focus on the conversion of those clients from the standardization transformation, and take multi strategy funds as a stabiliser to meet clients' demand of conservative assets.

The net income of the asset management segment in the first quarter of 2022 was RMB200 million, down 26% year-on-year and a down 27% quarter-on-quarter; Among them, one-time commission and performance-based income both decreased while recurring service fees increased by 7.5% year-on-year, reflecting the ability of long-term assets to bring sustainable income. Gopher's AUM increased slightly to RMB156.1 billion compared with the end of last year, of which private equity increased slightly to RMB132.7 billion compared with the end of last year; The AUM of public securities slightly reduced to RMB10.4 billion. The asset structure is healthy and in line with expectations.

In the first quarter, in view of the sharp price falls of Chinese ADRs, the war between Russia and Ukraine, Chinese domestic macro-economy and the prevention and lockdown of the epidemic in Shanghai, Gopher conducted a cash flow survey and net value revaluation of all primary market funds and its direct investment projects, adopted a more cautious and conservative investment strategy, and strengthened exit management. Gopher's domestic early-stage industry fund of funds, special opportunity secondary funds, and Gopher US team's direct-managed American Silicon Valley data funds and American rental apartment real estate funds have performed well on the whole, creating value for clients when market is volatile.

For public securities, by the end of the first quarter, gopher's standardized products have also delivered robust investment performance. Among them, the annual return of gopher Megatrend manager of managers fund was 10.7%, exceeding the benchmark return rate by 9.7% in the same period; the annual return of top 30 funds was 11.1%, exceeding the benchmark yield by 4.5% in the same period. It is worth mentioning that all three types of funds of Gopher's stabilizer Target Strategy, active, balanced and stable, continued to outperform the relevant indexes amid market fluctuations in the first quarter. Since its establishment, the cumulative returns have been - 2.1%, - 1.6% and - 0.7% respectively, and the pullback is far less than that of the CSI 300 and CSI 800 indexes in the same period, effectively controlling fluctuations and pullbacks.

Noah is headquartered in Shanghai. From the beginning of March, Shanghai has entered a stage from a network lockdown to a complete lockdown. From the start of the lockdown, Noah has established several epidemic crisis management project teams. The group management team is responsible for the overall management during the epidemic, decision-making on key matters, real-time adjustment of strategies in response to the development of the epidemic. The epidemic situation assessment team will conduct real-time assessment of the epidemic situation development in various regions and provide insight input for the company's decision-making. The epidemic communications team is in the charge of HR and organizational development department to ensure that the latest policies of the company are conveyed to Noah's management team above level 18 in a transparent and timely manner. The epidemic emergency response team formulate corresponding policies according to the external ecology such as employees and clients, government and public welfare, and in combination with the development degree of the epidemic in various regions, so as to minimize the impact of the epidemic on the Company. The post epidemic recovery team is composed of asset management, wealth management and Noah international intelligence, CIO office, marketing team and front-line Noah Triangle teams, to work together to adjust the marketing strategy in real time according to the development of the epidemic, identify opportunities of clients' new needs, and make full preparations for the growth after the epidemic.

In the past 40 days, Noah has delivered more than 500 trips of groceries and medicines to employees in Shanghai, provided medical treatment and support to infected employees, and delivered more than 1200 trips of supplies to core clients and aged clients in Shanghai. At the same time, Noah has coordinated resources to meet clients' medical needs, and linked gopher's underlying portfolio companies to deliver various groceries and medicines to help clients, employees and suppliers go through this difficult period. In this process, Noah also provided psychological counseling courses for employees and clients, purchased various medical materials, and donated them in batches to Shanghai Health Commission, hospitals, police stations, quarantine centers, community front-line and other places. There are more than 20 Noah employees who have been stationing in the office in order to ensure the continuity of the Company's business and have not returned home so far.

Noah's intentions, care for clients, employees and suppliers, and sense of responsibility for society have been widely praised. With professionalism and empathy, Noah is devoted to accompany clients from generation to generation.

