Noah Holdings Limited [Noah]

Q4 2022 Earnings Release Conference Call

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Company Representatives

Ms. Jingbo Wang, Co-Founder, Chief Executive Officer

Mr. Grant Pan, Group Chief Financial Officer

Mr. Melo Xi, Director of IR

Analysts

Helen Li, UBS

Chi Yao Huang, Morgan Stanley

Peter Zhang, J.P. Morgan

Mr. Xi

Good morning and welcome to Noah's fourth quarter and year-end earnings call. I'm Melo Xi, Director of investor relations at Noah Group. The presenters joining us today are: Ms Wang Jingbo, our co-founder, Chairlady and CEO, and Mr Grant Pan, our CFO.

Before we start, we would like to kindly remind you that during today's call, we may make forward-looking statements based on our current expectations of the business. Please keep in mind that these statements are subjected to risks and uncertainties that may cause Noah's actual results to differ from these statements. We do not undertake any duty to update these statements. For discussion of some of the risks that could affect results, please see the "Safe Harbor Statement" section of our 6-K filing. We'll also refer to certain non-GAAP measures and you'll find reconciliations in the our 6-K report made available on the financial reports section of Noah's investor relations website.

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With that, I would like to welcome our chairlady and CEO, Ms Wang Jingbo. Chairlady, handing to you now.

Ms. Wang speaking in Mandarin (as translated)

For the agenda of today's conference call, I would like to start by discussing the macroeconomic landscape and update on our globalization strategy, then report on Noah's overall performance and the development of various business segments in 2022. Mr. Pan will then present the financial information for the year and conclude with a Q&A session.

2022 was destined to be an extraordinary year with an extremely complex global macroeconomic environment. The extreme market gyrations caused by the Russian and Ukraine conflict during the first quarter, Shanghai lockdown during the second, and the rapid Fed rate hikes spanning almost the entire year have far exceeded our expectations. In other words, we have seen the most drastic drop in investor confidence in decades.

Domestically, the Chinese lockdown index reached its highest levels twice since the first outbreak of Covid-19 in 2020. Frequent lockdowns severely restricted economic activities, with the household savings rate reaching its highest level since the beginning of the outbreak and consumer confidence hitting rock bottom.

Turning to the global market, since the subprime financial crisis in 2008, prolonged quantitative easing and abundant liquidities have led to a significant level of global asset inflation. With global supply chains severely disrupted over the past three years by the raging pandemic, coupled with the impact of surging commodity prices due to geopolitical conflicts, we have seen the most acute global inflation in decades. In order to tame inflation, the world's major central banks, led by the US Federal Reserves, moved quickly to raise interest rates at the fastest pace in almost 40 years. The sudden quantitative tightening measures and escalating risk free rate of return led to huge losses in risk assets, with both the equity and bond markets experiencing their worst year since 2008.

The significant shift in investor sentiments led to a decrease in preference for high yield products and an increase in demand for assets with lower volatilities and higher liquidities. As a wealth and asset management firm focused on serving global Chinese HNW clients, Noah's mission is to understand and gain insight into the ever-changing needs of our clients.

In the CIO report published at the beginning of 2022, based on our assessment of the macroeconomic and capital market environment, we proposed our clients to adopt a "protection before growth" asset allocation strategy, advising them to protect and diversify their portfolio using various wealth management tools against the upcoming uncertainties. We recommended our clients to increase their allocations in absolute return oriented multi-strategy funds and private equity funds, in order to reduce asset volatility and capture cross-cycle growth opportunities, which effectively helped clients to protect their wealth in the turbulent capital market environment. We have become increasingly aware that the concept and understanding of wealth management through the lens of Chinese HNWI is undergoing fundamental changes, with "safety and security" becoming the number one demand. The need for global asset allocation has also increased.

Since the opening of the Hong Kong office in 2012 and the gradual establishments in foreign markets including the US, Singapore, Canada and Australia, Noah International has accumulated a decade of experience and capabilities in the overseas segment. In the past, we served our overseas Chinese clients with our overseas staff, which mainly consisted of investment, product selection, operation and middle and back office professionals. In 2022, we further reshaped Noah's international capabilities by building an international wealth management team based in overseas markets, creating new overseas products, in order to better serve the asset allocation needs of Chinese HNWIs living abroad on top of the capabilities and systems we have already built in the past.

