Amundi conference
Call
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Q1 2018 Highlights
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Introductory Remarks
Good morning to everybody and thank you for participating in this call which is dedicated to our first quarter results. I will start directly on these results to simply say as an introduction note that overall, they are good results both in terms of activities on the results – a very good level of activity, results that show a significant growth compared to last year; and an integration process with Pioneer, which is going well.

Business Activity
A contrasted market environment
So before going into the details of the numbers, a quick reminder on the market environment in which we worked for this first quarter. As you all very well know, this first quarter was a little bit more contrasted and complicated compared to what we had last year with a return of some volatility in the market and a downturn on the equity market starting in February. In a nutshell, for business I would say that clearly compared to the end of 2017, we had a negative market environment, a negative market impact. Still, if we compare to the beginning of 2017, we still have, overall, some positive impact on the market compared to again the first quarter of 2017.

Assets under management
Let’s start with the activity, a good level of activity on this first quarter with assets under management that reached €1,452 billion at the end of March, an increase close to 2% compared to the end of the year due to strong inflows of close to €40 billion - €39.8 billion to be precise, partially compensated by the negative market impact of €13.5 billion in line with the market environment, compared to the end of 2017.

Strong net inflows
To go into a little more detail in this activity, the main element is that it’s a good level of inflows, but good quality with very well diversified sources of growth. First term of client segments, we can observe that both our Retail division and our Institutional division posted strong inflows, close to €22 billion for Retail and €18 billion for the Institutional and Corporate clients.

Net inflows from Retail
A little bit more in detail regarding Retail, here again what is interesting is that all our main client segments continue to post positive growth. First the historical French networks continued, as we have seen over the last 18 months, to be in a positive mode: €2.6 billion of inflows in the quarter, mainly in the majority driven by long-term assets and driven especially by the continued inflows within Unit-Linked. We continue to see the trend that we were expecting and started to be visible for the last 18 months, with flow within the life insurance, to go more on Unit-Linked – with higher margin– and less on traditional Euro contracts.
Regarding international networks – also very robust net inflows driven mainly by Italy: €2.7 billion of inflows in Italy, reflecting the success of the partnership within UniCredit. The relationship is good, well-established, a lot of work being done between the Amundi teams and the UniCredit teams to develop the business, launch new initiatives. We can see the result with more than €2 billion inflows in the UniCredit network in Italy and also some positive inflows with Crédit Agricole network in Italy.

Regarding third-party distributors, here again a good level of strong inflows, more than €4 billion in the quarter driven by Asia and Europe, especially Italy and Germany. It is all very positive. In Asia, Japan but also Taiwan, thanks to the ex-Pioneer entity in Taiwan as well as in Hong Kong, for example.

Finally, regarding our joint ventures in Asia: very strong inflows for this segment – a particularly exceptional level of inflows – €12 billion – driven primarily by China where we benefited in addition to the continued level of inflows with the retail network from the mandate coming from our partner ABC which can probably be considered as a one-off. However, overall the underlying trend is also very good.

Institutional and Corporates: solid net inflows

Regarding Institutional business, here again solid inflows: €18 billion, so more than last year – €16 billion. However, you have to remember that on the first quarter of 2017, we recorded outflows of close to €7 billion due to the reinternalisation of the mandate by the ECB. If you exclude this effect last year, we had slightly lower inflows inflows in Q1 2018 but still a good level of inflows.

What is interesting is this year in this first quarter, the flows are more or less evenly split between treasury products that remain very attractive, especially for Corporate clients but more volatile, and the long-term assets more stable.

Net inflows driven by all asset classes

In terms of expertise, again, the key message is diversification on quality of inflows. In a nutshell, almost all of our expertise had positive inflows and contributed to growth. If you look at the total inflows of €40 billion, more or less almost evenly split in four elements: in terms of long-term assets, €9 billion of inflows on active management with especially strong growth for the multi-asset expertise or the emerging market expertise; €7 billion for passive management that continued to grow both in terms of ETF, where I think we were the third collector in the open ended funds for the first quarter, and for index funds and mandates or Smart Beta strategy.