Before 2019, leading products are one of Noah's core competitiveness. From the second half of 2019, Noah has implemented a comprehensive transformation from "product driven" to "client-centric and survival as the bottom line". We firmly believe that only by sincerely taking clients as the center, keeping interests in line with clients' and establishing the organizational capacity of "client-centricity", can we avoid being "scale-centered", "commission-centered" and "self-centered".

Noah has been engaged in the wealth management industry for nearly 18 years and has experienced many economic cycles. We deeply realize that wealth management requires strong ability to link with clients in addition to asset allocation capacity. In the past, the employees in China's wealth management industry were not all professional and the industry standards were unclear. Some places were full of specious statements and fallacies that misled clients, and some practitioners themselves could not even understand it. Therefore, as practitioners of wealth management, we must have the highest professional ethics, regard the pursuit of true knowledge and wisdom as our moral responsibility, and consciously put an end to all the decisions that are determined by positions. We should really establish the awareness of trustee's responsibility, treat every penny given to us by clients as our parents' life savings. Only then can we understand the trustee's responsibility.

Although in the first quarter of 2022, we temporarily encountered various challenges and pressures in the macro environment, it is precisely in the face of a difficulty beyond the recognition of most people that Noah's deep link with our clients is further highlighted. The client activity of our online sharing has increased significantly, with the number of live viewers on the WeNoah app increasing by 98% year-on-year, and the number of viewers increasing by 210%. As small-scale video conferences with clients in key cities became widely popular, relationship managers have been able to obtain more and deeper client touch scenes than in the past. This is also the "warmth" embodiment of Noah brand. At the same time, relying on our healthy financial situation, we continue to make firm investment in client interface, brand image and marketing, in attracting excellent external talents, and practice investing in the future in difficult times.

Now let's invite Mr. Qing Pan, CFO of the group, to introduce detailed financial performance of the quarter.

Qing Pan: Thank you Chairlady, and hello dear investors and analysts. Like Chairlady Wang has mentioned, the first quarter of 2022 has been a difficult one amid lingering impacts of the COVID-19 pandemic, as well as uncertainties around the macro environment, policy changes and geopolitical conflicts. These factors were reflected in a challenging capital market environment, with MSCI Overseas China down 23%, Shanghai Securities Composite Index down 11%, as well as Nasdaq and S&P 500 down 9% and 5%, in the first quarter respectively. The emergence of negative volatility has started to pressure the equity market since the second half of last year, translating into softened investor sentiment, evidenced by a decline of 74% YoY and 57% QoQ in new issuances of mutual funds during the first quarter of 2022. Nevertheless, Noah has managed to weather through these challenges with a client centric mindset, continuing to enlarge our black card and diamond card client group, made noticeable progress in our client segmentation strategy, and achieved an 8% QoQ increase in non-GAAP net income with disciplined expense management.

Now please let me walk you through more detailed results of the first quarter.

As a result of the lackluster performance in equity markets in Q1, clients' investment sentiment softened. As a result, one-time commission income was down on the back of the decrease in transaction value from RMB 27 billion in 21Q1 to RMB 15 billion in 22Q1. Carry income, comparing to the 21Q1 record-setting quarter, was also down due to the weak performance of equity market. As a result, overall net revenues were RMB 796 million for the quarter, down 35% YoY and 37% QoQ. One-time commissions declined to RMB 102 million, due to lowered transaction value amid challenging market conditions. The distribution of onshore life insurance products also slowed down during the quarter as we made necessary adjustments according to Rule 108 published by the China Banking and Insurance Regulatory Commission in October 2021. Our team has managed to complete these adjustments in compliance with the new rule, and we have resumed the distribution of onshore life insurance products to our clients, of which the financial impacts will be reflected in Q2 results.

The stabilizing revenue stream – which is the recurring service fees remained stable at RMB 484 million, up 1.9% YoY, but still down 13.3% QoQ, mainly due to NAV adjustments made to public securities products. Performance based income was RMB 174 million, flat from the previous quarter.

