Noah Holdings Limited [Noah]
Q3 2023 Results Conference Call
November 29, 2022, 8:00 PM US ET.

Company Representatives
Melo Xi, Director of Investor Relations
Jingbo Wang, Co-Founder, Chief Executive Officer
Grant Pan, Chief Financial Officer

Analysts
Helen Li, UBS
Peter Chung, JPMorgan
Chiyao Huang, Morgan Stanley

Presentation

Operator: Good day, and welcome to Noah Holdings Third Quarter 2023 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. Please note that this event is being recorded.

I'd like to turn the conference over to Melo Xi, Investor Relations Director. Please go ahead.

Melo Xi: Thank you, operator. And good morning and welcome to Noah's 2023 third quarter earnings call. Joining me on this call today are Ms. Wang Jingbo, our Co-founder, Chairlady and CEO, and Mr. Grant Pan, our CFO. Ms. Wang will begin with an overview of our recent business highlights, followed by Mr. Pan, who will discuss our financial and operational results. They will both be available to take your questions in the Q&A session that follows.

I'd like to generally remind you that we just held our annual Investor Day on November 14 in Hong Kong, where Noah's executive management team provided an in-depth review of the business, and laid out our strategic priorities for the future. The presentations and the panel discussions focus on our resilient standardized product offering, overseas expansion plans, solution-driven advisory services, global product leadership, as well as the client service strategies. A full replay of the event and presentation material can be found on our Investor Relations website, which I encourage all of you to watch.

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.

In addition, today's call will include discussions of certain non-GAAP financial measures. A reconciliation of the non-GAAP measures to the most directly comparable GAAP measures can be found in our earnings release.

Lastly, this call should not be interpreted as a solicitation to sell or purchase an interest in any Noah or Noah-affiliated products. Please also be aware that the link to a live webcast with presentation materials is available on our Investor Relations website.

With that, I would like to pass the call to Ms. Wang. Please go ahead.

Jingbo Wang: (Speaking foreign language).

(Translated). Thank you all for joining us. I would like to begin today's call by sharing some recent insight gleaned from face-to-face interactions I had with Noah clients, and my thoughts on the state of the wealth management industry. After that, I will cover the recent progress in our overseas business, provide a comprehensive overview of our third quarter performance, and go over some updates from our business segments.

Over the past 2 months, we have held numerous annual meetings with over 1,200 domestic clients at our new headquarters in Shanghai, where we offered each of them an asset allocation assessment paired with strategic advice tailored to their unique circumstances. Subsequently, in Singapore and Hong Kong, we held meetings with over 150 and over 800 International Black Card clients, respectively, allowing us to gain valuable insights into their needs while promoting Noah International's product and service offerings.

Our close discussions revealed an encouraging evolution in the wealth management needs of Noah's high-net-worth clients. In particular, there has been a noticeable shift in focus from specific products and returns to a broader array of considerations encompassing asset security, enterprise and family succession plans, and global strategic asset allocation. This transition is particularly pronounced among Noah International's clients, reflecting their journey from product-centric to asset allocation-driven wealth management needs.

Over the past 2 to 3 years, Noah has overhauled its offerings, transitioning from a product-driven to a solution-driven approach. In our international wealth management segment, we rolled out the CCI model comprising of the Chief Investment Office, Client Strategy Office, and Investment Product & Solution Office. Through the CCI model, we directly align our macro house views with the client demand to build products and solutions and improve relationship managers' service standards and client satisfaction. Noah International Wealth Management's product offerings and services matrix provides high-net-worth clients with our four global account allocation schemes embedded in our technology infrastructure, significantly enhancing the ability of Noah's relationship managers to provide asset allocation advice and continuity of service.