So, €9 billion active management excluding JVs, €7 billion for passive management excluding JVs, close to €12 billion of inflows coming from the JVs with a very strong contribution from China, and close to €12 billion for treasury projects that continue to be very attractive and continue to grow in the first quarter. Again, we know that this segment of activity tends to be more volatile.

Net inflows driven by the International segment

Finally in terms of activity, a geographic approach and here again a good diversification in the source of growth, with again close to two-thirds of our growth coming from outside France. So, continued development in all our geographies with, in particular, good inflows in Asia. Of
course, there’s a strong contribution from the JVs but also a good level of activities in Japan, Taiwan, Hong Kong for example; in Europe, especially Italy, a bit more than €4 billion of inflows just in Italy in this first quarter of the year. It gives us a picture for activity.

**Results**

*Accounting net income up by more than 50%*

Consequences in terms of results: first, just a word about the accounting results, net results of €221 million taking into account integration cost and the amortisation of the distribution contracts. It is a growth of close to 54% compared to the first quarter of 2017, so of course reflecting integration of Pioneer. Integration took place in the third quarter, so here we have the full effect of the integration if you compare to the first quarter of 2017.

*Adjusted net income up 15%*

If we now come to the combined adjusted results which I will develop a little more, and which allows us to analyse the results on a comparable basis. The adjusted net result excluding integration costs and excluding the amortisation of the distribution contract of €240 million grew 15% compared to the combined numbers for the first quarter of 2017.

I will develop these elements, just maybe one element of comment: the net results of this quarter are slightly below the fourth quarter of 2017. You have to remember that on the 4th quarter of 2017, we recorded exceptionally high levels of performance fees, more than €80 million. We also recorded a very high level of financial revenues due to some capital gains on minority participations.

*Net asset management revenue up by 6.8%*

Back to the analysis of the main component of the results, comparing them to the first quarter of 2017: net asset management revenues – revenue generated by the activity – are growing by close to 7% – 6.8% – in line or even a bit more than activity, with net management fees increasing by close to 3% and performance fees by close to 100%. We recorded a very high level of performance fees – €52 million in this first quarter – which are due to the fact that a good number of products, with their anniversary date coming in the first quarter of 2018, posted very good performance in the last 12 months.

*Financial income*

One word about financial income which is negative, which is relatively new for Amundi if you compare to previous quarters and previous years. The reason is very simple – the first one is the acquisition. We now incurred some interest charges due to the senior and subordinated debts that we issued to finance partially the acquisition of Pioneer. The second element is that now since the beginning of the year, we are under IFRS9, a new accounting regulation by which all the mark to market change of our investment portfolio goes through the P&L. This quarter, the market environment being negative, we had a slight decrease in the market value of this portfolio.

Of course, this is not comparable to the first quarter of 2017 where we posted significant financial income, due to the fact that to prepare the acquisition of Pioneer we started to release some investment portfolios that we had, and realising some capital gain, that explains the good level we posted last year, so things are not comparable.
Expenses down reflecting the implementation of cost synergies

Clearly costs are well under control and decreasing by a bit more than 5% compared to the first quarter of 2017, thanks mainly to the implementation of the cost synergies.

Pioneer integration

I can say a word about the integration of Pioneer, which is going very well. In terms of departure plans, already a bit more than 50% of the planned workforce reductions have been completed by the end of March 2018. The IT migrations are going as planned. We already have Germany and the Czech Republic which have migrated. As a reminder, the idea here is to have all the Pioneer platforms migrate into our Amundi platform. It is taking place between 2017 and the first semester of 2019. It is going as planned. As I said, Germany and the Czech Republic have already moved to the platform. The other main European platforms are in the process of moving to the Amundi platform and this will be done by the end of the year. The last one, which will be the US, will move onto the platform in the first half of 2019. The IT migration is going smoothly. Most of the legal entities that have to be merged are already merged in Germany, Italy, the US and so on. This was reflected by what we discussed about the inflows with UniCredit; co-selling of expertise started especially with the UniCredit network.