By the end of 2022, Noah International’s clients increased 8.4% YoY. The overseas segment generated net revenues of RMB828 million for the year, accounting for 26.7% of the Group's revenue, an increase from 23.5% in 2021, with this figure further increasing to 32.2% in the fourth quarter.

In 2022, the company delivered solid financial performance by proactively adjusting our business strategy, achieving an annual net revenue of RMB 3.1 billion and non-GAAP net income of RMB 1 billion, meeting the annual non-GAAP earnings guidance. Operating income margin improved to 35.1% from 27.9%, driven by more efficient cost management and less travel activities due to COVID lockdowns.

Wealth management segment reported annual net revenues of RMB 2.2 billion, down 31.1% YoY, primarily due to clients leaning more towards products with higher liquidity such as money-market funds and fixed-term deposits, leading to a decline in one-time commissions. Transaction value was RMB 70.3 billion for the year, down 27.7% YoY. In 2022, with significant volatilities in the global public markets, with the MSCI World Index down 17.8%, the S&P 500 Index down 18.7% and the MSCI China Index down 21.2%, Noah's strategy was to capture and maintain clients’ wallet share and help clients preserve their wealth, instead of trying to chase higher revenues and profits through pushing products with higher risk profiles.

Mutual fund transaction volume increased by 16% YoY, driven by the launch of our Smile Treasury SAAS platform specifically targeting corporate and institutional clients' treasury management needs. In the past, corporate treasury management for mid and small enterprises lacked specialized and systematic services. Capitalizing on Noah's existing mutual fund platform and asset allocation capabilities, we have offered services to more than 4,500 mid to small size corporate and institutional clients, who opened accounts and transacted through Smile Treasury platform during the year.

In terms of clients, the number of our diamond and black card clients reached 9,689, an increase of 18.2% YoY, with a 22.2% increase in black card clients in particular. Growing our core client base has always been a key strategic objective. Over the past year, we have effectively enhanced our client experience by improving our client interface and branding, improving our client rewards system and enhancing the integrity of our clients' asset allocation through the introduction of a star rating system. Furthermore, we recovered over 1,000 lost or dormant accounts, and after the Camsing incident in 2019, many lost clients have started to turn back to us. In 2022, through better client segmentation strategies and personalized asset allocation advices, we recognized over 3,000 potential diamond and black card clients during the year. Through referrals from our existing clients, we gained over 1,000 new clients that became gold level or above. Winning clients' trust through care and professionalism has always been the source of Noah's success.

Asset management segment reported net revenues of RMB 835 million, down 19.9% YoY, primarily due to a 66% decline in performance-based income caused by capital market volatility and limited exit opportunities in the primary market. Through our subsidiary, Gopher Assets Management, AUM reached RMB 157.1 billion by the end of 2022, up 0.7% year-over-year.

On the other hand, overseas AUM reached RMB 32.5 billion, up 14.7% YoY, thanks to the successful fundraisings of Gopher's actively managed overseas real estate and private equity funds, as well as the launch of our USD cash management & fixed income products: the US real estate investment team focusing on multi-family residential development investments, have achieved excellent investment performances on the first two series of funds and a separate account, with two successful and profitable exits. They launched series 3 fundraising in the second half of 2022; the Silicon Valley early-stage tech-focused investment team have achieved multiple profitable exits for LPs through investing in a number of unicorn companies. They launched their series 4 fundraising during the second half of 2022 as well. We believe that the current economic cycle, which is close to bottoming out, provides a very rare entry opportunity for PE VC funds. As a result, we have also launched a VC Fund of funds managed by our Silicon Valley team in Q4 2022, aiming to further enhance Gopher's ecosystem in the overseas markets. In terms of cash management and fixed income products, as US dollar yields continued to rise due to the Fed's rate hike, our product team developed and launched US dollar cash management and fixed income products in a timely manner, effectively increasing our clients' share of overseas wallets with Noah. By year end, overseas AUA grew by 25.2% year-on-year, accounting for 21.6% of total AUA, comparing to 16.3% at the end of 2021.