We believe to achieve success, wealth and asset management firms must have a solid track record, offer a diverse product portfolio, maintain efficient sales channels, and build a high-quality AUM base. At Noah, we recognize the pivotal role of talent, and focus on cultivating a strong team through a long-term talent screening and development system. We also believe it is crucial to have a mission, vision, and values that resonate with our clients. Our organizational and technological architecture underscores our commitment to providing high-quality, client-centric services, with client satisfaction serving as the cornerstone of our long-term relationships.

Noah remains dedicated to serving high-net-worth Chinese clients globally. Leveraging Hong Kong as a hub, we have begun building teams of relationship managers in key locations such as Singapore, Europe, and the United States to cater to Chinese clients' comprehensive asset allocation needs. As the international wealth management team continues to mature, we are confident that we will sustain our growth and expand our reach to serve a growing number of clients globally.

Now, turning to our financial performance for the first 3 quarters of 2023, we generated total revenues of RMB 2.5 billion, a year-on-year increase of 11.9%. The domestic business contributed RMB 1.5 billion, a year-on-year decrease of 11.6%, accounting for 59.9% of the total net revenues. The growing client demand for global asset allocation, coupled with Noah's ongoing investments in channels, products, and comprehensive services, propelled overseas revenue to RMB 1 billion, a year-on-year increase of 85.1%, accounting for 40.1% of revenue, up from 24.3% in the previous year.

Breaking it down by segment, wealth management contributed RMB 1.9 billion, a significant year-on-year increase of 20.9%. The domestic wealth management business contributed RMB 1.1 billion, a slight year-on-year decrease of 0.2%. The overseas wealth management business contributed RMB 784 million, a year-on-year increase of 72.3%, as it benefits from the growth in overseas transaction value and comprehensive services income.

The asset management segment contributed RMB 582 million, a year-on-year decrease of 5.4%. The domestic asset management business contributed RMB 358 million, a year-on-year decline of 31.8%, while the overseas business contributed RMB 223 million, a year-on-year increase of 150.3%, primarily driven by the growth of overseas AUA and AUM.

On the comprehensive services front, we continued to see robust demand for wealth protection and inheritance solutions from high-net-worth clients. Our domestic insurance brokerage business achieved a remarkable year-on-year growth of 63.4% in the first 3 quarters of 2023.

Meanwhile, revenue from overseas insurance, trust, and other comprehensive services surged 381.8% year-on-year. The number of active overseas insurance clients increased more than fourfold year-on-year in Q3. Over the past quarters, we have increased our investment in digitalizing our insurance and comprehensive services program. Our technology team has begun integrating our systems with insurance companies worldwide, making us the first company in the Hong Kong market to offer fully digital insurance applications and premium payments through Noah's nominee accounts. This has made insurance application a significantly more efficient experience for our clients, while enhancing our ability to provide high-quality fulfillment services.

For the first 3 quarters of 2023, operating profit stood at RMB 877 million, with an operating profit margin of 35.2%.

Our domestic wealth management strategy continues to focus on first-tier and other highly-populated cities in China. We have also implemented organizational structure adjustments to ensure business compliance. As of the end of the third quarter, the number of domestic relationship managers increased by 6.7% year-on-year and 0.9% quarter-on-quarter to 1,331.

Our domestic wealth management front, we have continuously invested in technology infrastructure, rolling out functions such as CCI portfolio reports in one-click, and asset allocation review through our mobile app. This enhances the client experience while generating new business leads within the fulfillment service process. In the first 3 quarters, the transaction value of mutual funds exceeded RMB 36.9 billion, a year-on-year increase of 19.3%. The transaction value of private secondary products exceeded RMB 14.2 billion, a substantial year-on-year increase of 46.2%.

In terms of corporate and institutional clients, the Smile Treasury platform, launched in 2022, has successfully on-boarded nearly 6,000 clients. In the first 9 months of 2023, active clients increased by 73.7% year-on-year, with an average client AUA exceeding RMB 600,000.

On the international wealth management side, we continued to recruit private bankers in Hong Kong and Singapore. As of the end of the third quarter, we had 77 relationship managers in Hong Kong and Singapore, up 37.5% quarter-on-quarter as we make steady progress towards our annual recruitment goal of 120 overseas relationship managers.