Synergies and cost-income ratio

Overall, the integration plan is going as scheduled and so we are clearly in a position to confirm the amount of synergy – around €150 million of cost synergy – but also to consider that they will be implemented faster than we had previously expected, and we should expect to already have, at the end of the year, 60% of the total synergies accounted for in our 2018 results. That is 60% instead of the 40% previously planned.

This is clearly good progress being made on the integration plan. Clearly, with the explanations for the significant cost reductions observed in the first quarter and the combination of revenue growing and costs decreasing, very logically the cost-income ratio is improving. This was 50.7% in the first quarter, so it decreased by more than three points compared to the first quarter of 2017.

Results

Finally, on the results, revenues up and costs down: the contribution from JVs, is also growing, tax charge, is slightly decreasing, mainly due to the impacts of the tax reform in the US. As a consequence, again, of good progress and good growth in our net results, 15% for the adjusted net results.

Concluding remarks

To conclude, and before leaving you the floor for any questions you may have, the first quarter is clearly a good start for Amundi, with what is especially satisfactory that even though some elements could not be completely extrapolated – I mentioned the inflows in the treasury products, we know that money markets are more volatile – overall what is interesting is that the momentum is good and are driven by a very diversified set of segments, expertise and regions. The other element is that integration is going very smoothly and faster than expected, which allows us to generate synergies as expected but ahead of schedule. All of this is allowing us to confirm our growth strategy and makes us very confident in our ability to reach our medium-term targets, even if the market
environment is clearly less favourable than it used to be, and what it was particularly last year.

**Q&A**

**Arnaud Giblat (Exane):** Yes, good morning. I have three questions, please. Firstly, on the revenue margins, I know you do not disclose the different segments, but assuming that institutional and insurance margins are fairly stable, it seems as though retail margins have dropped a fair amount versus H2 or even H1 levels. I think you were at 47 on a pro-forma basis in H2. Could you give us maybe a bit more detail? What sort of maturity did you see in structured products this quarter? Should we expect this to be a low level of maturities going forward or should we expect some sort of recovery in retail margins?

My second question is on the JV margins. Actually, those have stepped up from 3 to 4 basis points. Could you elaborate maybe on what the driver of that is and whether it is sustainable?

Finally, on costs, there is clearly a strong costed income. I am just wondering if there is any seasonality in the cost bay. Should we be expecting costs to pick up in actual terms? I know as well that you have earmarked some investment spend for ETF. How are you getting on there? Are there any other areas where you are identifying investment potential? That is it. Thank you.

**Nicolas Calcoen:** Thank you very much. First, regarding margins, yes, as you already said, we are not in a position to, and we will not, disclose the margins by segment on a quarterly basis. What I can say is that, despite a good level of inflows, I would say our blended margins are very slightly lower this quarter. This is due to, in addition to continued margin pressure, due the fact that we have especially strong inflows on treasury or passive management, for example, which tend to have slightly lower margins. But I think what is important to remember is that, first, a single quarter does not necessarily reflect the sustainable development for blended margins, as you know and as you noticed. Some elements of revenues are not totally linear throughout the year, for example the ones generated by a guaranteed products.

The second element is – and I think it is important to remember – that we do not manage our business with a fee-margin target. We say that, on average, considering on the one hand the improvement expected on the client mix side, and on the other hand continued pressures we expect blended global margins to stay more or less stable over the medium term, and we still continue to do so. That said, again, we do not manage our business with a fee-margin target. We propose the expertise and we try to gain, as long as it is profitable, any new business. We are happy if we do have very strong inflows, for example, in lower-margin products such as treasury or passive management. We are happy to do that as long as it contributes positively to the growth of our net result and even if the consequence could be lower overall average margins.

On your second question, regarding the JVs, yes, they posted good significant growth – on this quarter, yes, the growth has been higher in terms of AUM. That said, it is just one quarter and for some of the JVs, this quarter is the end of the fiscal year, so sometimes at the end of the year you have some accounting adjustments that have to be made, so it probably
cannot be completely extrapolated. But what I can say is that overall, the JVs are on a good track in terms of activity, and also in terms of margins, and we should expect to see, in the medium-term, the growth in net result more or less in line with the growth in activity. What I can say is that the inflows we have posted in the JVs over the recent period are good-quality, good-margin inflows.

