

Institutional Management Fees In Focus

Using the management fee data reported to eVestment, we explore the current landscape of separate account fees and the differences in actual fees paid by public plan investors versus managers' stated fees.

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Asset Class Focus:
US & International Equity

Capitalization Focus:
Large Cap & Small Cap

Style Focus:
Growth & Value

Introduction

This report organizes management fee data, exploring the current landscape of separate account fees and the differences in actual fees paid by public plan investors versus managers' stated fees.

Asset owners can use the report to benchmark what they can expect to pay based on the amount they are seeking to allocate. Asset managers will find utility in understanding what their peers are listing as their fees and actually charging public plans.

Included are the stated management fees of 1,139 separate account structures from within eVestment's Analytics platform, and 88 cases of actual fees paid by public plans and their corresponding managers' stated fee comparisons, using documents uploaded to eVestment Market Lens.



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Separate accounts are complex, professionally managed portfolio offerings by asset management firms to institutional and high net worth investors. Separate accounts afford investors transparency, direct ownership of underlying securities, tax advantages, and the flexibility to make custom decisions such as inclusion or exclusion of individual securities or entire industries from their portfolios. Whereas offerings geared towards retail investors generally charge a flat fee on all assets, the majority of separate accounts implement a tiered fee structure dependent on various allocation levels (the higher the amount, the lower the fee).

Asset managers report their fee structures into eVestment's global database. Understanding what each individual manager may charge is straightforward, but because of the nature of individual fee structures, comparing a strategy to its peers is more complex.

The aim of this report is twofold:

1. To organize reported fee data from eVestment Analytics into a visually consumable and usable reference for comparing individual fees among peer groups.
2. To see differences in the level of stated fees versus what investors may have negotiated, using data from eVestment Market Lens.

The result is an exploration of the current state of separate account management fees and the differences in the actual fees paid by public plan investors versus managers' stated fees.

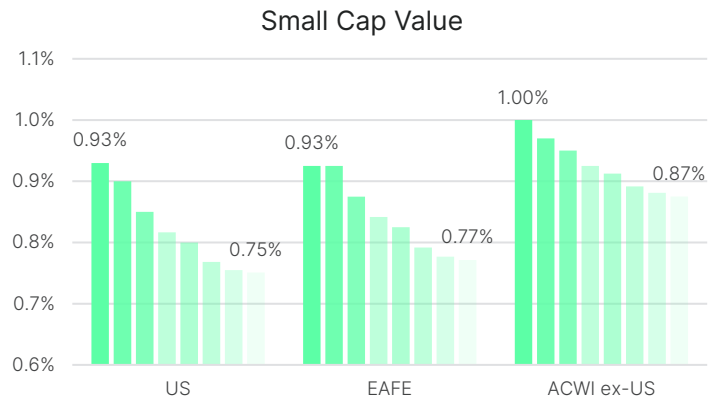
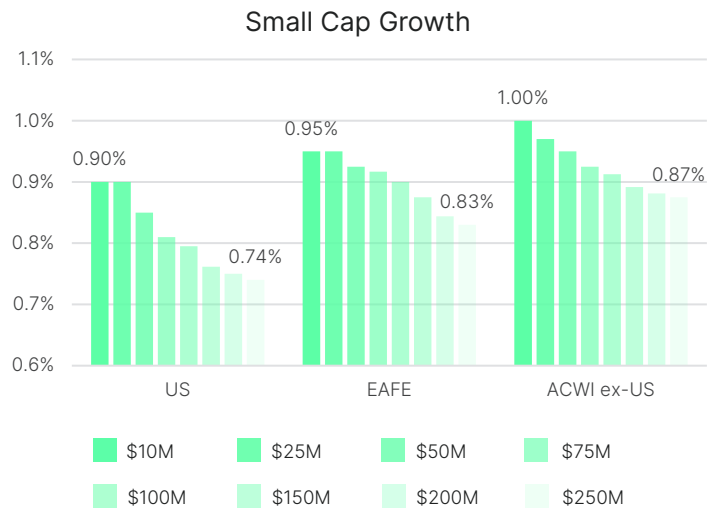
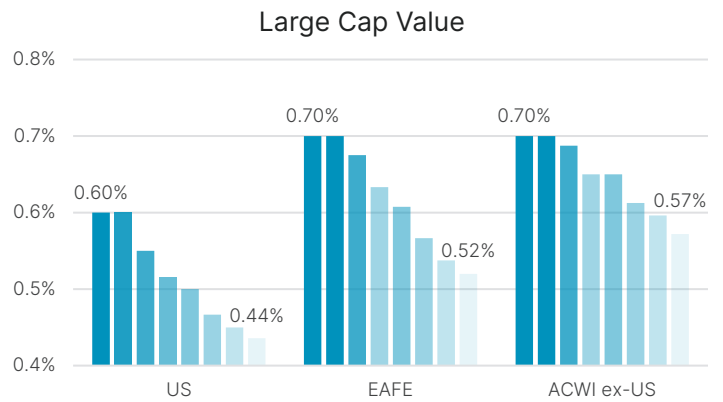
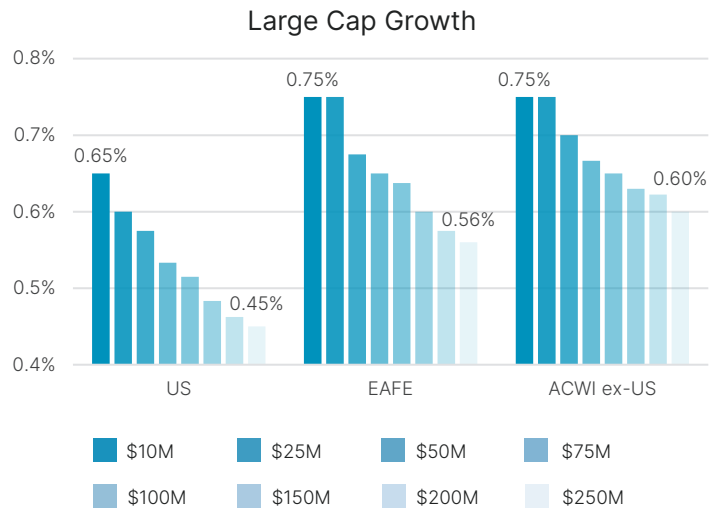
The traditional equity universes featured were chosen to highlight the depth of actual fee data from eVestment Market Lens and breadth of reported fee structures from eVestment Analytics. Access to both of these solutions can create similar comparisons across a much wider range of asset classes and geographic exposures.