Additionally, in the third quarter of 2023, we opened a client service center in Los Angeles, relaunched our U.S. insurance products, and continued setting up our Dubai office to better serve the wealth management needs of Chinese clients around the world. As of the third quarter of 2023, Noah International had more than 14,200 international clients, with the number of clients in Hong Kong and Singapore growing by 12.8% and 315.2% year-on-year, respectively.

Cash management product AUM reached USD570 million, reflecting a quarter-on-quarter increase of 14.4%, with the number of active clients in Q3 increasing by 30.3% quarter-on-quarter and the number of cumulative clients reaching 2,598, up 3.5% quarter-on-quarter. Clients' AUM with Noah on a discretionary investment basis reached USD300 million, up 15.1% quarter-on-quarter, with the active clients during the quarter increasing 40.5% quarter-on-quarter, and cumulative number of clients hitting 653, up 38.6% quarter-on-quarter.

In terms of international online wealth management, we continued to expand the product offerings on our wealth management app, expanding the client service categories to provide different solutions to individual clients, institutions, and in particular, agency clients, which we have made significant progress during the quarter.

In Q3, the number of overall active overseas clients increased by 78.6% year-on-year and 14.6% quarter-on-quarter to 2,284. Overseas transaction value reached USD957 million, reflecting a year-on-year increase of 106.9% quarter-on-quarter, a quarter-on-quarter increase of 22.9%. The number of active clients in the USD mutual funds reached 1,758, reflecting a year-on-year increase of 105.6%, with transaction value reaching USD269 million, up 59% year-on-year.

As of the end of Q3, we have successfully attracted more than 210 overseas corporate and institutional clients. The transaction value of overseas mutual funds reached over USD120 million year-to-date.

In addition, the international online wealth management business began trial operations for its to-agent business, which drives the development of EAMs and multifamily offices, leveraging its SaaS platform and Noah's comprehensive product offering. Our objective is to develop diverse sales channels and targeting the goal of serving 300 overseas EAMs and multifamily offices.

In terms of asset management, Gopher's total AUM was RMB 154.9 billion, representing a year-on-year decrease of 0.9%, driven by the continued exit of RMB private equity funds and decrease in NAV of some public market security products. As of the end of the third quarter, RMB AUM decreased by 5% year-on-year, reaching RMB 119.4 billion.

The third quarter of 2023 was characterized by significant volatility in public markets, with the Shanghai Composite Index and Shenzhen Component Index falling by 4.1% and 9.4%, respectively. Gopher's actively-managed target strategy product team remains committed to balancing drawdown volatility and maximizing long-term yields. As of the end of the third quarter, annualized returns for active investment products was negative 1.6%, with the volatility of 6% and a Sharpe ratio of negative 0.5. The balanced investment products generated an annualized return of 3.1%, with volatility of 5.7%, and a Sharpe ratio of 0.3. Stable investment products generated an annualized return of 8.2%, with volatility of 2.1%, and a Sharpe ratio of 3.2.

Internationally, we are fully committed to enhancing our global investment product matrix. The overseas AUM of actively-managed products reached USD4.9 billion, reflecting a year-on-year increase of 13.4%, and its proportion of group's total AUM also increased to 22.9%.

In the primary market, beyond traditional PE and VC products, we have gradually launched infrastructure, GP stake, private credit, and secondary funds, resulting in a more comprehensive product matrix. Mirroring the domestic strategy, our DSG strategy deployed across the Silicon Valley VC ecosystem focuses on fundraising from the top GPs first, followed by investing as an LP through a fund-of-funds, with a goal to ultimately establishing strong cooperative relationships with GPs to secure co-investment opportunities. We expect to deploy our DSG strategy across a wider spectrum of product segments in the future. As of the end of the third quarter, overseas PE AUM reached USD3.8 billion, reflecting a year-on-year increase of 5.7%.