The third question was about cost. First about seasonality, there could be some seasonality, especially under a variable remuneration and they change in line, more or less, with the change in the operating profit before variable remuneration and could be adjusted by the end of the year, but there is no significant effect in terms of seasonality. Regarding investment, clearly, over the recent quarters, we have been very focused on the integration and on delivering the synergies. We said that part of these synergies will be reinvested. So far, we have not seen a reinvestment but progressively, over time and over the next quarter, you will see some reinvestment, but it will only be a small part of the synergies. You were quoting ETF. Clearly it is one area where we invest, not so much to reinforce our capacity in terms of managing ETF, but more the distribution of our selling capacities for this kind of expertise. Again, you can be confident that this reinvestment will be clearly monitored and very reasonable.

**Arnaud Giblat:** Thank you very much.

**Chris Turner (Berenberg):** Thank you and good morning. I have three questions as well, if I may. Firstly, French retail continues to accelerate. Can you give us a feel for what proportion of those sales are wrapped up in unit-linked policies and what proportion are standalone in terms of independent sales of mutual funds, and have you seen any acceleration in those standalone mutual fund sales in response to the tax changes in France?

Secondly, almost half of your flows this quarter went into passive funds, but I expect that has a strong bias towards the institutional channel, so can you give us a feel for how the active/passive splits look in your retail channel, please?

And then finally, and taking a step back a little bit, you expect to complete the European IT integration within 18 months of the transaction closing. You are accelerating the recognition of cost efficiencies generally. Does that mean that some of the execution risk that people talk about in M&A in the asset management industry is overstated? Or is it more that Amundi just have a very scalable platform and therefore we should think of you as a natural consolidator in this space? Thank you.

**Nicolas Calcoen:** Thank you. First, regarding French retail, I would say that the vast majority of the inflows went through unit-linked purely. So you are mentioning the potential impact of the tax reform in terms of inflows going outside, life insurance wrappers. For the moment, we are not seeing this phenomenon, but it is a bit early. It is just the first quarter of implementation of the tax reforms, so it is a bit early to say that. For the moment, it is still mainly driven by unit-linked.

Regarding passive management, inflows are not only in the institutional space. I think the majority of the inflow this quarter was in the institutional space, especially through inflows on some passive management mandates. But there are also flows in the retail with third-party
distributors, for ETF mainly. Overall, the margins, especially when you talk about mandates, clearly depend on the nature of the mandate and the size of the mandate, so I cannot give one answer and I cannot disclose some elements but, overall, let’s say for a given size of the mandate for a given client, passive management margins are lower than active management. It is the same in the retail space; ETF in average had lower margins at the purely active retail funds but again they are a profitable business.

The last question was about integration, which is going smoothly, which is true, and it doesn’t mean that in fact integration risks overall in the industry are overstated. I would say that it really depends on the transaction, on the actors that are in place. What I can comment is about what we are doing, and some of the elements I can’t explain: the fact that, to a point, the integration is going well, and there is absolutely no negative impact in terms of business; it is a stable element, and especially for the business part. The fact that we are talking here about businesses that are in the majority, especially on the Pioneer side, not exclusively but the majority, driven by retail, and especially by the activity in UniCredit network, which is of course sensible to change in terms of the teams that can manage the fund and performance and so on, but less than it is at some other businesses. That is one element.

The experience that we have acquired at Amundi in the way to manage this kind of process, and to the fact that our business model is very much adapted to be able to integrate new partners and new platforms. Our model is the combination of a very dedicated approach when we are talking about sales, marketing. The interface with the client, combined with a very mutualised integration approach IT platforms, are conceived to be able to integrate new teams and new platforms. That is the second element, the way we work and our experience. Probably, one third element is the fact that between Amundi and Pioneer and the Pioneer people and the Amundi people, of course the cultures are different, the backgrounds are different but I would say they are not that different. They are very much close in terms of experience on the way to work, so the culture obviously is there, which also helps to manage an integration process in a smooth manner.