Median Stated Management Fees

Among other factors, stated management fees vary depending on the capitalization, style, and geographical focus of strategies. The charts show the median, manager-reported management fees by investment amount, segmented by market cap and style for three major investment regions. Only actively managed strategies of large cap and small cap strategies are included, however with access to eVestment Analytics users can produce similar analyses across varying asset classes and sub-strategy segments.

The charts primarily provide an understanding of how expected fees may change given the size of investment or mandate. One point that stands out is while it's obvious larger allocations come with the expectation of lower fees, these fee breaks may become common or more pronounced at different allocation points across different strategies. For example, within large cap growth strategies for both EAFE and ACWI ex-US equity, fee breaks generally don't come until after the \$25M mark.

Additionally, the charts emphasize the importance of understanding the spread between what an investor may pay between smaller or larger allocations as these differences are more, or less, pronounced depending on cap, style, and geographic exposure.



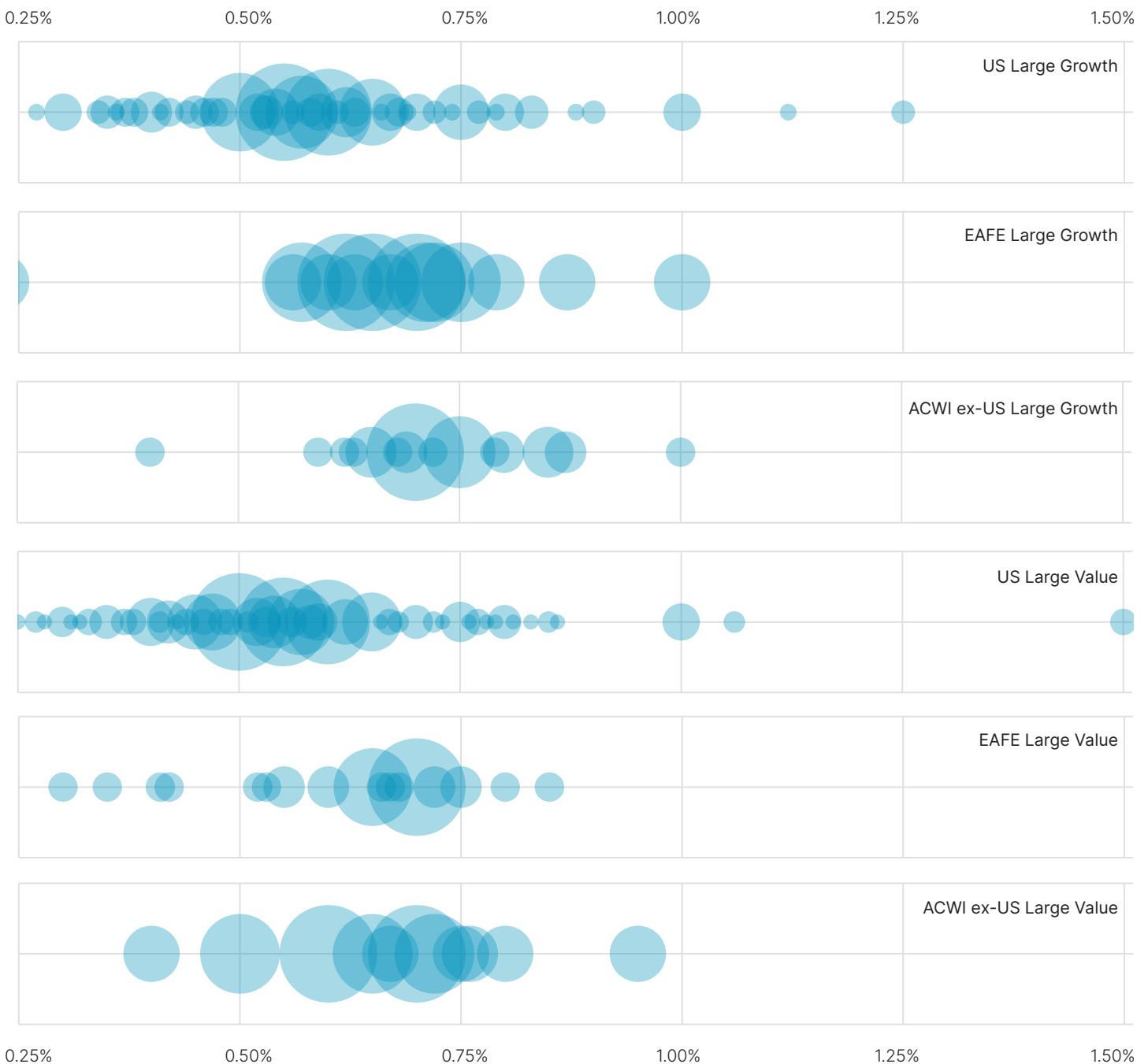
Distribution of Stated Fees at \$50 Million

The scatterplots on the following pages show the dispersion or concentration of stated separate account management fees at a common investment size of \$50M (fee schedules set in other currencies have been converted to USD). Larger bubbles represent more strategies that charge the corresponding x-axis fee amount, while darker regions represent higher concentrations of similar, but differing fees.

The charts illustrate where there is more uniformity in stated fees and where one can find more deviations. For example,

EAFE Large Cap Growth strategies' fees are concentrated near 65bps, while US Large Cap Growth strategies are more widely dispersed. Within different strategy categories the dispersions of fees are influenced by the variety of investment approaches and styles possible within the same markets.

It is especially important for managers to understand how much variation in fees investors may see when comparing products, and how to effectively represent their differences from their peers when competing for mandates.



For asset owners, understanding the management fee dispersions and the strategy characteristics creating them will aid in manager evaluation and potentially, the fee negotiation process.

Those with access to eVestment Analytics can apply this analysis to 300+ primary universes (or 500+ when including our roll-up and secondary universe groupings) to understand the similarity and variety of fees across various markets.