In public markets, we have intensified our screening and coverage of top hedge fund managers worldwide. 10 of the top 50 hedge fund managers globally have been on-boarded, with 9 more in the due diligence process. Our offering encompasses a diverse range of strategies, including long, neutral, hedging, trend following, and multi-strategy. At the same time, our investment team is developing new actively-managed products such as fund of hedge funds and discretionary investment products.

In terms of our ESG efforts, Noah's management places a premium on promoting effective corporate governance and organizational decision-making mechanisms. We employ a committee-based operations and collective leadership decision-making process across our business units to ensure that Noah remains a dynamic organization and an industry leader. We maintain our strong focus on data security as well, and prioritize in the confidentiality and security of client information. We have established separate domestic and foreign data centers, governed by a stringent client data usage audit mechanism, to create a robust firewall between domestic and foreign data and ensure that we safeguard client privacy at all times.

In conclusion, as an independent wealth management institution, Noah's core competitive advantages stem from its profound client insights and strong track record. We are firmly committed to investing in the digital capabilities and infrastructure needed for our relationship managers to grow the business and provide the best client experience. We pride ourselves on providing high-quality asset allocation solutions rooted in prudent research-based house views. While acknowledging the significant role of technology, we recognize that a human touch, trust, and personalized relationships remain indispensable, particularly in meeting the complex needs of Noah's high-net-worth clients.

Our core competencies are centered on creating real and long-term client value, encapsulated in the ethos of client-centric, with survival as the bottom line. We firmly believe that only by helping our clients thrive, can we succeed as a business and thereby, create enduring value for our shareholders.

Finally, a note on our updated shareholder return policy. Noah's Board of Directors recently approved a plan to allocate up to 50% of the company's annual non-GAAP net profit towards dividends and share repurchases. This strategic decision underscores management's confidence in the company's stable operations and long-term growth potential.

I will now hand over to Mr. Grant Pan for a detailed overview of our third quarter financial results. Thank you, everyone.

Grant, (inaudible).

Grant Pan: Thank you, Melo. And thank you, Chairlady, for walking us through the quarter 3 operations. And good morning, investors, analysts, and good evening. For today's presentation, I'd like to start by sharing the latest insight of our clients' profile, and how Noah's strategy has been adapting to meet their needs in order to drive the growth of the business.

According to a recent survey, more than half of the clients are engaged in export-oriented manufacturing, trade, or internet industries, with very deep foreign-currency assets already, including cash, equity and stock options. Age-wise, most of the Black Card and Diamond Card clients are in their mid-50s or even 60s. They predominantly reside in China's major metropolitan centers, echoing our recent strategy of consolidating operations in key cities.

In terms of their wealth management objectives, we are seeing two key shifts in investment appetite taking place among our client base. China's first-generation entrepreneurs continue to be the primary decision-makers within their families, and are seeking more balanced and security-driven allocation strategies for their wealth. This is marked by a distinct shift from the pursuit of high returns on investment in the past, to a focus on wealth protection.

Secondly, many of our clients are now entering a new phase of globalization in business and also capital. Not only is their personal demand for global asset allocation services increasing, but their enterprise side needs to enter global markets as entrepreneurs is also growing. This will lead to an accelerated wealth accumulation effect for high-net-worth clients in the coming years.

According to a survey, 70% of the clients demand global asset allocation, and as a result, the ability to provide global solutions is a key requirement for wealth management firms.

With years of in-depth experience in building a business in the high-net-worth wealth management industry, we now possess a deep understanding of our clients, and is capable of providing comprehensive solutions for their globalization needs. Our results for the first 3 quarters of 2023, which featured solid revenue growth driven by insurance product sales and robust expansion in our overseas business, demonstrated how we are successfully meeting client demand in both situations.