Chris Turner: That is very clear, thank you.

Alex Koagne (Natixis): Bonjour, Nicolas. Actually a question from my side, as well. The first question is on the tax rate. It has come a little bit lower from the guidance you gave during the investor day. Is there any change in the tax rate guidance? Number two is on the synergies. I know you are a bit in advance of your plan. Is there any room to see a higher level of synergy by the end of 2020, I mean something about the €150 million? In terms of contributions from the JVs, I am not sure what it gets the underlying behind the strong growth we have. Is that due to some kind of performances linked in there, or is it only due to the mix? Can you just elaborate over there? Sorry if I missed the answer you gave before.

The last question is basically on the cost to income guidance compared to what you have in Q4. For the time being Amundi is trending somewhere around 50–51%, which is significantly below the 53% guidance. Should we also think about revising a number of our shares? Thank you.

Nicolas Calcoen: Okay. First, the tax rate lending is at 29.5%. I think we are in line with what we said on 29%, 30%, especially thanks to the tax reform in the US. To be clear and to
remember, in our guidance what we did not take into account the change in the corporate tax rate in France. I know that there are tax decreases, which is scheduled but not for this year, starting next year, but at the same time there is some works being done, and I think there is a consultation, by the way, that has been launched by the Ministry of Finance regarding the tax base. Let us see where all of this comes before taking into account any change in the tax rate in France, but for the moment for 2018 there is no tax change. As we said two months ago, in our guidance going forward we did not take into account a change in the tax treatment in France.

Regarding the synergies, as I said, we confirm the amount of synergies. I would say the phasing is quicker than expected. We do not change the targets. It is too early to say if we could or not, but we can say that we clearly confirm our targets.

Regarding the JVs, if I understand your question, it is about the contribution to what is contained in the equity-accounted entities. There is an increase in the contribution of 50% compared to last year, but 50% is only €4 million. What I was just saying is that the underlying trend is good in terms of activity and in terms of margins, but I would not necessarily just basically multiply by four what we have seen in the first quarter. The reason is not that there are some exceptional elements, such as performance fees; it is, again, that this is for us the first quarter, but in China and India it is the end of the year, and some time at the end of the year, there can be some adjustments. It can be minor, but if you look at them, again, we are talking about 4 million and that can lead to a significant change in percentage. However, again the trend is good, and going forward we would expect contributions in line with activity.

In terms of the last question, cost income, let me again clarify what we said regarding the guidance. We said it should be below 53%. It does not mean that we target 53%; it means that we should stay below 53% even in a lower environment, but actually the direction is not to go up to 53%

**Alex Koagne:** Understood. If I may have a request, could we have your assets under management in Italy on the quarterly basis as well as for the French networks? Thank you very much.

**Nicolas Calcoen:** Italy accounts for three-quarters of the assets. In Italy, €178 billion of AuM at the end of March, including institutional and third party.

**Alex Koagne:** Thank you very much.

**Anil Sharma (Morgan Stanley):** Hi there, a couple of questions. In terms of the JVs, I think you mentioned that there was some exceptional flows in there. I was just wondering how much you think actually was one-off. Then obviously for the last couple of quarters you have been flagging that the profitability in the JVs was going to come through and the leverage would be better, which seems to be happening, but I am just wondering is there any more catch-up due in the coming quarters, if there is going to be slightly better operational leverage still to come?

Then, on the third party distributors, it is quite curious because you have had really strong growth there for about 12–18 months, and I think in this particular quarter you said a lot of it
came from Italy and Germany. I am just curious as to why you are not capturing those flows through the UniCredit network, and why you are getting them through third parties, so if you could help elaborate for me. Also, what change in behaviour you have seen from distributors following MiFID II, if you have seen anything, or has everything just stayed the same? Thank you.

**Nicolas Calcoen:** Regarding the inflows, I mean, it is to be continued but one of the mandates we got is around €8 billion, so that part can be considered as slightly exceptional. I am not sure if I have understood the question about the revenues and the JVs.

