

# Institutional Management Fees In Focus

Using the asset management fee data collected by Nasdaq eVestment and Mercer, we explore the current landscape of separate account fees and the differences in actual fees paid by institutional investors versus asset managers' stated, or quoted, fees.

*Released August 2023*

An aerial night view of a city skyline, showing numerous illuminated skyscrapers and streets. The image is used as a background for the lower half of the page.

## **Asset Class Focus:**

Equity

## **Regional Focus:**

US, International, Global  
and Emerging Markets

## **Management Fee Focus:**

Separate Account

# Introduction

In early 2021, Mercer and eVestment entered into an alliance to bring greater transparency and new efficiencies to the institutional market. The express goals were to make it easier for asset owners to access more data for fact-based decision making and to make it easier for managers to provide the data asset owners and consultants require for due diligence.

In this installation of our ongoing series of Fees in Focus reports, we concentrate on a select subset of equity strategies. The report organizes asset management fee data from both Nasdaq eVestment and Mercer Trends to explore the current landscape of separate account fees and the differences in actual fees paid by asset owners 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 what they really charge investors.

Included in this installation of the Fees in Focus report are:

Stated management fees of 3,864 separate account structures of equity strategies from Nasdaq eVestment Analytics.

201 examples of actual fees paid by public plans and their corresponding managers' stated fee comparisons, using documents sourced from Nasdaq eVestment Market Lens.

305 examples of Mercer's Actual Fees data from Mercer Trends, which shows the fees that all types of asset owners – not just public plans – have negotiated with asset managers.

With access to Nasdaq's eVestment Analytics and Market Lens, alongside Mercer Trends, users can analyze the stated management fees and actual fees paid by investors across a much wider range of asset classes and strategy segments.

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 (i.e. stated fees) into Nasdaq eVestment's database of over 26,000 institutional strategies. Actual fees paid by public plans are sourced from real documents uploaded to Nasdaq eVestment Market Lens. Actual fees paid by a larger variety of asset owners are sourced from 5,000+ investment portfolios (as of 30 June 2023) from Mercer Trends via Mercer's consultants, which advise on over USD 16 trillion in global assets across more than 15,000 clients as of 31 December 2022. 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 the stated fee data from Nasdaq 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 asset owners have actually paid, using data from Nasdaq eVestment Market Lens and Mercer Trends.

The traditional equity universes featured in this report were chosen to highlight the depth of public plan fee data from Market Lens and the breadth of reported fee structures from Analytics. Throughout the report we add examples of actual paid fees data for all investor types from Mercer Trends to certain universes, in order to show how having access to all three of these solutions can help users create similar and comprehensive comparisons across a much wider range of asset classes and geographic exposures.

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# Median Stated Management Fees: Multi-Region Equity

Among other factors, stated management fees vary depending on capitalization, style, geography, and currency focus of equity strategies. The charts show the median manager-reported management fees from Nasdaq eVestment Analytics at various calculated investment amounts (in USD), alongside the median actual fees paid by asset owners at these amounts from Mercer Trends. With access to Nasdaq eVestment Analytics and Mercer Trends, users can produce similar analyses across varying asset classes and sub-strategy segments.

A few items to note: (1) EM equity strategies, despite charging the highest fees, offer the lowest fee reductions as allocation size increases; (2) Global equity managers state the lowest fees except among Large Cap strategies where

EAFE managers show marginally lower medians once an allocation amount hits and exceeds USD \$100M; (3) for ACWI ex-US and EAFE All Cap and Large Cap investors, the largest fee breaks happen once an allocation increases from \$50M to \$100M; (4) for EM All Cap, Large, and Small investors, the largest discounts happen after the \$100M mark; (5) for Global All, Large, and Small investors, these discounts occur at both aforementioned intervals, and at comparable levels.

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 capitalization focus and geographic exposure.



Products used to calculate eVestment Stated Fees and Mercer Actual Fees differ based on strategy classification and sample size. Mercer Actual Fees are generated using client fee schedules stored in Mercer's global client database, see disclaimers for additional information.

# Median Stated Management Fees: US Equity

The charts show the median manager-reported management fees from Nasdaq eVestment Analytics at various calculated investment amounts (in USD), and the differences between these stated fees and the median actual fees paid by asset owners at these amounts from Mercer Trends.