In terms of ESG, Noah has been voluntarily publishing sustainability reports since 2014. We also formulated and initiated the ‘Supply Chain ESG Management Guidelines’ and received 100% of the signatories for the ‘ESG Letter of Acknowledgment for Suppliers’ at Noah’s first supplier conference, bringing awareness to our supplier partners, to better create a sustainable ecosystem.

Noah has cooperated with non-profit organizations for many years in projects such as ‘100 Million Saxaul Trees’ and ‘Noah's Ark’. Since 2014, ‘Noah's Heart Forest’ has planted 387,000 saxaul trees in Alxa region in China, covering over 8,000 acres of land, achieving about 3.8 square kilometers of sand stabilization and 7,000 tons of carbon stabilization, helping restore the local desert ecosystem and slow down desertification, while increasing local herders' income.

I am also pleased to announce that the Company has successfully completed the conversion to primary listing status on the Hong Kong Stock Exchange on December 23, 2022, becoming the first Chinese wealth management company to have dual primary listing status in both the U.S. and Hong Kong, also completely eliminating the potential delisting risk of ADR stocks.

At our board meeting earlier this month, the Board has approved an annual dividend plan to pay out 17.5% of non-GAAP net income of RMB 1 billion for 2022. The final dividend proposal will be evaluated at the upcoming AGM in mid-June. We are committed to creating value for our shareholders in a stable and sustainable manner through a long-term cash dividend plan.

Reaching common sense and consensus, which are scarce qualities to possess, is often time consuming and costly. In 2022, some common senses and consensus are beginning to unite.

Successful wealth management and investment returns are the reflection of correct perceptions of the future; bridging the gap between perception and reality requires the fine-tuning of decision-making skills. The probability of making the right decision is positively correlated with one's understanding of world. Today, in 2023, the consensus of clients' needs has been mostly clear. The foundation of this thought-process framework is what shapes Noah's CIO house view, our advices on client asset allocation solutions, and our core values, which distinguish Noah from other wealth management institutions. We are committed to becoming a leading name by capturing at least 1% of market share in the wealth management industry for Chinese HNW clients around the world, a goal that has tremendous room for growth but requires us to always maintain our founding principle and work hard towards achieving it.

Finally, we hope that the pain of 2022 will become the gain of 2023. Now I'd like to pass to our CFO Mr. Pan to give you a detailed walk-through of this year's results. Thank you all.

Mr. Pan

Thank you, Chairlady. And welcome, investors and analysts.

Flipping back to 2022, it was undoubtedly a challenging year. The United States Federal Reserve has raised interest rates by a cumulative 425 bps to 4.4%, the rapidest hike in decades, coupled with geopolitical conflicts and an ongoing increasing global inflation rate from 4.7% to 8.8%, creating volatilities in both the equity and bond markets. Consequently, the MSCI World Index, S&P 500, and MSCI China Index have all dropped 18%, 19%, and 21% throughout the year, respectively.

In China, the prolonged COVID-19 restrictions during almost the entire year of 2022 greatly affected economic activities, with the China Effective Lockdown Index, a third-party index that measures the level of COVID-related restrictions, reaching highest levels twice since 2020. The Chinese household's saving rate climbed from 30% pre-COVID up to 37% by the end of the year, while the Chinese consumer confidence index hit a decade low. Capital market activities and investor sentiments also became more conservative, evidenced by a 50% YoY decrease in new issuances of mutual funds.

Meanwhile, Noah has been investing to improve our research capabilities to counter this adversity, and our CIO Office published the Investment Outlook for 2022 at the beginning of the year, recommending the strategy of "preservation before growth". Looking back at the capital market fluctuations, our recommendation helped preserve clients' assets and our dedication and efforts on enhancing investment abilities paid off.