**Anil Sharma:** I was just saying that obviously if you look at the last two years, the JV assets have been growing very nicely, but the amount that you capture has not grown as quickly. I think in the last six to 12 months, you have been saying, that should improve. It looks like this quarter it has improved, but I am just wondering is there a bit more of a catch-up so that actually the leverage will be even better, as we look forward?

**Nicolas Calcoen:** No. As I said, going forward, we should expect revenues going in line with activity. We do not expect to see what we saw, as you mentioned, in the past where contribution was lower than activity. As I said, if they gained very significant mandates or funds with a very high level of AuM but of lower fees on average, it could lower the average margin, but again what is important is the bottom line.

Regarding third parties, just to clarify one point, the activity with UniCredit network, whether UniCredit in Italy or HVB in Germany, these assets are classified in international networks. When we talked about Italy and Germany within third party, it means that the activity that we do is a fund that we sell to either other banks or IFAs or private banks in Italy or in Germany.

**Anil Sharma:** Yes. I was just curious as to why in Italy are you not capturing that business via UniCredit network? Why it is so strong with those other providers?

**Nicolas Calcoen:** I am not sure how to give the answer. We work for Unicredit on one side, but we also with Promotori, other banks, and we go directly to these clients. We do not need to have another distributor as an intermediate between us and other distributors.

**Anil Sharma:** Okay. Thank you.

**Nicolas Calcoen:** You are welcome.

**Jonathan Richards (KBW):** Good morning. Two quick questions from me. Firstly, have you seen any pull-back in retail activity as the second quarter has started and the market volatility has picked up? That is the first one. Then, secondly, since the 60% of Pioneer synergies have come through, are you now guiding for 60% of Pioneer synergies coming through in 2018? Can we expect an up-tick of that magnitude for 2019 as well? Thank you.

**Nicolas Calcoen:** Regarding retail activity the first quarter is very good. – But we have some signals of some slowdown in activity, not much with the retail network, but a bit more with third party distributors, particularly at the very end of the quarter and probably the first week of April. with what we can feel on the market, clearly, as an effect of increased volatility on the market. So, yes, actually there’s some signal that there’s some slowdown
with distributors, but the good thing again is that we are very diversified in the source of inflows, so in the medium-term, again, very confident in our ability to meet our target.

The second question, well, it’s a bit early to say. We still have some synergies to be done in 2018 and that won’t have their full effect in 2018. I was, for example, mentioning that the IT migration in the US will take place in 2019, so the impact will not be seen completely in 2018. So, at the end of the day, would we account to the 80% or slightly more 80% in 2019? We’ll see, but it’s a bit early to say and would not make a very, very significant difference.

Jonathan Richards: Great, thank you.

Hubert Lam (BoAML): Hi, good morning. Just a few questions for me. First one is on the financial revenue line. If you can provide us the split between the market-to-market, as well as the interest in the cost on that line, as well as we get your thoughts in terms of how we should think about this line going forward? That’s the first question.

Second question is if you can give us an update on your access capital position, if any? Third, if you can also give us an update on your US business in terms of flows coming from that region and how that developed over the last quarter? Thank you.

Nicolas Calcoen: Regarding financial revenues, we certainly don’t disclose a precise split, but I think on this quarter, it’s more or less half market effect. Going forward, what we’re sure is that every month, every quarter, we will have the interest charge. Regarding the market-to-market, difficult to make predictions. But given the new accounting rules, we may have from time to time, some negative financial revenue.

Regarding of capital position, we have a good capital position. We don’t have excess capital as we used to have before the acquisition of Pioneer. At the end of last year, we had €1.9bn of tangible equity, including the dividends to be paid next month, by the way. In terms of solvency ratio, we had a core equity tier one ratio of a bit more than 12%, 12.4% to be exact, phased in, and 11.9% on a fully loaded basis. And 15% of total capital.