Furthermore, our healthy financial position ensures we are well-positioned to further expand, with close to RMB 5 billion in cash on our balance sheet, a healthy debt-to-asset ratio, and zero interest-bearing debt on the balance sheet. Crucially, we also have a very clean AUA, free from any legacy domestic private credit or residential real estate exposures. In addition, we have a deep bench of talent across our key functions, product investment, sales teams both domestically and globally. These factors give us confidence that Noah is ideally positioned to meet the ever-evolving needs of Mandarin-speaking high-net-worth individuals in the next phase of China's globalization.

With that, let's get into the details of our quarter 3 financial performance. In the third quarter, our top line continued to see robust year-over-year growth, with net revenues reaching RMB750 million, close to a 10% increase compared to the same period last year. Traditionally, our third quarters are relatively quiet due to seasonality, as our sales and marketing teams prepare for the Red-Opening season at the beginning of the fourth quarter.

Net revenues for the first 3 quarters of 2023 increased by 12.5% year-over-year to RMB 2.5 billion, mainly driven by the 90% year-over-year growth of one-time commission fees, which amounted to RMB780 million. Insurance products contributed 94% of total one-time commission fees in quarter 3, and have emerged as an important component of our revenue structure. This can be attributed to the more defensive positioning being adopted by our clients, with an emphasis of safeguarding assets and wealth, in light of ongoing market volatility and geopolitical factors. We believe the trend of clients increasing allocation towards protection-driven products will continue for the near future.

That being said, we continue to strengthen our overseas alternative product offerings, including global primary market and hedge fund solutions, to provide clients with more balanced solutions that can deliver long-term return while minimizing volatilities and risks.

Overseas net revenues accounted for 39% of total net revenues during the third quarter, a figure we anticipate will continue to grow going forward. Notably, we officially opened our Los Angeles office in the third quarter, which will provide a client service interface for local clients in the United States, expand our U.S. insurance business, and promote our investment business. Additionally, we have an exciting lineup of events planned for our clients, including a flagship annual conference exclusively for esteemed Black Card clients.

In addition, we recently began establishing a dedicated product selection team based in New York City, specifically focusing on U.S. hedge fund managers. We expect overseas revenue contribution to increase further as we continue to expand our global footprint.

Recurring service fees, which are a key stabilizer in our revenue mix, were RMB1.4billion year-to-date, a slight decrease of 3.2% year-over-year, due to a decrease in our AUM as we continue to exit RMB investments. Performance-based income was RMB 125 million in the first 9 months of 2023, down 45% year-over-year. This decline can be attributed to the relatively low valuation of assets resulting from a high-yield environment. That being said, our Silicon Valley team was still able to achieve exits in this tough market, contributing to the performance-based income for this year.

Other service fee income in the first 9 months of the year was RMB205 million, up 37.2% year-over-year, primarily due to more value-added services provided to our clients.

Operating profit for the third quarter was RMB 250 million, up 7.4% year-over-year and down 28% quarter-over-quarter. Operating profit margin for the third quarter remained largely stable year-over-year at 33.2%.

Our compensation and operating expenses decreased by 15% quarter-over-quarter, but increased by 10% year-over-year, mainly due to the high-based effect created by Covid lockdowns in 2022, which curtailed both marketing activity and business travel, as well as increase in international travel this year in support of our global expansion.

In addition, we incurred a number of one-time expenses related to the relocation to the Shanghai headquarter and the consolidation of our domestic network, among others, amounting to RMB 40 million. Over the long term, however, would expect to reduce annual cost savings by RMB 50 million.

Government subsidies for the quarter were RMB 105.3 million, a sharp increase of 141.3% year-over-year, but flat on a year-to-date basis, due to the delay in the distribution of government subsidies across various regions this year.

Non-GAAP profit for quarter 3 was RMB 232 million, up 21.8% year-over-year, and RMB 785 million year-to-date, down 8.7% year-over-year, due to a soft first quarter earlier this year.