Transaction value was RMB 15 billion for the quarter, down 45% YoY and 29% QoQ due to a shift to risk averse sentiments among investors when faced with growing macro, policy and geopolitical uncertainties. As a result, public securities products, including private secondary products and mutual fund products, decreased by 34% from the previous quarter. As a wealth management firm and trusted advisor to our clients, we believe that maintaining communications with our clients and guiding them through this challenging and volatile market is the utmost important task for us, and I'm glad to say that we have done an excellent job in that regard. With enlarging our core client group, including our black card and diamond card clients, continues to be the foremost strategic initiative this year, we are happy to see a 12% YoY growth in this client group. More specifically, black card clients and diamond card clients grew by 31% and 7%, respectively, from the previous year, thanks to the implementation of a more targeted client segmentation strategy and operation enhancements carried out in key cities and regions.

Through our Smile Treasury platform, we also made substantial progress in acquiring and engaging corporate and institutional clients. The number of active corporate and institutional clients increased by 33% from the previous quarter, and the mutual fund products that we allocate for corporate and institutional clients increased by 88% YoY. [Like Chairlady Wang has mentioned], we believe there's a large but under-served market for treasury management service needs among small and medium sized enterprises, and we will continue to explore this market segment with our SAAS solution platform, as well as leveraging our comprehensive line of product and well-established service network.

Income from operations was RMB 314 million during the quarter, up 137% QoQ but down 38% YoY, as profit level in Q1 2021 was largely benefited from a record-setting performance based income. Operating margin was 39%, an improvement from 11% from the previous quarter due to lower compensation costs as well as stringent management on various G&A expenses. Compensation related expenses were RMB 358 million, down 39% YoY and 51% QoQ, as relationship managers' commissions decreased on lowered transaction value. Investment income was RMB 25 million, as we recorded a gain from our principal investments in iCapital Network based on its fair value adjustments. Non-GAAP net income was RMB 313 million, down 32% YoY and up 8% QoQ.

As for our segmented results, net revenues from wealth management segment was RMB 578 million, down 39% YoY and 40% QoQ, due to a slow-down in transaction value during the quarter. Net revenues from asset management segment was RMB 201 million, down 26% YoY and 27% QoQ due to lower performance based income. Total AUM was RMB 156 billion, flat from the end of last year, as the increase in PE AUM was largely offset by NAV adjustments in public securities products and continued exits in real estate products.

Moving on to balance sheet, we remain in a healthy liquidity position as our current ratio stood at 2.6 times. The debt to asset ratio was 23% with no interest-bearing debt on our book. By the end of first quarter, we had RMB 3.9 billion in cash. Supported by a strong balance sheet, we are able to continue to provide high quality services to our clients during this challenging macro condition and lingering impacts from the COVID-19 pandemic

In light of the recent volatile environment, we published our first edition of Noah CIO House View report, outlining our global macro insights and recommendation for our clients to adopt a "Protection before Growth" strategy for 2022. With the more comprehensive and detailed solution strategy reports that followed through, our relationship managers are better equipped with investment solution recommendations, catered toward different market scenarios and client profiles when engaging with clients, truly shifting from a product-driven model, to a client centric and solution driven model. We look forward to pushing ahead our key strategic initiatives, and continuing our investments in research capabilities to differentiate our solution driven asset allocation services. We will continue to progress on enlarging our institutional client base with our treasury service platform, and we believe this will also provide synergetic opportunities for our individual wealth management services in the years to come.

Thank you everyone for listening, I will now open the floor for questions. Operator?

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Ethan Wang from CLSA.

Ethan Wang: I have 2 questions. The first is on the redemption of the asset management products. So we understand that in the first quarter, the whole industry is suffering from the product sales. But have we seen any sign of material redemption in the products, especially for different tiers of clients, is my first question.

And second question is on the fee level. Just want to check with management, when we see the pressures on the fund sales, have we seen the pressure from fee level when we negotiate with some management companies?

Qing Pan: Okay. I'll translate briefly what Chairlady has said, supplement some of my input. To your first question, Ethan -- and also thank you for asking about Shanghai; we're doing okay. And for your first question, I think it's actually a strategic reallocation between different strategies in terms of your question regarding whether or not there's large redemptions. Since last quarter, we have been pushing forward the protection-first kind of strategy for the client allocation strategy.