US business, overall, the activity was good last year. They had more than €2 billion of inflow. On this first quarter, it’s slightly, very slightly, negative but it’s just one quarter. Our market has been, as you know, more difficult. So, we will continue to develop. We have a plan to develop, to export the expertise of the US platform to our client base in all the world, in Europe, in Asia and the Middle East. Besides, the plan has been designed, work has been done to promote and explain the expertise to our sales force everywhere but we don’t see yet the effect of this plan.

Hubert Lam: Great, thank you.

Hayley Tam (Citi): Three quick questions from me, please. Firstly, just in terms of your fund flows. Could you confirm how much of your €7 billion passive flow was actually into ETF? Also, just wondered whether you’ve been seeing any merging pressure that are more recently? I think, Lyxor announced a range of fee cuts or a new low cost range last month.
Secondly, in terms of your cost synergies. Obviously, you said you’re running on schedule and I think, an extra 20% would be about €30 million extra this year. I just wondered how much of that is already in your Q1 run rate.

Then the third question on performance fees. Could you remind us what proportion of your performance fee eligible does crystallise as fees in each quarter of a typical year just to give an idea of the likely seasonality? Though my question – and I just, I think, there was a previous question another analyst asked about MiFID 2, whether that had any change on distribution behaviour and I just wanted to remind you of that as well. Thank you.

Nicolas Calcoen: Okay. So, passive flow a total of €7 billion out of which, I think, it was €2.5 billion inflows just on the ETF which makes us the third collector in terms of flows for this quarter in Europe, of course. In terms of fee, no major change on the last quarter in the fees to occur. A reminder, our motto for retail business has been for a while and remain “smarter and cheaper”. So I don’t know if we are already smarter and not meaning to judge, but we try always to be competitive and that’s the way we manage to develop the business and make it profitable.

In terms of performance fees, the question was about the eligible assets[inaudible]. So, we have more than €250 billion assets that are eligible to performance fees and, I think, one of your questions was how much every quarter. It’s difficult to say from one quarter to another. It’s not the same fund that do deliver the performance fees from one year to another but the good thing is that we have quite a large asset base, quite a large number of funds that can generate performance fees, so we don’t always generate same level of performance fees but every quarter we do generate performance fees.

The question regarding MiFID and the change in distribution, well, it’s a bit early to tell but we do see some effect. We do see, for example, in the Italian market, the move to Unit Linked or segregated account. We start to see some pressure, on distributors We also see opportunities to try to advise new clients and to develop new activities. For example, we are managing for example, for UniCredit network and we work intensively with the UniCredit marketing and sales teams to develop a range of products and to seize these opportunities.

Hayley Tam: Thank you.

Angeliki Bairaktari (Autonomous Research): Hi, thank you for taking my questions. Two questions, please. The first one, just to follow up on what my colleague asked before. Could you please let us know how much of the synergies are accrued in your Q1 cost base? Could you provide a bit more colour on how the cost decline year-on-year on a combined basis is split? Is there any impact of synergies? Is there an impact of affects or anything else?

My second question. Last year, you had seasonality in terms of this situation on flows with big inflows in Q1 and outflows in Q2. Should we expect something similar this year? Thank you.

Nicolas Calcoen: Clearly, the decrease in the cost on the first quarter as compared to first quarter of 2017 is a decrease by around 5% due to the synergies. We have all the effects. We have, for example, the FX effect, that decreased the costs for example, in the US or in Asia. On the contrary, we had some effect that increase the cost, such as some inflation effect or the fact that for the first quarter, we took in our P&L the impact of the external
research. These various effects, the price effect, the cost of research more or less balance each other and so we can consider that the decrease of the cost base between Q1 2017 and Q1 2018 are the impact of the cost synergies.

Second question was seasonality in this whole business. There is seasonality for treasury expertise, so there’s nothing completely scientific in it. We know that overall flows on treasury product can be volatile by nature, because of the way individual or corporate clients invest some available cash or short-term cash that they may have, by nature it’s volatile. It’s so that generally we tend to have a good first quarter. It was the case this quarter. Volatility of funds in the second quarter, the flows are lower. Sometime negative. It was the case last year simply due to the fact that many big corporate clients which are an important part the client-base for this product, do pay their dividend on the second quarter and use their cash available to pay this dividend. So, overall, yes, on average, we would expect to have a lower inflows on the second quarter but again, it can be compensated by some exceptional effect such as corporate that do raise money and to finance a future acquisition. So, it can be significant amount so it’s difficult to predict but again, second quarter tends to be lower than first quarter.