Transaction values reached RMB 22.3 billion in the third quarter, representing a strong increase of 24% year-over-year and 21% quarter-over-quarter. By region, the total domestic transaction value in the first 3 quarters of 2023 was RMB 15.3 billion, up 4.5% year-over-year and 20% quarter-over-quarter. The total overseas transaction value was USD957 million, up 106.9% year-over-year and 22.9% quarter-on-quarter. The increase in transaction value was primarily driven by mutual fund and overseas private secondary products, thanks to the introduction of U.S. Dollar cash management and structured products.

In the third quarter, mutual funds contributed RMB 14.9 billion in transaction value, up 28.1% year-over-year. The total transaction value for overseas private secondary products was USD537 million in the third quarter, up 17x year-over-year and 65% quarter-over-quarter, driven mainly by strong demand for discretionary investment products and structured products.

Going forward, we expect to increase the share of global investment products and foster the growth of overseas AUM. As of September 30, our overseas AUM grew 13.4% year-over-year to USD4.9 billion.

Turning to the results for each segment in the first 9 months, net revenues from wealth management were RMB 1.9 billion, and net revenues from asset management were RMB 0.6 billion, accounting for 75% and 23% total revenues, respectively.

As of the end of the quarter, we had 7,461 Diamond Card clients and 2,250 Black Card clients. The total number of Diamond and Black Card clients were 9,711, up 0.3% quarter-over-quarter and down 0.7% year-over-year, rather flat. The number of active clients of quarter 3 was 9,489, down 58% year-over-year, primarily due to individual clients adopted a rather conservative approach towards RMB public security products, in light of a 4.1% and 9.2% drop in Shanghai Securities Composite Index and Shenzhen Securities Component Index, respectively, during the third quarter. That being said, transaction value during the quarter was not negatively impacted by this, as our corporate and institutional clients continue to transact with us.

On the other hand, overseas active clients increased 78.6% year-over-year to 2,284, as we continue to build up our overseas distribution channels with 77 overseas RMs by end of this quarter.

Turning to the balance sheet, our debt-to-asset ratio and current ratio improved sequentially. We have maintained a very healthy liquidity position, with our current ratio at 3.5x, and our debt-to-asset ratio at 18.4% with zero interest-bearing debt.

We have RMB 5.0 billion in cash and cash equivalents, providing ample resources to support our global expansion plans. We also saw a decrease in accounts receivable in quarter 3, primarily due to the accelerated collection of domestic insurance commissions.

The board has always placed shareholder return and capital management efficiency as a priority. Based on our strong and clean balance sheet and strong liquidity position, and after considering the necessary investments associated with our global expansion plan, the board has authorized a new shareholder return policy where we will allocate up to 50% of total annual non-GAAP net income attributable to shareholders to a corporate actions budget, to be used for purposes including dividends and share repurchases.

Under this new policy, we will allocate no less than 35% of its annual non-GAAP net income attributable to shareholders towards dividends, subject to various factors. The final dividend payout ratio for fiscal year 2023 and scale and timing of any share repurchase program will be determined at the company's fourth quarter Board meeting in March 2024, and announced thereafter.

To sum up, we remain optimistic for the high-net-worth individual wealth management industry. The third quarter showcased our ability and resilience to drive robust revenue growth, and generate strong cash flow even in a relatively quiet market environment.

Looking ahead, with a robust balance sheet and nearly RMB 5 billion in cash and cash equivalents, ample liquidity, and a standardized product offering and AUA, we are well-positioned to fuel future growth and execute on our strategy, as well as increase returns for our shareholders. Our other "balance sheet," a clean AUA, with no legacy private credit or residential real estate exposure, has built us a solid reputation as a trusted advisor to our clients, which we are leveraging to drive our global expansion, as demand for global asset allocation grows.

We will continue to scale our international operations following the successful launch of our Los Angeles office in the third quarter, are still preparing to commence operations in Dubai and continue to recruit Relationship Managers in Hong Kong and Singapore and other talents actively. As we continue to execute our growth strategy, we will embrace evolving landscape and maintain our corporate flexibility. In the long term, we are very confident that our diverse offerings and commitment to globalization will enable us to meet the needs of global clients, investors, and continue creating value for our shareholders.