Example of fee schedules in eVestment Analytics from two US Large Cap Growth products:

Product Fee Schedule	
Fee Schedule Type:	<input checked="" type="checkbox"/> Sliding <input type="checkbox"/> Scaled
Sliding	
Separate / Segregated Account	
First 10 million at:	0.75%
Next 10 million at:	0.70%
Next 10 million at:	0.65%
Next 10 million at:	0.60%
Next 10 million at:	0.55%
Next 10 million at:	0.50%
Next 10 million at:	0.45%
Balance Remaining at:	0.35%
All Assets@:	---

Product Fee Schedule	
Fee Schedule Type:	<input checked="" type="checkbox"/> Sliding <input type="checkbox"/> Scaled
Sliding	
Separate / Segregated Account	
First 50 million at:	0.48%
Next 50 million at:	0.37%
Next 100 million at:	0.28%
Next 300 million at:	0.21%
Next 250 million at:	0.15%
Next --- million at:	---
Next --- million at:	---
Balance Remaining at:	0.10%
All Assets@:	---



Median Stated Management Fees at \$50M by Product Characteristics

Within any given primary universe (i.e. the most granular eVestment strategy segmentation) there remain a variety of characteristics that differentiate one product from another. These factors can be a determinant in the relative fees being proposed.

The tables on the following pages break down equity strategies by select product characteristics to help investors and managers better triangulate the market for their universe of interest. The categories include performance, firm size, product age, investment approach, portfolio management team diversity, and ESG factors.

Some examples of how to interpret the results:

- While there are instances where outperforming strategies report higher management fees, the data indicates the

relationship between recent outperformance and higher fees varies across universes.

- Larger firms generally charge less in management fees than firms in the smallest quartile of firm AUM.
- There is a slight difference in reported fees of portfolio management teams that are in the most diverse quartile versus those in the least diverse quartile, though the differences may be explained by strategy characteristics.
- Median management fee differences for ESG vs. non-ESG strategies do not appear to highlight the true differences in cost structures for operating an ESG-focused product. Investors in ESG-focused strategies need to understand the source of any fee differences, and managers should be able to articulate the economic impacts of operating dedicated ESG-focused products.

	3YR Return Quartiles (2019-2021)			2021 Year-End Firm AUM Quartiles			Product Inception Date Quartiles		
	Bottom Quartile	In Between	Top Quartile	Smallest Quartile	In Between	Largest Quartile	Oldest Quartile	In Between	Newest Quartile
US Large Cap Growth	0.57%	0.55%	0.59%	0.60%	0.60%	0.55%	0.57%	0.57%	0.55%
EAFE Large Cap Growth	0.68%	0.67%	0.67%	0.62%	0.69%	0.70%	0.70%	0.70%	0.65%
ACWI ex-US Large Cap Growth	0.75%	0.70%	0.70%	0.70%	0.75%	0.65%	0.70%	0.70%	0.80%
US Large Cap Value	0.52%	0.55%	0.60%	0.52%	0.54%	0.55%	0.55%	0.54%	0.53%
EAFE Large Cap Value	0.65%	0.67%	0.70%	0.70%	0.65%	0.68%	0.70%	0.65%	0.67%
ACWI ex-US Large Cap Value	0.65%	0.70%	0.71%	0.71%	0.65%	0.70%	0.67%	0.68%	0.70%
US Small Cap Growth	0.80%	0.85%	0.85%	0.87%	0.85%	0.84%	0.85%	0.85%	0.85%
EAFE Small Cap Growth	1.00%	0.92%	0.90%	1.00%	0.92%	0.92%	0.98%	0.90%	0.96%
ACWI ex-US Small Cap Growth	0.94%	0.98%	0.98%	1.00%	0.94%	0.92%	0.92%	0.98%	1.00%
US Small Cap Value	0.85%	0.86%	0.84%	0.95%	0.85%	0.85%	0.88%	0.85%	0.85%
EAFE Small Cap Value	0.92%	0.85%	0.85%	0.82%	0.92%	0.60%	0.90%	0.93%	0.83%
ACWI ex-US Small Cap Value	0.92%	0.87%	0.90%	0.90%	0.92%	0.90%	0.92%	0.87%	0.95%

See methodology for additional details on tables.