**Mike Warner (UBS):** Thank you. I’ve got two questions here. One on the performance fees, apologies if you covered this earlier. What’s the mix or a general sense of the mix in terms of the performance fees realised in Q1 between Legacy Pioneer products and Legacy Amundi products? Also, any breakdown by asset class will also be very much appreciated.

Then, in second, getting back to a question that was asked at the early stages of the Q and A session, with regards to management fees. Rather than looking at management fee margins, just looking at management fees, we saw about a 3% decline in management fees quarter-on-quarter. So while you were discussing that you will take mandates even if they result in a dilution in management fee margins, you know, what we actually saw was a decline in the absolute management fees brought by Amundi despite what was a very strong quarter for inflow. So, I was just wondering if you can help bridge that quarter-on-quarter change? Thank you.

**Nicolas Calcoen:** Okay, first regarding performance fees. What we put in the first quarter comes from both Amundi Legacy Funds and Pioneer Legacy Funds and, especially, there was a good contribution from some Pioneer funds that came in the first quarter, which explained, partially, the increase compared with first quarter of 2017. In terms of asset class, it’s quite diversified with, especially, a good contribution from, I would say, multi-asset products for the first quarter.

Regarding management fee margin, as I said, on comparing quarter-to-quarter has to be taken with caution, first, because some of the fees they are not completely linear, especially structured product. In addition, bear in mind that the market effect has been negative if you compare to first quarter of 2018 to last quarter of 2017.

**Mike Warner:** Perfect. Thank you very much.
Jean Sassus (Oddo): Just coming back on the margin issue. Maybe, to get a better view on what is the effect of competition pressure on pricing, could we discuss about the split about the change in business mix on asset mix there and by difference, what is actually the, I would say, the competitive pressure on the pricing?

Second question’s regarding third party distribution. Did you sign a new contract in terms of extending the distribution networks or accessing new distribution networks in Q1 and to what extent Pioneer is helping you by your broader range of product to conquer and to sign a new distribution agreements there? Thank you.

Nicolas Calcoen: Regarding margins, what’s your question?

Jean Sassus: The question is we have actually, well, this kind of margin pressure with assets growing faster than revenues. Just to understand what is the impact there in terms of changing the asset mix which would weigh on the categories off assets which would weigh on the average margin and by difference what is the actual competitive pressure?

Nicolas Calcoen: We had good inflows in money markets, and in passive management and the growth rate – of course in passive was stronger than in active management – it does have an impact on the margins. The effect of the competitive pressure, it is not measured quarterly– but it does have an impact in the retail space. We know that it’s there and we know that the new mandate coming intends to be in average slightly lower in terms of margins that the back book. On retail, it’s more a question of asset mix..

Regarding third party business, third party distributors new contracts. So, yes, I would say continuously we try to enter with new contracts in the recent period. I think it was a specific location in Asia where we will extend new contract with new distributor. So, these things take time – when you sign a contract, you don’t necessarily see the impact in the coming months but sometimes based on the fact that first of all, we have a good level of activities on the recent quarter in Japan or, more recently, in Hong Kong or Taiwan is a consequence of some relationship we entered sometime a few months ago, sometimes few quarters ago.

On that, is Pioneer helping? Yes, but it helps or it can help the fact that we increase, the breadth of our expertise, it can help both for new contracts but also to reinforce the relationship we have with the existing clients by being able to add new expertise to what we already promoted to them.

Jean Sassus: On the topic, you are already feeling being in the business now?

Nicolas Calcoen: In the relationship, yes. In the number, it’s a bit early to tell.

Jean Sassus: Right. Thank you very much.

Nicolas Calcoen: No additional remark. Just to thank you very much for your participation and next rendezvous on 2nd of August. Thank you very much.

Thank you, bye-bye.

[END OF TRANSCRIPT]