Thank you for listening. We will now open the floor for questions.

Questions and Answers

Operator: Thank you. We'll now begin the question-and-answer session. (Operator Instructions). Helen Li of UBS.

Helen Li: I have two questions. First, Gopher’s overseas AUM increased in the third quarter. But why did one-time commissions from Gopher management funds decline sharply to RMB 32,000? That's my first question.

And second question -- I'm just wondering whether you have any longer-term target for the transaction value mix from Gopher products? And what are Gopher's product pipeline for the fourth quarter and into next year? (Speaking foreign language).

Grant Pan: (Speaking foreign language). So Helen, I'll explain your question. So basically, a good chunk of the Gopher’s overseas AUM increase actually came from USD cash management products and some of the discretionary portfolio investments for deposits. So basically, a majority of the revenue structure will come from management fees going forward. We actually don't charge very high commission fees for this type of products. (Speaking foreign language).

Jingbo Wang: (Speaking foreign language).

Melo Xi: Thank you, Helen. I will translate for Chairlady.

(Translated). So in terms of Gopher's international front, we are committed to increasing our capabilities in actively-managed product space, including primary, secondary public securities, as well as cash management. So that is kind of more of a long-term process. Now in terms of the third-party distributed products versus our actively-managed products, we don't have quite a clear picture in terms of the split yet. But then going forward, it will be depending on what the client really needs and also, our investment in increasing our research and investment capabilities in Gopher's overseas market. Helen?

Helen Li: (Speaking foreign language).

Melo Xi: Operator, I believe we have Peter lining up in the queue as well.

Operator: Yes, thank you. (Operator Instructions). Peter Chung of JPMorgan.

Peter Chung: (Speaking foreign language). Let me do the translation. I have two questions. First one is on the wealth management transaction volume. We noticed that the transaction volume increased sequentially in third quarter. We wish to understand what's the driver behind? And management also mentioned that Noah engaged with a lot of client activities in third quarter. What's the latest client investment sentiment you'll get back? This is the first question.

Second question -- we noticed that on the cost side for the quarter, there's a large contribution from the government subsidiary, which helped you reduce the OpEx in third quarter. We wish to understand what does that represent, or what's the driver behind it? And what's the trend going forward?

Jingbo Wang: (Speaking foreign language).

Grant Pan: So Peter, the first question, the contribution actually mainly came from the U.S. Dollar side, which we managed to actually distribute around USD1 billion in the transaction value, which have seen a significant increase. At the same time, we maintained a rather healthy distribution on the RMB side, which is attributable to the corporate client transaction. The transaction value of RMB mutual funds reached RMB 12.9 billion in the third quarter. So both actually added and contributed to rather healthy transaction values this year.

And to your second question, in terms of -- I'll leave the client sentiment observation to Chairlady, and also, I will share a little bit of my insights as well. The second question, in terms of the government subsidy, the total year-to-date actually remained pretty stable the first 3 quarters comparing to last year. But the timing of the grant of the actual cash, the timing usually is, I will say, pretty spontaneous based on the government's fiscal situation. So this year, we happened to receive the subsidies in the third quarter, but the total amount actually remained rather stable from the last period of the year. (Speaking foreign language).

Jingbo Wang: (Speaking foreign language).

Melo Xi: So I'll try to translate. Yes, I'll try to translate for both Grant and Chairlady.

(Translated). So we have held various conferences and annual gala events in the past couple of months in Shanghai, Singapore and Hong Kong, and we have interacted with over 1,000 clients lately. So what we have witnessed was that, first, the clients have remained rather rational, and they are seeking kind of a more balanced solution and diversity in their global asset management or global asset allocation needs.