As a result, although 2022 was a tough year, we still achieved an increase in the number of our core clients, up 18% YoY, and overseas AUM also increased by 15% YoY. Due to stricter cost management measures and higher operation efficiency, Noah's operating margin grew from 27.9% to 35.1%. On top of that, we have met our annual non-GAAP net income profit guidance, absorbing the impact of an unexpected and unfavorable outcome of a legal proceeding.

Now please let me walk you through the detailed financial results of the fiscal year 2022 and the fourth quarter.

Full year net revenues were RMB 3.1 billion, down 28% YoY, primarily due to the decrease in one-time commissions and performance-based income. One-time commissions fell by 46% YoY to RMB 678 million due to lower transaction value and the change in product mix, partially as a result of our proactive direction away from public security-based products that usually bear higher take rates. Performance-based income fell by 61% YoY to RMB 308 million, as expected in the face of the bumpy capital market environment. Recurring service fees remained relatively stable at RMB 1.9 billion, down 9%.

Operating costs and expenses were RMB 2 billion, decreased 35% YoY, due to lower relationship manager compensation expenses as transaction value decreased, combined with lower selling and G&A expenses resulting from a decrease in travelling and offline client activities, both affected by COVID-19. Correspondingly, annual operating income margin increased 7.2% YoY to 35.1%.

With regard to non-operating results, we incurred a one-off contingent expense of RMB 99 million due to the provision of a legal proceeding related to one of our subsidiaries that we disclosed on December 12, 2022. We believe that the Firstinstance Ruling was reached based on incomplete factual information, and have already initiated the appealing process and intend to vigorously defend against the civil claim from the Plaintiff. Equity in earnings of affiliates decreased 71% YoY, attributed to the downward yields of FoFs that we manage and invest in as the general partner or fund manager.

In spite of non-operating costs, our Non-GAAP net income of RMB 1 billion still achieved annual non-GAAP net income profit guidance, with its margin up to 32.5%.

Growth in core clients still remains as our top strategic priority. Benefiting from our continuous strategic investments in expanding our core client group, diamond and black card clients grew to 9,689, an 18% YoY increase overall. Among which, the number of black card clients increased by 22% YoY. We also have an innovative program to recognize potential diamond and black card clients and grant trial benefits in advance for a limited period of time, which enabled us to identify over 3,000 high potential core clients.

Our total active clients during the year was 35,877, down 16% YoY. Due to the transformation to standardized products starting from 2019, we have also been making efforts on reactivating dormant accounts and retrieving lost accounts. As of December 2022, reactivated and retrieved accounts amounted to more than 1,000. At the same time, we have gained significant growth in a new tier of clients, i.e., corporate and institutional clients. We launched the Smile Treasury platform to facilitate corporate and institutional clients' treasury management efforts, with over 4,500 corporate and institutional clients who have opened accounts and transacted with us.

With respect to transaction value, we distributed RMB 70.3 billion of products during the year, down 28% YoY; among which mutual funds were RMB 43.1 billion, up 16% YoY, thanks to the increase in corporate and institutional clients; private secondary products were RMB 13.1 billion, down 65% YoY, as we proactively decreased distributions of equity-linked public market products, due to heightened market volatilities.

In terms of segmented results, full-year net revenues from wealth management business were RMB 2.2 billion, down 31% due to the decrease in transaction value, accounting for 71% of total net revenues of the group. Net revenues from asset management business were RMB 834 million, down 20% due to a decrease in performance-based income from private equity fund products, accounting for 27% of total net revenues of the group. Gopher's AUM was RMB 157.1 billion as of the end of the year, slightly higher than RMB 156 billion in 2021, due to an increase in private equity AUM.

As mentioned by chairlady, we have started to establish our international wealth management team with relationship managers based in overseas markets, catering to our overseas clients' asset allocation needs. Our overseas AUM grew 15% YoY and 7% QoQ, contributed by the successful fund raising activities of Gopher's real estate investment team and venture capital investment team in the US, and the launch of USD cash management and fixed income products. Besides, we have also been cooperating with 9 of the top 25 international private equity GPs, and we look forward to expanding this list. Overall, full year overseas net revenue was RMB 828 million, accounting for 27% of total net revenue, compared to the 24% in year 2021.

