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Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Quercus	Not covered			Michał Sobolewski, CFA, FRM +48 500 046 774

Event: Management on outlook post 2Q25 financial results.

Quercus management updated on results and business outlook after 1H25 financial report was released. We present chief findings below.

Solid fund inflows and performance momentum. Since 2Q23, Quercus has experienced consistent net inflows after the outflows of 2022 caused by geopolitical shocks. Monthly inflows have ranged from tens to hundreds of millions of PLN, with July reaching over PLN 300 million. Management reiterated that any month exceeding PLN 50 million in net sales is deemed successful, with higher amounts viewed as exceptional but not the norm. Quercus maintains realistic expectations and continues working to improve inflows in favourable market conditions.

Strong results at Xelion. Xelion, the group's investment house, achieved assets under management of PLN 5.6 billion as of 1H25, marking a 21% yoy increase. Net profit in 2Q25 reached PLN 1.7 million, matching the full-year profit level recorded when Xelion was acquired four years ago. Management expects continued growth from Xelion, maintaining its client-centric strategy that prioritizes offering the best available funds, not just proprietary ones.

Revenue and earnings growth driven by fund performance. Group revenues reached nearly PLN 87 million in 1H25, up from PLN 66 million a year earlier. Net profit grew 38% yoy to PLN 21.9 million. The performance was driven by both fixed and variable fees, with strong investment results particularly in Quercus Absolutny and Quercus Global Balance funds. The increase in results also translated into higher employee benefits, as success fee-based bonuses were provisioned.

Capital position remains strong. Despite a record PLN 59 million distributed to shareholders in 2Q25, equity attributable to parent shareholders stood at a solid PLN 76.2 million. The company confirmed its capital position remains healthy and supports future growth. Strategic objectives remain unchanged: scaling the business, delivering top-tier investment results, and expanding bank partnerships to grow high-net-worth client assets.

High growth potential for the fund industry. Management highlighted that investment funds represent only 2.4% of capital fund savings in Poland, and less than 0.5% when including total household savings (funds plus bank deposits). This underscores significant long-term growth potential for the entire investment fund market, including Quercus.

Franklin Templeton strategic alliance. Quercus is progressing toward a merger with Templeton Asset Management Poland TFI S.A. and a subsequent capital increase that would result in Franklin Templeton holding close to 10% of Quercus shares. Management sees this as a strategic move to strengthen distribution and credibility, particularly with bank distributors.

Equity market outlook and fund positioning. Management was asked for their view on the strength of the equity market rally and how it aligns with their current positioning. They admitted to being taken by surprise by the scale of the rebound, especially the nearly 40% increase in the WIG index ytd, despite persistent geopolitical concerns such as the ongoing war in Ukraine. Historically, the August-October period tends to be seasonally weaker for equities, and this reinforces their more cautious short-term stance. Management referenced internal research, which supports the notion that the November-May window offers more favorable conditions for equity investing. As such, they are not aggressively positioned in equities at this time and prefer a balanced and risk-aware approach.

Performance expectations for debt funds. Regarding fixed income products, management reaffirmed their positive stance on the performance of debt funds, citing the high level of interest rates as a supportive backdrop. For short-duration bond funds, they reiterated a target return of 6-7% for the full year, hoping to land near the upper bound of that range. For longer-duration treasury bond strategies such as Quercus Obligacji Skarbowych, management guided for returns between 8%-10% in 2025. They see continued upside given the potential for interest rate cuts in both Poland and the United States over the coming quarters, which would create favourable price dynamics for bond portfolios.

Client reluctance toward equity funds. One question addressed the persistently low client interest in equity funds, despite strong market performance. Management acknowledged this trend and admitted that it is unprecedented and difficult to interpret. Despite delivering very strong investment results, they observe that Polish investors continue to shy away from equity exposure, favouring safer, income-generating products. Management expressed concern that this conservative stance may reflect either a lasting shift in client sentiment or broader trust and education issues, which the industry must work to address.

Investment performance as the primary growth driver. Asked about internal levers that contributed most to asset inflows, excluding favourable external conditions, management stated unequivocally that superior investment performance remains the single most important growth catalyst. They praised their investment team for consistently strong results across multiple product lines, especially Quercus Absolutny (absolute return), Quercus Global Balance (mixed allocation), and Quercus Global Growth (U.S. growth equities), which have all delivered returns that management described as competitive at the European level. This strong track record is the primary reason why clients and distributors have increased allocations.

Regulatory developments and deregulatory potential. In response to a question about deregulatory developments that could ease fund operations, management stated that they were unaware of any major reforms underway. While there are occasional technical changes that may benefit parts of the industry, there is currently no visible regulatory push with the potential to materially alter the competitive or operating landscape. They emphasized that their business strategy assumes a “status quo” regulatory environment, and any potential deregulation would be treated as additional upside rather than a core planning assumption.