And also, we have witnessed a very obvious shift from focusing on products and rate of returns from the past comparing to now, that the clients are more focusing on the comprehensive solutions on their overall wealth management needs, including their family and the enterprise inheritance and succession plans. We have seen that basically, the maturity and sophistication of clients have increased, so which is a good news for independent wealth managers like Noah.

We have spent quite a lot of resources in investor education and building our internal research capabilities. So now that we kind of -- it's easier for us to reach a consensus with our clients. And Chairlady has also commented that in the past year or so, basically, the general market or high-net-worth individuals in China, not just only Noah's clients, have seen many risk-related events in the past. And their demands and needs have become more clear and more focusing on asset protection and security, and more focusing on global macro views, including currency risks and such. So we're spending more time to do investor education on those fronts.

Hope that answered your question, Peter.

Peter Chung: (Speaking foreign language). Let me do the translation. So I have a follow-up question on government subsidiary because Mr. Pan just mentioned that the year-to-date amount has been stable from previously level. Can I say that going forward, the annual amount likely to be stable, while there can be a seasonality in quarter-by-quarter?

Grant Pan: Peter, I think for 2023, it's probably the right way to put it. Going forward, I think it's very hard to say in terms of the government subsidies, which is a form of refund of taxes, or actually, some of that is associated with the job creation. So depending on the structure going forward on the RMB revenue and income that we actually make domestically, I'm not sure whether it will remain consistent. It's pretty hard to predict. So if we do have increased revenue going forward on the domestic side, we'll probably see a higher subsidy, but if not, we'll see a little bit of volatility in that. But I guess from what we have seen, I believe, at least this year, the government is still honoring their subsidies to us.

Peter Chung: Thank you, sounds very clear.

Operator: Chiyao Huang of Morgan Stanley.

Chiyao Huang: (Speaking foreign language). Let me translate briefly. The first question is follow-up on the Black Card data that took place in several cities recently. Just wondering what's the progress in terms of the transaction value generated? And would it provide quite strong support to the 4Q revenue?

And the second question is regarding the insurance commission rate. We saw some of adjustment, actually quite notable adjustment, on the insurance and commission rate. So did management expect the commission rates in new year would also based on potential changes going forward, and could potentially impact the revenue?

Grant Pan: Thank you. I'll take the first question. We're actually seeing a very good turnout attendance for the past three stops, and we have two more to go for the annual gala. But probably would take place in early next year. From what we have seen for our first three stops with the high attendance, we're pretty optimistic about the total creation of revenue or placement of financial products. But in terms of transaction value, as much as we understand, it's a pretty key metric in terms of to measure how much of client's wallet share you're taking.

We are not aggressively pushing for any specific type of products, but we are mainly focusing on, as we mentioned earlier, the total solution for our clients. So basically, if the client prefers to allocate more towards insurance products, you probably wouldn't see as high as transaction values as in traditional investment products. But we're okay with that; I think we're pretty comfortable with the strategy, as long as it caters to our clients' real need as we believe that they are much more sophisticated than before.

But with that said, we do have very ample supplies of investment products. Especially on the overseas side, we believe our clients are still very globally-minded comparing to the past. They are more, I think, more sophisticated and deeper understanding how the global investment products play as compared with the years back.

Jingbo Wang: (Speaking foreign language).

Melo Xi: In terms of the insurance brokerage commission decline, right now, the regulation is mainly focused on bank insurance channel. So the independent insurance brokers are not affected yet. But if the regulation should change in the future to include the independent brokerage, then we would have no choice but to follow. But in terms of a global scale, we're not seeing any regulatory changes in the overseas insurance brokerage business or market. So that part should not be affected. And in fact, after Covid, the overseas insurance brokerage business has been generating more revenue share comparing to our domestic business at the moment.

Chiyao Huang: (Speaking foreign language). Thank you.

Operator: Thank you. That concludes our question-and-answer session, and also concludes our conference for today. Thank you for attending today's presentation. You may now disconnect.