When it comes to our fourth quarter results, net revenues were RMB 882 million, down 30% YoY and recovered quickly by 29% from last quarter. One-time commissions were RMB 269 million, down 44% YoY but up 170% QoQ due to an increase in insurance distributions. Recurring service fees were RMB 472 million, down 15% YoY and 4% QoQ, mainly due to the service fees generated from liquidating certain credit products with higher fee rates during the corresponding period in 2021. Performance-based income was RMB 80 million, down 54% YoY due to a decrease in carry from public securities products and private equity fund products, but it was up 191% QoQ due to exits generated from some of the private equity fund products in the quarter.

Total operating cost and expenses were RMB 662 million, down 41% YoY but up 46% QoQ, mainly due to increased expenses related to offline client activities after COVID restrictions were lifted as well as increased relationship manager commissions and performance fee compensation in the quarter. On top of that, operating income were RMB 220 million, up 66% YoY but down 5% QoQ. Quarterly Non-GAAP net income was RMB 149 million, down 49% YoY and 22% QoQ due to one-time contingency expenses.

Regarding the balance sheet, our cash increased to RMB 4.4 billion and total assets stood at RMB 11.8 billion as of December 2022. The current ratio was 3.3x, and debt-to-asset ratio was 19.5%, with no interest-bearing debt, implying a healthy liquidity position.

Supported by a healthy balance sheet and continuous strong cash flow generating capabilities, pursuant to the dividend policy announced on August 10, 2022, the annual dividends to be declared and distributed for year 2022 shall be 17.5% of the Group's non-GAAP net income, approximately amounting to RMB 176.5 million, implicating USD 40 cents per ADS, and HKD 6.25 per share, subject to final approval of our annual general meeting on June 12, 2023. We look forward to providing stable and sustainable returns to the shareholders with the growth of our business.

Looking back to 2022, great challenges stemmed from global macroeconomic uncertainties and domestic difficulties including the zero-COVID limitations, but we are glad that we completed the secondary listing on the Main Board of Hong Kong Stock Exchange, and within the same year, also completed voluntary conversion to primary listing in Hong Kong. Due to the regulations of Hong Kong Stock Exchange, we would also like to kindly inform our investors that Noah will no longer publish an annual non-GAAP net income profit guidance going forward.

Looking forward to 2023, we will continue to invest talents and resources into expanding our global footprint and
improving our clients' service experience and quality. At the same time, we will also be mindful of both cost controls and growth initiatives. Again we sincerely appreciate all shareholders for your ongoing trust and support, and strive to create long-term value for clients and shareholders.

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

Questions and Answers

Mr. Xi: If you have a question, please kindly press the raise hand button in zoom. And now I believe we have Helen from UBS so moderator, could you please turn on her microphone? Thank you.

Helen: Good morning, this is Helen from UBS two questions if I may, one for insurance product distribution. Since the fourth quarter 2021, the growth momentum was very strong. Insurance products seem to be the key driver for one-time commission fee. It's been five quarters since the fourth quarter of 2021. So what's the insurance product penetration rate for existing clients? Do you think the strong growth momentum could persist this year and next year? If not, what types of product or services may bridge the revenue gap? Could you please give us more color on transaction value outlook this year, both in terms of growth outlook and product mix?

My second question is on Gopher AUM, I noticed that back to 2015 to 2016, private equity products were a major driver for transaction value and this product may enter the redemption period very soon I guess. So what's the impact on Gopher AUM? Will

Gopher AUM decline in the next one to years and what's Gopher's product strategy this year and in the coming two to three years, thank you.

Ms. Wang (As translated) and Mr. Pan: Thank you Helen. I will supplement some data points and also do a quick summary of what the chairlady has mentioned. I guess we do look at this allocation of product mix from a slightly different angle of that basically we don't necessarily just voluntarily put out a product mix or recommendation to our clients without understanding the clients' need. So throughout 2022, the sentiment of the entire market is actually preservation and then risk averse. So the demand from insurance products actually grew across the board in the market. We are not manufacturing any insurance products, so basically just having an insurance brokerage and responsible for picking the right product for clients.