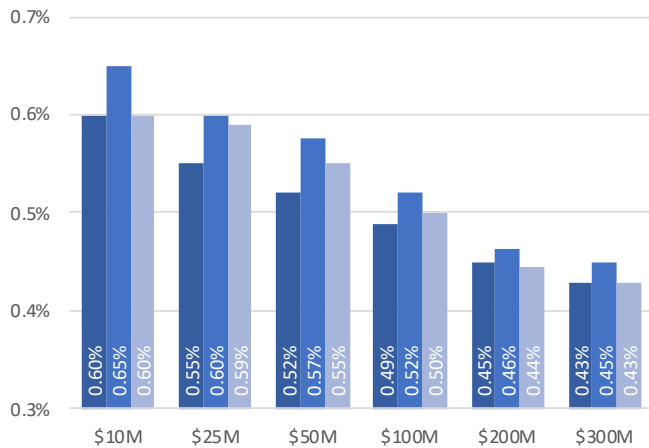
Some items to note: (1) US Core equity managers state lower fees than Growth and Value managers within the Small Cap segment, but among Large Caps the Core fees begin to resemble those of Value strategies when an investment hits \$100M or more; (2) US Large Cap Core investors appear to be paying more in actual fees versus manager-stated fees; (3) US Large Cap Value and US Small Cap Growth investors seem to be paying less in actual fees across all amounts we assessed; (4) discounts are not linear, meaning that they

can be seen at one investment amount and then at another, an investor appears to be paying a premium (see right chart below, US Large Cap Growth at \$10M and \$25M). Points (2), (3), and (4) are affected by sample sizes of Mercer's actual fees paid data versus eVestment Analytics' stated fees. But moreover, a general rule Mercer consultants usually follow is to recommend strategies that have been vetted by the Mercer research team which carry one of their highest ratings (A and B+).<sup>\*</sup> Therefore, actual fee samples come from best-in-class strategies which may charge higher fees than peers.

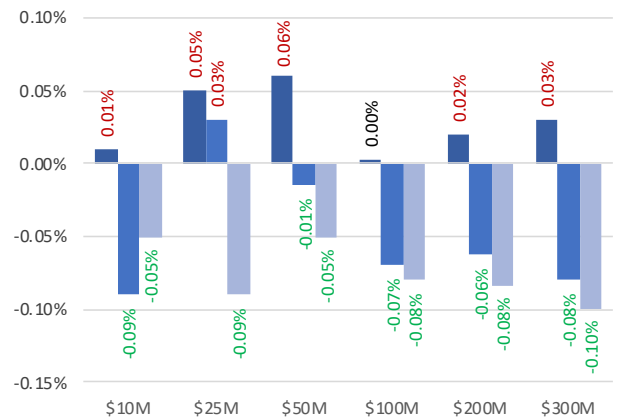
Additionally, the charts emphasize the importance of understanding the spread between what an investor may pay between smaller or larger allocations as these differences are more, or less, pronounced depending on equity style focus.