So we did not see a huge outflow or pure outflow, net outflow, if you will, from one fund, but rather, a reallocation probably between long-only sort of the funds that shooting for alpha in the market, but to a more balanced type of products like the CPA and mutual strategy especially the multi-strategy kind of products. So we'll see some rebalancing between different strategies.

In terms of the fee pressure from the fund providers or fund managers, it really depends on, I guess, the performance of their funds. When they do see a large group of unhappy clients, they probably will experience some pressure on the fee-wise. But in terms of the suppliers that we work with, we have not seen too much of a downward pressure in terms of the fee ratios on these funds.

And we had actually started preparation for the shifting strategy of fund supplying, if you will, probably a couple of years ago moving to more balanced portfolio, especially like the multi-strategy kind of products; and also started exiting from some of the funds, especially the long-only funds. And that is probably part of the reason that we achieved a pretty high level of carry income in 2021.

But in terms of fee pressure, especially how we negotiate with our fund suppliers, we haven't seen too much of a change unless the fund is really performing really poorly.

Ethan?

Ethan Wang: Thank you.

Operator: Thank you. Emma Liu from Bank of America Securities.

Emma Liu: So I will briefly translate my questions. I have 2 questions. The first one is about your insurance sales. You said in first quarter, your insurance sales were impacted by the regulation issued in October last year. But you already make some rectification and achieve recovery in the second quarter. So could you elaborate a little more how the regulation impacts your insurance business, and how are you able to achieve the recovery in the second quarter?

And the second question is about Covid impacts on your business because we see there are more Covid lockdowns in China since second quarter. So how will it impact your business? And you are still -- and you still want to achieve your full year net profit guidance. How are you planning to achieve this guidance given the very tough first quarter already?

Qing Pan: The impact on the new insurance regulation was basically -- there was a very abrupt cut-off on the compliance date, which is December 31, 2021, that the previous sale nationwide on the internet was not continuing to be allowed as of January 1, 2022. And you have to obtain the license in certain cities to be able to actually make that sale. And at that time, we were actually in the middle of the application for that permit, and we obtained the permit actually in the first quarter of 2022.

So basically, the abrupt cut-off on the rule and regulation sort of caused a pause on the sale, especially for the first couple of months in the first quarter. And once we have obtained that permission, we'll be able to do the sale starting from the second quarter. So the financial results will reflect on that. (Speaking foreign language).

(Translated). So Emma, basically a quick summary of what Chairlady has shared. Basically, I think couple of reasons. One is that Shanghai is obviously more impacted than other cities. So nationwide, we'll still be able to hold client conferences, although at a much smaller scale than in the past, but still be able to actually get in touch with clients. And as you would mention that under -- as you would imagine that under situations like this, the desire to connect with people actually becomes stronger. So the clients actually interact with us on a more frequent basis.

And two is, we probably stay more prepared than competitors, if you will, especially from the product distribution from the online-sharing sessions and especially, on the diversity of products as well as services, that we'll be able to provide with the clients under different situations that we have primary, secondary, as well as all kinds of comprehensive services, especially the capability of placing -- oversee our U.S. dollar products for our clients to actually provide them with more options.

So we believe obviously, will bring negative impact, I guess, on the market overall. But at the same time, it also heightened, I guess, the need on -- especially the anxiety on the uncertain macro situation. The client is actually more willing to listen to -- one is more options in terms of allocation of assets, and two is they were looking forward to have more safety cushions, if you will, on their assets. So I guess obviously, there is impact, but we also view that as the opportunity as we have a very strong balance sheet and also liquidity. This is the reason that we will continue to make investments in client interface-related as well as the city expansion in market share.

So in terms of the guidance, I think that's a very good question, but we're actually making our budget on the basis, giving out guidance, which is already in the midst of first quarter. We actually anticipated, I guess, a challenging first quarter. So through the guidance of how we achieve the [first] level, we did put down our first quarter as probably the most challenging quarter. But still I guess the situation was a little bit out of expectation. A couple of things. One is actually a citywide quarantine of Shanghai that was not forecasted. And two is really the process of the application for the insurance permit took a little bit longer than we expected.