	Investment Approach			% of Portfolio Mgmt Team That is Minority/Female Quartiles			ESG vs. Non-ESG	
	Quantitative/ Technical	Combined	Fundamental Discretionary	Less Minorities /Women	In Between	More Minorities /Women	Dedicated ESG	Non-ESG
US Large Cap Growth	0.48%	0.55%	0.58%	0.60%	0.58%	0.57%	0.60%	0.57%
EAFE Large Cap Growth	N/A	N/A	0.69%	0.65%	0.70%	0.65%	N/A	0.67%
ACWI ex-US Large Cap Growth	N/A	N/A	0.70%	0.75%	0.69%	0.72%	N/A	0.70%
US Large Cap Value	0.45%	0.54%	0.55%	0.57%	0.55%	0.54%	0.55%	0.55%
EAFE Large Cap Value	0.52%	0.65%	0.69%	0.68%	0.70%	0.65%	N/A	0.68%
ACWI ex-US Large Cap Value	0.76%	N/A	0.70%	N/A	0.76%	N/A	N/A	0.69%
US Small Cap Growth	0.80%	0.80%	0.85%	0.86%	0.85%	0.85%	N/A	0.85%
EAFE Small Cap Growth	N/A	N/A	0.94%	N/A	N/A	N/A	N/A	0.92%
ACWI ex-US Small Cap Growth	N/A	1.00%	0.95%	0.90%	0.90%	1.00%	N/A	0.95%
US Small Cap Value	0.75%	0.80%	0.89%	0.90%	0.90%	0.85%	0.82%	0.85%
EAFE Small Cap Value	0.90%	0.45%	0.92%	0.90%	0.75%	0.90%	N/A	0.87%
ACWI ex-US Small Cap Value	N/A	0.92%	0.90%	N/A	N/A	0.92%	N/A	0.90%

See methodology for additional details on tables.



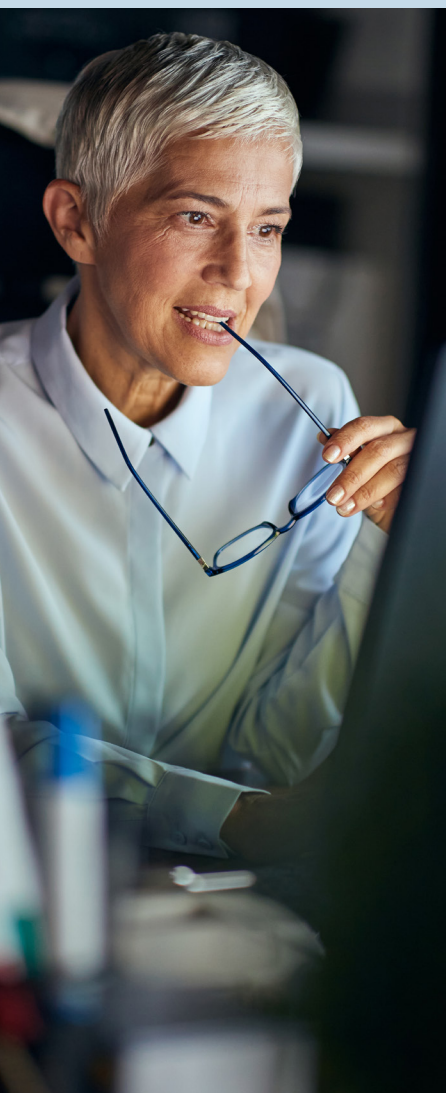
Fees Paid vs. Stated Separate Account Fees

eVestment Market Lens documents may provide details on fees paid by public plans. Those with access to both Market Lens and Analytics can compare actual fees paid by public plans to the stated management fees for individual products. These fee comparisons can give asset owners and managers a sense of how commitment size or plan size may play a role in negotiations, what level of discounts may be possible, and whether entering conversations around upward or downward revisions in existing fees may be of interest.

In the bubble chart on the following page, we provide a look at the level of fees public plans actually paid to US large and small cap strategies versus the manager stated management fees, with bubble sizes representing public plans' commitment amounts to individual products. Bubbles below the diagonal line indicate the actual fee paid at the commitment amount, as stated in Market Lens documents, was lower than the calculated, stated separate account management fee of that specific product at that investment amount in eVestment Analytics. The second chart provides a different look at the difference in fees paid versus stated management fees and includes data for ACWI ex-US and EAFE large and small cap strategies.