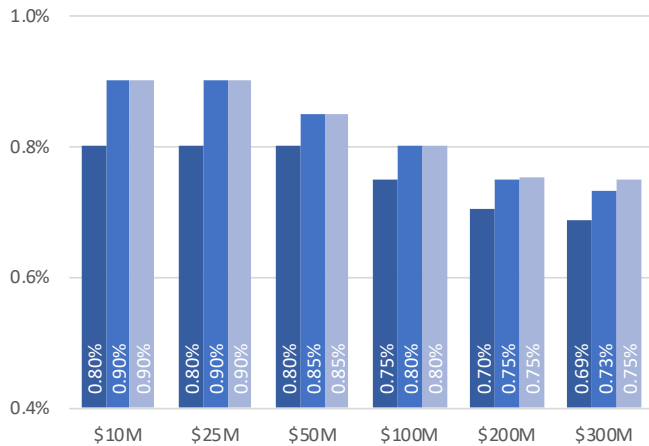
US Large Cap Equity: Stated Fees



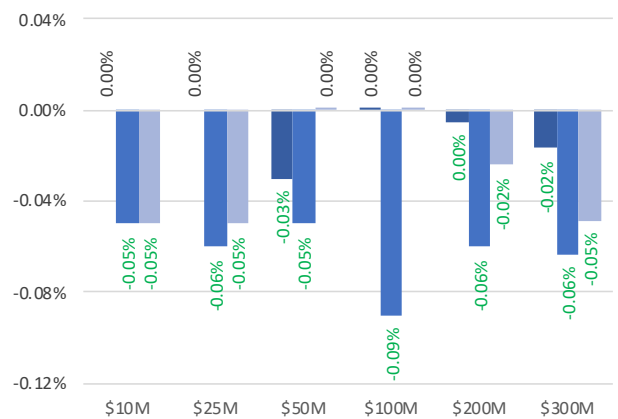
US Large Cap: Mercer Actual Fees Paid vs. Stated



US Small Cap: Stated Fees



US Small Cap: Mercer Actual Fees Paid vs. Stated



Products used to calculate eVestment Stated Fees and Mercer Actual Fees differ based on strategy classification and sample size. Mercer Actual Fees are generated using client fee schedules stored in Mercer's global client database, see disclaimers for additional information.

<sup>\*</sup> Please see the [Guide to Mercer's Investment Strategy Ratings](#)

# Distribution of Stated Management Fees at \$50 Million

The scatterplots show the dispersion and concentration of stated separate account management fees from Nasdaq eVestment Analytics at a common investment size of USD \$50M (fee schedules set in other currencies were converted to US dollars). Larger bubbles represent more strategies that charge the corresponding x-axis fee, while darker regions represent higher concentrations of similar but differing fees. We overlay select scatterplots with quartile distributions from Mercer Trends to show the range of management fees that investors really end up paying managers. We note that sample

sizes listed here only pertain to the bubble portion, while quartile overlays are based on Mercer Trends samples.

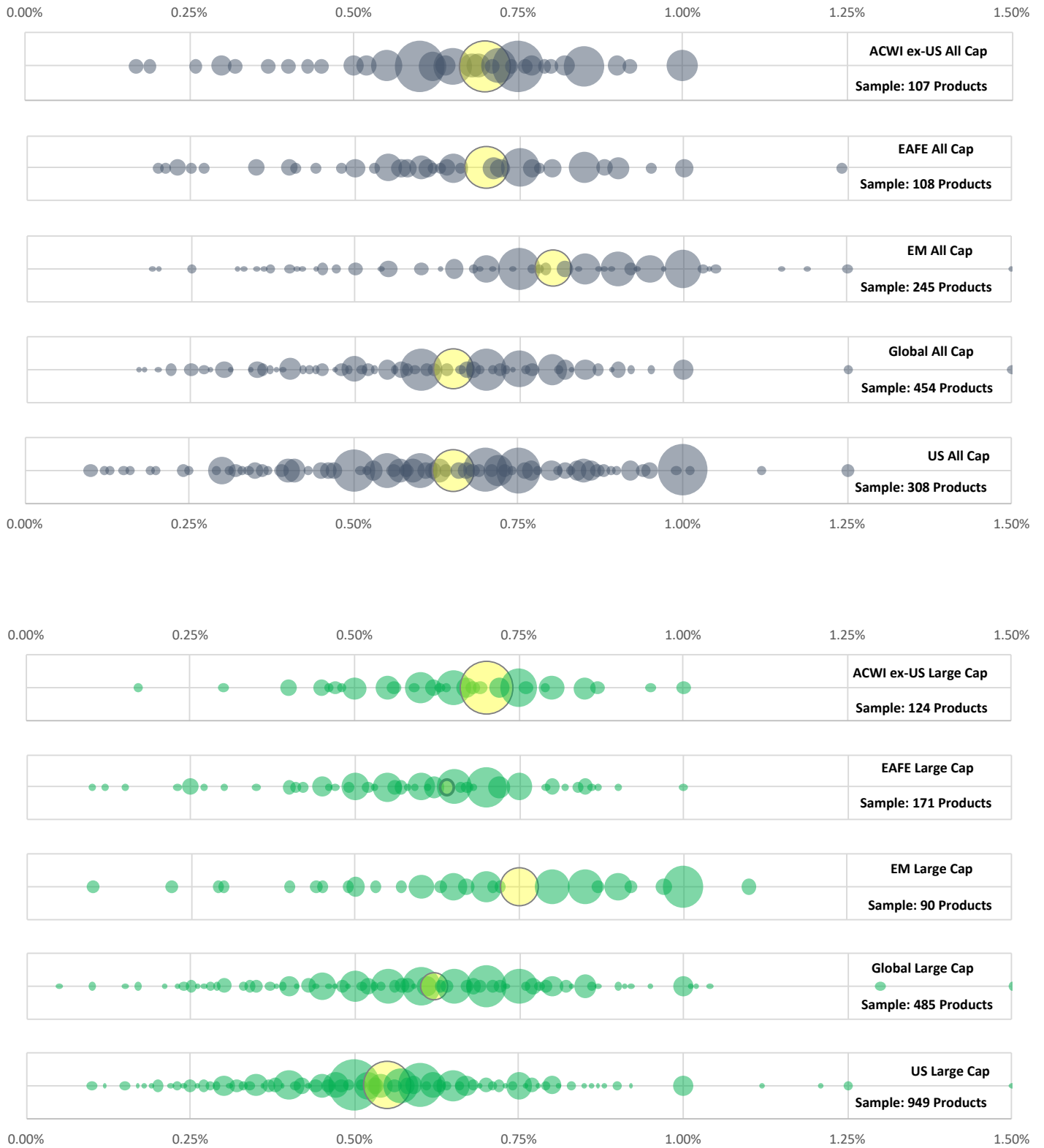
The charts illustrate where there is more uniformity in stated fees and where one can find more deviations. For example, the fees for US Large Cap Core and Small Cap Core strategies are more dispersed than those of their Growth peers. The Mercer quartile overlays however, illustrate that regardless of the wide range of stated fees, the actual fees paid may be within a much tighter range.