So we are probably a little bit behind of what we originally planned for the first quarter's profit. But it's gaps small enough that we'll be able to catch up in the following quarters, Emma.

Emma, did that answer your question?

Emma Liu: Thank you.

Operator: Thank you. Yoyo Fan with CICC.

Yoyo Fan: I will translate my question, Yoyo Fan from CICC. It's still very exciting to see the stable growth our number of core clients. I have 2 questions here. The first question is regarding your fee business. Would management give us more introduction on the progress of fee business? Like how much contribution does it have on our mutual transaction value or revenue? And second, the (inaudible) from the decrease of the number of relationship managers, what's the reason behind that?

Qing Pan: Okay. Thank you, Yoyo, for the question, and thanks for the support, by the way, in terms of we're both quarantined in Shanghai. I hope everything is -- you and your family are doing okay.

In terms of the Smile Treasury, which is the institutional version of our mutual fund platform, we have actually started the campaign officially in the first quarter, and made obviously strategic initiatives and push for that. Reason being is that we're actually seeing a gap in that service, that majority of our clients, probably 60%, 70% of our clients, are entrepreneurs. And they have their own enterprises, which is they either lack experience to work with more market-oriented sort of treasury management or money market type of funds, or they actually didn't have enough research ability to actually navigate through the mutual fund market.

The reason being is that in the past, the treasury function pretty much served by the banks products. And as the banks products also shifting towards the NAV-based products, it actually lacked the [traction] in the past, and the treasurers are forced to actually to screen through thousands of sort of money market funds or mutual funds. And Noah is actually able to sort of transform the experience we have on a mutual fund researching capability, and also placing that with very conveniently-designed staff-based solution for these institutions.

So we actually used that as a strategic opportunity to actually expand this particular gap in terms of service in the market. As we understand, it's not much similar products in the market, and we were actually be able to actually make pretty good progress. We gained about 250 new clients in the very first quarter and seeing the latest data, this number is still accelerating.

In terms of revenue contribution, it probably going to take a while to shape up, as it will accelerate. But at the same time, the AUM obviously in treasury-light funds, doesn't contribute to a lot of revenue right away. But we're pretty confident to see that growth in the following few quarters.

[Yoyo], does that answer your first question?

Qing Pan: So first question, first point, is that we actually did shift from, I guess, immediately following the transformation in 2019. And obviously, the priority was to stabilize the team, so the strategy was to retain as much talent as we could. Then we started off -- once the transformation has been completed in 2021, we started off our transformation in terms of talent from talent retention only to talent upgrading. So the mild change in number of relationship managers is really the result of how we actually been screening the better RMs. And we're trying to hire a lot more advanced or, if you will, a lot more experienced and excellent relationship managers to the talent roster. So it's really upgrading in the talent perspective.

And second point is also we -- actually, it's interesting that we're seeing quite a bit of [repatriating] clients, if you will, that during the so-called now standard type of product era, some clients may probably go to another institution and at the same time, brings with them the professional that serves with them. So now we're seeing quite a bit of repayment funds because after all the transformation, as well as the market condition, they continue to realize that Noah has been very transparent, at the same time, being pretty professional about our product selection and also product recommendation. So with the repatriation of this group of clients, we're also seeing the inflow of the relationship managers.

Yoyo Fan: Thank you.

Operator: Thank you. Peter Zhang from JPMorgan.

Peter Zhang: I wish to check with you, do we have more update on our Hong Kong-based listing?

Qin Pan: Thank you, Peter. Obviously, with the pressure that's being placed on the Chinese ADRs, especially the so-called pre-delisting prices, no one similar has other -- Chinese ADRs have been exploring other necessary options. Hong Kong listing obviously is one of the pretty apparent decisions, but at this stage of time, I'm just -- I don't have any liberty to comment on that. Hopefully, you understand, Peter.

Operator: Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to your speakers for closing remarks.

Qing Pan: Okay. Thank you, and thank you, everyone, for the investor analysts, and thanks for your time.

Qing Pan: Bye-bye.