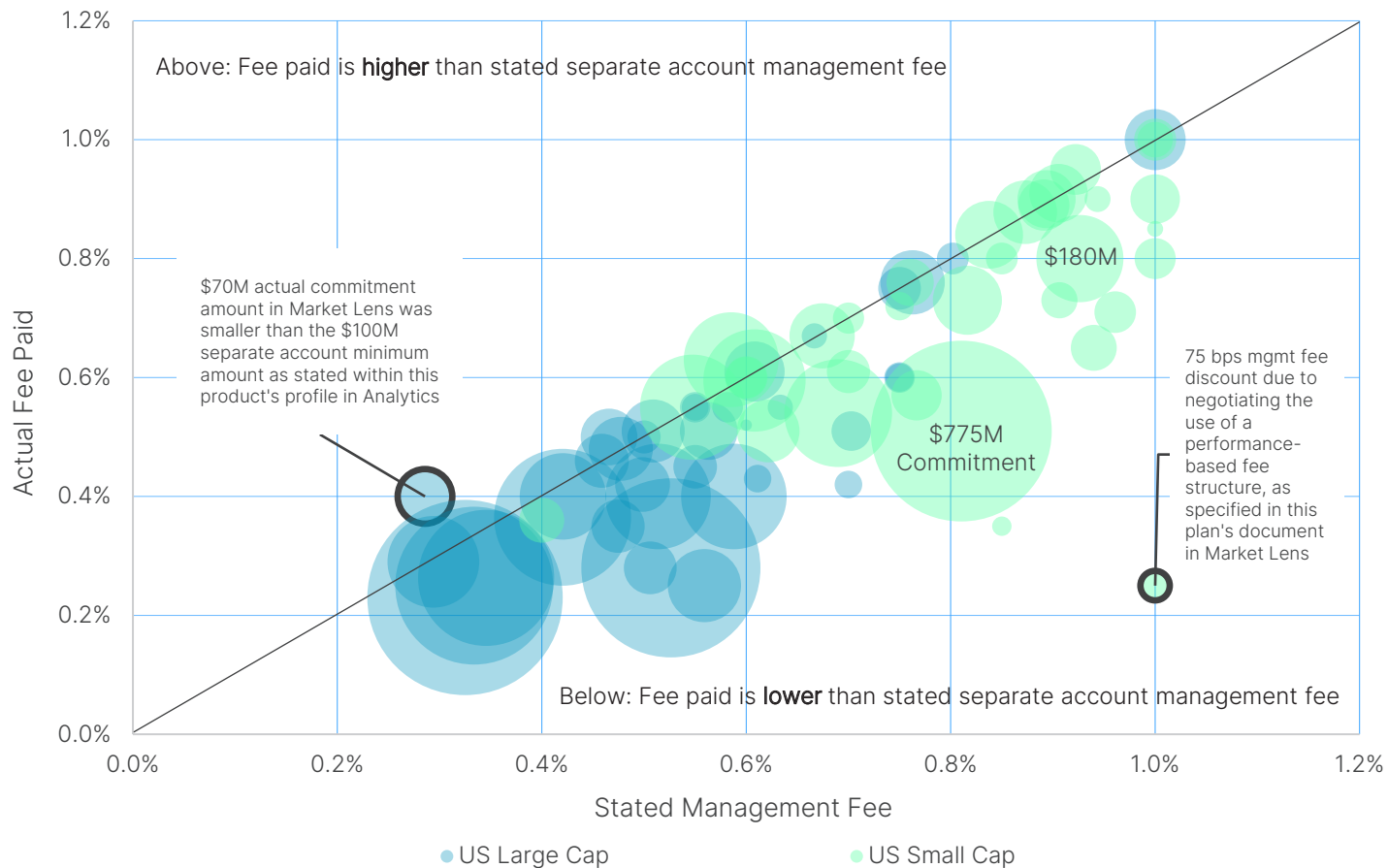
The charts show that negotiated discounts are pretty much the norm, even among smaller commitment amounts. One takeaway is that public plans may want to investigate performance-based fee structures. The most notable discount in paid fees versus stated management fees is based on an agreement to use a performance-based fee structure, wherein plans pay less in annual management fees but share a percentage of profits with the manager. Among the 88 public plan commitments we analyzed in this portion of the report, the managers of 44 products stated that they offer a performance-based structure as an alternative, 41 stated that they do not, and 3 did not answer.

Another item of note is that managers appear willing to accept lower commitment amounts than they advertise, but seemingly at a cost to public plans. In instances where we found public plans paying significantly more than the stated management fee, the commitment amount specified in Market Lens documents was lower than the minimum account size specified in the products' profiles in eVestment Analytics.