Products used to calculate eVestment Stated Fees and Mercer Actual Fees differ based on sample size. Mercer Actual Fees are generated using client fee schedules stored in Mercer's global client database, see disclaimers for additional information.

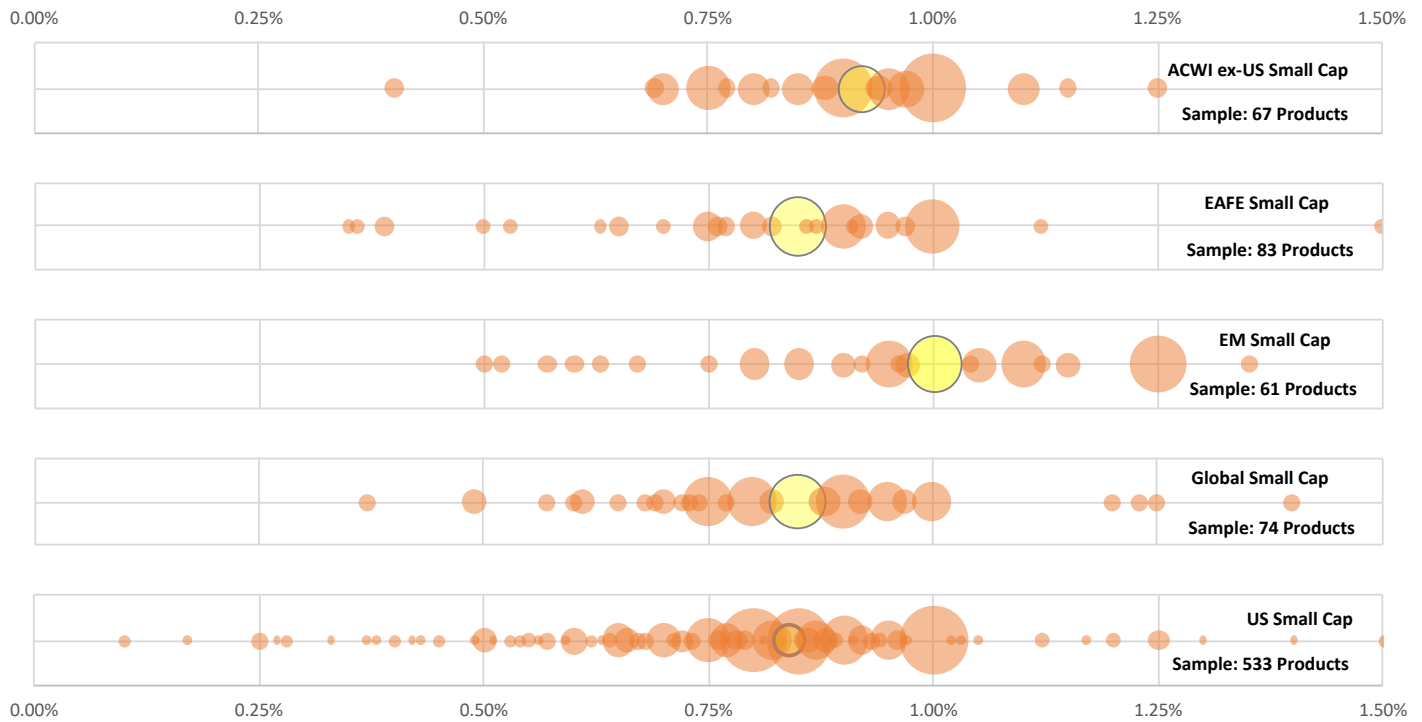
# Distribution of Stated Fees at \$50 Million