The coverage of penetration rate, especially in a diamond black card client group is relatively low, 21% for overseas insurance products and 24% for the domestic ones and the contribution to total revenue by insurance related revenue of 2022 is about 77%, slightly higher than 60% in 2021 as well. We believe that there's still abundant room to grow in terms of insurance products if the clients still consider that insurance product is a very fundamental and important layer of the asset allocation strategy. In terms of Gopher's AUM domestically, we believe that our fund of funds portfolio will benefit greatly from the registration scheme in Asia stock market that provide more exiting opportunities for these portfolio companies to become IPO companies and provide better exiting routes for this type of funds. And in terms of the secondary market, public security products within Gopher, we actually also invest heavily into the R&D team. We have a team about 40 people focusing on the macro and also micro researches on different kinds of stocks and strategies for multiple strategy sort of fund.

For overseas, we are investing heavily both in budget and talents actually for 2023 to make sure that we would be able to meet the demand for our clients, especially for the oversea allocation of more products towards public market type of products that in the past and the market probably provides a lot of volume, But we weren't able to provide too much on the US dollar denominated public markets and we're assembling a team to focus on that selection. I believe that will be able to provide more on that type of products for clients. Helen, back to you.

Helen: Thank you, crystal clear.

Mr. Xi: Thank you Helen, I believe Chi Yao from Morgan Stanley also raised his hand operator, please. Hello, Chi Yao

Chi Yao: Good morning Melo, good morning management, I’m from Morgan Stanley. First question is the market volatility we've seen in the fourth quarter, 2022 and in both equity and fixed income market. So I was wondering how does the reaction from Noah’s clients in the 4th quarter and what extra reaction Noah has been taken to stabilize the AUM in 4th quarter last year. And second question is on the outlook for 2023 in terms of the client demand and the revenue opportunity for Noah. Thank you.

Ms. Wang (As translated) and Mr. Pan: Okay thanks Chi Yao, I think those are great questions and also we want to stress that the strategy in terms of recommending our clients to preserve first then pursuit opportunities didn't start in quarter four last year, actually we published the CIO report in the first quarter when we sensed a very highly volatile market of the entire year. Actually a majority of the allocation, as which is mentioned in the market actually and also a consistently on our clients’ strategy are highly liquid products, including money market funds, including the US dollar denominated deposit type of funds towards the end of last year when the Fed actually raised the interest rates are very quickly.

In terms of overseas, we have about over USD1.1 billion AUM for clients to put their money in the actual deposit type of products. We're seeing actually a very good increase in the fourth quarter alone. That's about 1.6 billion raised in that single quarter in the face of very complex market situation. Noah actually never push sell any products that we don't even believe in. So we still try to recommend the more conservative and safe strategy for our clients to actually place on. We're actually seeing a huge influx of repatriating plants last year as mentioned. In the press release, we've seen probably around 1,000 clients either reactivated from longtime dormant accounts are repatriated back to Noah from other platforms. I believe that clients are very impressed with Noah’s strategy that we actually didn't have any exposure, AUM or AUA to real estate type of products to the nonstandard credit products. And we have a very clean and light AUM for clients. In 2023, we continue to hold a very conservative view, especially for our clients, but probably will more emphasize on the provision of supply of overseas asset for our client to carry out the global allocation strategy.

And we'll put in a lot of effort also budget actually in developing our oversea businesses. We believe that the opening up of new tier, a new group of clients overseas, the high net worth Chinese individuals overseas will actually provide very strong growth driving factors behind the incremental revenue in 2023, if you will. Thank you, Chi Yao.

Chi Yao: Thank you management. That's very clear. Thanks.

Mr. Xi: Thank you, Chi Yao. We also have Peter from J.P. Morgan, operator please open Peter’s microphone. Thanks.