Partnership development and distribution expansion. Management provided a status update on several strategic partnership projects. Project 1 – involving Franklin Templeton – is nearing completion and is expected to significantly enhance brand recognition and distribution capabilities. Project 2, which was linked to potential deregulatory changes in the market, has not seen material progress recently. Project 3, a new strategic distribution initiative with an undisclosed large external partner, is advancing well and could be announced in the coming months. Additionally, a fourth initiative has emerged, though this is considered more of a long-term opportunity likely to materialize in 2026. Management emphasized that each of these partnerships aims to broaden the reach and scale of the business.

Outlook for new savings product OKI. Regarding the proposed long-term savings product (OKI), management expressed support for the initiative and similar efforts to promote long-term investing in Poland. However, they remain sceptical about the short-term political feasibility of implementing such reforms. They acknowledged the importance of such tools but emphasized the need for cautious optimism, noting the unpredictability of the Polish legislative process. Consequently, they are not incorporating any material impact from OKI into their near-term projections.

Clarification on Xelion’s moderate qoq profit growth. A question was raised on the seemingly modest 3% qoq net profit growth at Xelion, despite a significant increase in assets. Management explained that this is primarily due to an exceptionally high base from 2Q24, which had delivered outstanding results. They recommended analysing the 1H25 performance as a whole, where Xelion reported PLN 3.3 million in net profit – a figure that represents a double-digit percentage increase yoy and provides a better indicator of sustainable performance.

Timeline and nature of Franklin Templeton cooperation. Asked about the timeline for finalizing the deal with Franklin Templeton, management indicated that both the merger with Templeton Asset Management Poland TFI S.A. and the associated capital increase are expected to close in 4Q25. When asked whether Franklin Templeton would act as a passive shareholder or engage more actively, management stated that the partnership already includes the development of a joint product, even ahead of formal deal completion. They expressed high hopes that Franklin’s global scale and brand strength would meaningfully accelerate Quercus’s growth, especially in international product development and distributor relations.

Buyback participation rate and shareholder behavior. A question was raised about the 11% of shareholders who did not participate in the 2025 share buyback program. Management clarified that approximately 89% of shares were tendered in the buyback – slightly below the 95% seen in prior years. They attributed this to the market price being close to the buyback offer price (PLN 11.50), which may have led some shareholders to expect a better price in the market – a scenario that indeed materialized, as the stock later traded above PLN 12.

Possibility of a blockchain-focused fund. A participant asked whether the return of Paweł Karczewski to Quercus signaled plans to launch a blockchain or crypto-related investment fund. Management clarified that Mr. Karczewski’s role is focused on strengthening the sales department and that, while new products are in development, it is too early to disclose specifics. There is no official announcement or timeline yet for any blockchain fund.

Accounting clarification on provision release income. One analyst inquired about a notable PLN 1.6 million income item from released provisions and whether this might recur. Management explained that the item reflected unutilized reserves set aside for distribution costs. One distributor, in particular, did not fully use their allocated budget. They noted that a portion of this income may continue to recur until such time as all distributors fully consume their cost limits. They emphasized this was not a one-off profit distortion, but a normal result of prudent financial management and cost discipline.

Temporary cost increase related to fund liquidation. Another question related to a sharp increase in fund-related expenses in 2Q25, which rose to PLN 5 million from only PLN 100,000 in the prior quarter. Management confirmed this spike was due to the final liquidation of the Future Tech fund, and that the cost was offset by an equal revenue item, meaning there was no real profit impact. They stressed that this was a non-recurring item and will not affect future quarters.



Normalised operating results going forward. A follow-up question sought clarity on whether past accounting irregularities or legacy exposures (such as GetBack or GPK) might still affect future earnings. Management responded firmly that current reported results now reflect normalized operations, with no remaining distortions from legacy exposures. Any future accounting adjustments tied to the pending Templeton merger are expected to be minor, with no material impact on the company's earnings profile.

M&A outlook and potential market consolidation. Management was asked whether there were any ongoing merger or consolidation discussions beyond the Templeton deal. They confirmed that while they remain open to consolidation and are willing to explore opportunities with serious partners, there are no active negotiations at present. Their near-term focus remains on completing the Franklin Templeton transaction, which is viewed as transformational.

Bank distributors' behaviour remains unchanged. A participant asked if bank distributors had become more willing to sell external (non-proprietary) funds, particularly in light of improved market dynamics. Management replied that unfortunately no such shift is evident. They expressed concern over what they described as the "Achilles' heel" of the Polish fund industry – a systemic preference among bank distributors to prioritize internal products over external best-in-class funds. They called for a more client-centric approach, similar to what is practiced by firms like Xelion, F-Trust, iWealth, and selected banks that place clients' interests first by offering diversified product shelves.

Expected impact: *Quercus is benefiting from a structural tailwind in the Polish fund industry, driven by bank sector liquidity and strong fund performance. Management remains cautious but optimistic, with expectations for continued asset inflows and new distribution opportunities, especially as the Franklin Templeton partnership matures.*

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.