Yellow bubbles indicate the median manager-stated management fee.



# Distribution of Stated Fees at \$50 Million

Yellow bubbles indicate the median manager-stated management fee.



## Distribution of actual fees paid by asset owners for US Large Cap Core Separate Accounts from Mercer Trends

US Equity - Large Cap Core - Segregated/Separate Account						
Calculated in USD	10m	25m	50m	100m	200m	300m
Asset Range	0 - 25m	25 - 50m	25 - 100m	75 - 200m	175 - 350m	225 - 450m
Upper Quartile	0.88	0.80	0.78	0.76	0.76	0.75
Median	0.75	0.66	0.61	0.49	0.47	0.46
Lower Quartile	0.55	0.55	0.53	0.42	0.38	0.36

For asset managers, it is important to understand how much fee variation investors may see when comparing similar strategies, and how to effectively present these differences against peers when competing for mandates.

For asset owners, understanding stated management fee dispersions, the strategy characteristics creating them, and the quartile ranges of what other investors are already paying managers, should better equip them for their own unique fee negotiation and manager evaluation process.

*Mercer actual fee samples are generated using client fee schedules stored in Mercer's global client database. See Mercer disclaimers for additional information.*

## Complimenting Nasdaq eVestment Market Lens Analysis with Mercer Trends

Clients can use the actual fees paid by public plans that they discover from Market Lens and compare them to the distribution of actual fees paid by all investor types from Mercer Trends. In Mercer Trends, there are 5,000+ actual client portfolios as of 30 June 2023, and users can customize the strategy group, vehicle type, currency, account size, and the current fee paid in the module. In this example, we set an account size of \$37mm and a current fee paid of 70 bps (yellow dot) to show that at these levels, the public plan actually investing in this US Large Cap Growth strategy, as found in Market Lens documents, is paying +14 bps more than the median of the actual separate account fees paid by all investor types in Mercer Trends' US Large Cap Growth universe.



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

Within any given grouping of similar strategies there remain a variety of characteristics differentiating one product from another. These factors can be a determinant in the relative fees being proposed by managers.

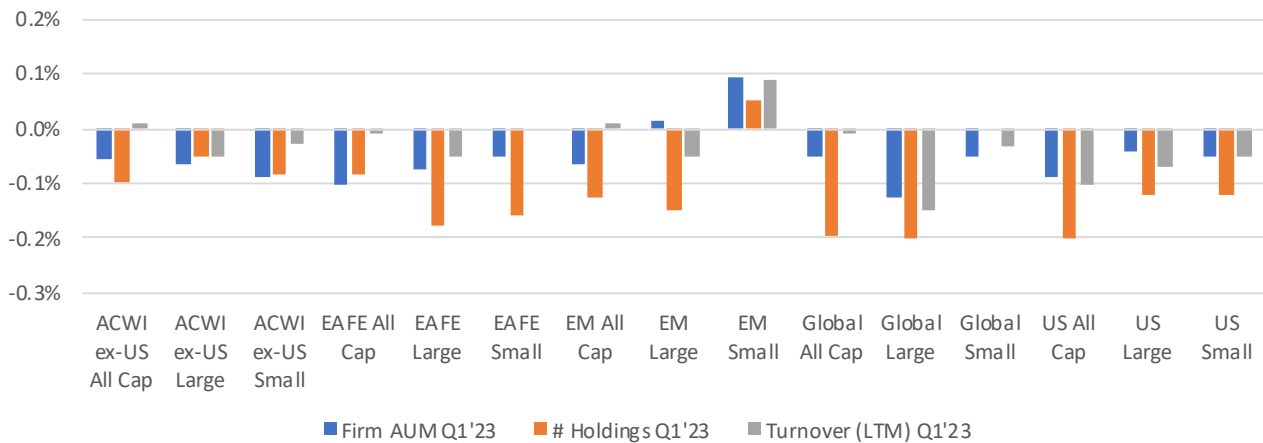
The tables on the next page break down equity strategies by select product characteristics to help investors and managers better triangulate the market for their universe of interest. The categories include performance, AUM, employee ownership, investment approach, equity size and style emphasis, portfolio holdings, concentration, and turnover, and active share. Within each category we separate the median fees by top quartile, bottom quartile, and in between.