Example of a fee schedule document in eVestment Market Lens from an asset owner across multiple asset classes:

Investment Manager Fee Structure			
Manager	Asset Class	Fee Schedule	Blended Fee (bps)
[Redacted]	Large Cap Value Equity	60 bps on first \$10M; 40 bps on next \$15M; 30 bps on next \$25M; 25 bps on next \$50M; 20 bps on the balance	32.0
[Redacted]	Large Cap Growth Equity	45 bps on the first \$100 million; 40 bps on the balance	45.0
[Redacted]	Small Cap Core Equity	60 bps	60.0
[Redacted]	Small Cap Growth Equity	85 bps on the first \$25M; 75 bps on the balance	85.0
[Redacted]	Small Cap Value Equity	75 bps	75.0
[Redacted]	International Equity	100 bps	100.0
[Redacted]	International Equity	35 bps plus incentive fee of 20% of outperformance over a rolling three-year period	35.0
[Redacted]	Emerging Markets Equity	90 bps on the first \$50 million, 85 bps on the next \$50 million, 80 bps on the balance	90.0
[Redacted]	Core Fixed Income	25 bps on the first \$25 million; 18 bps on the next \$50 million; 9 bps on the balance	20.4
[Redacted]	Multisector Fixed Income	38 bps on first \$25 million; 33 bps on next \$75 million, 28 bps on the balance	34.9
[Redacted]	Liquid Absolute Return	53 bps	53.0
[Redacted]	Core Real Estate	95.5 bps on the first \$10M; 82.5 bps on the next \$15M; 80.5 bps on the next \$25M; 79 bps on next \$50M plus incentive fee. **25% discount, four year discount in place until the end of 2024**	63.5
[Redacted]	Opportunistic Real Estate	100 bps on NAV plus incentive fee of 10% subject to preferred return of 7%	100.0



See methodology for additional details on tables.

Methodology & Notes

All stated management fee references refer to the separate account vehicle structures of actively-managed strategies.

Separate account fee structures not set in US Dollars were converted to USD using Q3 2021 spot rates. Only products qualifying for inclusion in eVestment primary universes were included in the report (i.e. those meeting eVestment's minimum data reporting requirements).

Fees paid versus stated management fee comparisons use actual fees from public plan documents dated Jan 1, 2021 or after, as found on eVestment Market Lens. Fees that were paid must have an associated commitment amount within the document for inclusion. Some documents contain contract terms that began years ago and show significant differences between actual fees paid by public plans and the manager-stated fees on the platform.

Other reasons for fee differences may include, but are not limited to:

- Discounts for seeding an emerging manager or product
- Lower management fee but addition of a performance fee, or vice versa
- Displaying a unified fee in public plan documents without specifying whether this includes custody fees, operating costs, etc.
- Displaying fees for any type of vehicle the plan is invested in, without specifying whether it is a product's separate account, commingled fund, institutional or retail mutual fund

Management Fees At \$50M By Product Characteristics:

These pages show the stated separate account management fees at a \$50M USD investment amount based on gross performance in USD, firm AUM in USD, investment approach, product inception date quartiles, portfolio management team diversity (definition of "minority" is based on US demographic representation), and ESG vs. Non-ESG product status; quartiles are based on intra-universe/grouping data, so each segment has their own distinct performance, firm AUM, inception date, etc. combinations.

Quartile groups must have a minimum of 3 products with reported information on fees and corresponding qualitative/quantitative criteria for inclusion (e.g. there must be at least 3 products in the top quartile by 3 year returns in the US Large Cap Growth universe that reported both gross performance for the entirety of the 2019-2021 period and also provided separate account fee data for the median fee to be displayed).

Fees Paid vs. Stated Separate Account Management Fees:

The bubble chart shows fees paid by public plans compared to these individual products' stated separate account management fees. Actual fees paid and commitment amounts are sourced from documents on eVestment Market Lens. Stated management fees are based on manager-entered fees in eVestment Analytics for products that were matched to those in the Market Lens documents. Data includes information from documents in Market Lens dated Jan 1, 2021 or after.



To review the findings in this report or learn how you can conduct analysis like this on the relevant universes most important to you, please connect with us:

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