Peter: Thank you management for letting me ask a few questions. Noah WM sales and Gopher’s AUM beat industry index in fourth quarter. How does Noah differentiate from leading banks in China when it comes to strategy and products? In 2023 there is talk of release of excess saving China. How do you think Noah will benefit from the trend if any? But the second question is, but we do expect more spillover risk from

SVB and CS AT1 write down and 2023 is going to be volatile. Then how does Noah position for this, does Noah offer investment products like AT1 issued by banks to your client? Thank you.

Ms. Wang (As translated) and Mr. Pan: Thanks, Peter. Great questions again. We actually didn't have any AT1 or Coco Bond related products for clients. I guess part of the reason is because we're still relatively small in terms of providing US dollar and offshore products for clients. Like we have mentioned in the past that we focused on pretty much product maintenance capabilities in oversee offices in the US we have two investment teams in Hong Kong, pretty much mid back office for the US dollar asset management.

In 2023, you can probably look at as year zero for our oversea piece of business and plan to actually greatly increase the number of our relationship managers in Hong Kong to probably a hundred comparing to what we have is about 20 professionals. And for Singapore team is from zero basically from scratch to 20. And we're in the process of actively hiring talents in those two places and also looking at opportunities potentially to be able to actually access to local market to serve the Chinese nationals in those nations, including in the US and probably other popular destinations where Chinese immigrants conventionally will go and work. In terms of wealth management, for the past 8 months, focus pretty much on US dollar products and also spend quite a bit of time on investment established global insurance platform and we're moving onto the primary market and secondary market products. Both denominated in the us dollars.

And just to supplement on the numbers, when you mentioned that the growth in the 4th quarter, I think still benefited greatly from products that we have in the Silicon Valley raised about more than US $1 billion in the fourth quarter alone that actually fit the clients' need for more exposure to a deeper and probably more stronger markets in terms of oversea products. And the focus for 2023 is to expand the interfaces where we can reach out to our clients in different ways, including, for example, institutional client sales group, the online platform and also including direct sales, our direct distribution from Gopher manager, especially the screening of the global products and to be able to actually put them into a portfolio for our clients.

In terms of domestic development strategy, we focus on continue to heighten investment in both branding and talents in large cities, first tier cities. But in terms of the probably third fourth tier cities, we used to have network, and branch offices we’re looking at to consolidate these offices into the nearby hub cities. One is to obviously control the cost efficiency. Two is actually to ensure that will provide better quality service to our clients as you would probably understand that majority of the high net worth individuals will probably gradually move to the nearby big cities for a better life quality. So we also want to make sure that our service team it's also there to be able to serve our clients. Peter, thank you.

Peter: Maybe I add one more question about the investment sentiment. So in 2023, do you see improvement in household investment sentiment in your clients? And how does this compare to the 2022 or 2021 level?

Ms. Wang: (As translated) and Mr. Pan: Yeah, so Peter, I think just to supplement, obviously in the quarter, fourth quarter we benefited quite a bit of, I guess, a heightened interaction with the clients we actually held a pretty big conference in Singapore towards the end of December, actually before the official open up of China market last year about 300 clients flew over to Singapore and also we held a very large conference last week in Hong Kong. And about 600 clients came over and join our conferences and we're providing views from different GPs, our own GP and also economists just to share the outlook of the capital market or plans. So we're able to actually interact, I guess, at a better quality and better interaction frequency with the clients.

In terms of the sentiment, we actually published a white paper with PwC for 2022 high net with individual sentiment index. And this first year we're doing this white paper. I think it's actually a great way for us to understand what people are thinking, especially the very unique group, high net worth individuals in China mostly actually are private business owners and entrepreneurs. It seems that obviously after the reopening up, are alleviated quite a bit, but I think the overall sentiment towards investment and wealth management or asset allocation will continue to be conservative towards RMB type of products. But we think that they probably look to further diversify their asset allocation across the board also in the product mix. Peter.

Peter: Thank you very clear.

Mr. Xi: Thank you Peter, we have no further questions from the audience. So with that, we would like to conclude this quarter and year end’s earnings call for our most updated financial reports. Please refer to the financial statements section within our investor relation website. So thank you all for listening.