In the charts below however, we show the characteristics where products in the top quartile generally charge less than those in the bottom quartile, and vice versa.

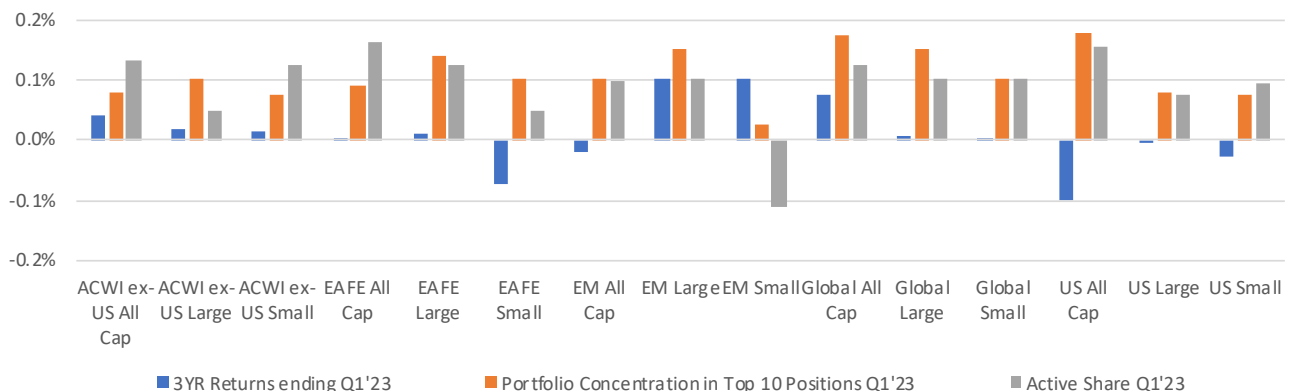
## Highlights from below and the following page:

- Size matters, as larger firms tend to charge less in management fees than smaller firms.
- Managers with a higher number of holdings in Q1 2023 almost consistently charged less than peers— up to 20 bps less (see Global All, Global Large, and US All Cap). Within these three universes, products in the top quartile of holdings also had lower median portfolio concentration in Q1, higher LTM turnover in Q1, lower active share in Q1, and higher 3YR returns than bottom quartile peers.
- Managers whose portfolio holdings differ most from the benchmark (high active share) and those with high convictions (greater portfolio concentration in top 10 stocks), tend to charge more than their lower quartile competitors

**Where Top Quartile Strategies Generally Charge Less**  
(Fee Difference in Top vs. Bottom Quartile by Characteristics)



**Where Top Quartile Strategies Generally Charge More**  
(Fee Difference in Top vs. Bottom Quartile by Characteristics)



See methodology for additional details.

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

## 3YR Return Quartiles (Q2 2020 - Q1 2023)

Median Mgmt Fee at \$50M

	Bottom Quartile	In Between	Top Quartile
ACWI ex-US All Cap	0.65%	0.70%	0.69%
ACWI ex-US Large Cap	0.67%	0.70%	0.69%
ACWI ex-US Small Cap	0.92%	0.90%	0.94%
EAFE All Cap	0.71%	0.70%	0.71%
EAFE Large Cap	0.64%	0.60%	0.65%
EAFE Small Cap	0.92%	0.85%	0.85%
EM All Cap	0.82%	0.82%	0.80%
EM Large Cap	0.75%	0.75%	0.85%
EM Small Cap	0.95%	1.00%	1.05%
Global All Cap	0.63%	0.65%	0.70%
Global Large Cap	0.61%	0.62%	0.61%
Global Small Cap	0.85%	0.85%	0.85%
US All Cap	0.72%	0.64%	0.62%
US Large Cap	0.55%	0.54%	0.55%
US Small Cap	0.85%	0.84%	0.82%

## Q1 2023 Firm AUM Quartiles

Median Mgmt Fee at \$50M

	Smallest Quartile	In Between	Largest Quartile
ACWI ex-US All Cap	0.73%	0.69%	0.67%
ACWI ex-US Large Cap	0.70%	0.70%	0.64%
ACWI ex-US Small Cap	0.99%	0.91%	0.90%
EAFE All Cap	0.72%	0.70%	0.62%
EAFE Large Cap	0.65%	0.65%	0.57%
EAFE Small Cap	0.90%	0.87%	0.85%
EM All Cap	0.85%	0.80%	0.78%
EM Large Cap	0.73%	0.85%	0.75%
EM Small Cap	0.95%	1.00%	1.05%
Global All Cap	0.70%	0.65%	0.65%
Global Large Cap	0.70%	0.65%	0.57%
Global Small Cap	0.85%	0.88%	0.80%
US All Cap	0.71%	0.65%	0.62%
US Large Cap	0.56%	0.55%	0.52%
US Small Cap	0.85%	0.85%	0.80%

## % Employee Owned in Q1 2023

Median Mgmt Fee at \$50M

	Least Ownership	In Between	Most Ownership
ACWI ex-US All Cap	0.70%	0.70%	0.69%
ACWI ex-US Large Cap	0.60%	0.70%	0.69%
ACWI ex-US Small Cap	0.90%	0.94%	0.97%
EAFE All Cap	0.70%	0.65%	0.71%
EAFE Large Cap	0.65%	0.62%	0.65%
EAFE Small Cap	0.85%	0.85%	0.90%
EM All Cap	0.77%	0.80%	0.85%
EM Large Cap	0.75%	0.80%	0.72%
EM Small Cap	1.05%	0.96%	1.00%
Global All Cap	0.65%	0.65%	0.70%
Global Large Cap	0.60%	0.65%	0.64%
Global Small Cap	0.78%	0.88%	0.84%
US All Cap	0.57%	0.70%	0.70%
US Large Cap	0.54%	0.55%	0.55%
US Small Cap	0.80%	0.85%	0.85%

## Investment Approach

Median Mgmt Fee at \$50M

	Quantitative/ Technical	Combined	Fundamental/ Discretionary
ACWI ex-US All Cap	0.62%	0.75%	0.70%
ACWI ex-US Large Cap	0.57%	0.67%	0.70%
ACWI ex-US Small Cap	0.85%	0.92%	0.93%
EAFE All Cap	0.58%	0.58%	0.72%
EAFE Large Cap	0.50%	0.60%	0.67%
EAFE Small Cap	0.85%	0.82%	0.90%
EM All Cap	0.65%	0.75%	0.85%
EM Large Cap	0.75%	0.70%	0.80%
EM Small Cap	1.05%	0.95%	1.00%
Global All Cap	0.49%	0.59%	0.69%
Global Large Cap	0.45%	0.62%	0.65%
Global Small Cap	0.80%	0.80%	0.85%
US All Cap	0.43%	0.65%	0.70%
US Large Cap	0.42%	0.54%	0.57%
US Small Cap	0.71%	0.78%	0.85%

## Primary Equity Style Emphasis

Median Mgmt Fee at \$50M

	Core	Growth	Value
ACWI ex-US All Cap	0.70%	0.70%	0.70%
ACWI ex-US Large Cap	0.65%	0.70%	0.69%
ACWI ex-US Small Cap	0.90%	0.95%	0.92%
EAFE All Cap	0.70%	0.70%	0.71%
EAFE Large Cap	0.60%	0.66%	0.65%
EAFE Small Cap	0.85%	0.96%	0.85%
EM All Cap	0.80%	0.81%	0.87%
EM Large Cap	0.80%	0.77%	0.75%
EM Small Cap	1.02%	1.00%	0.95%
Global All Cap	0.60%	0.68%	0.70%
Global Large Cap	0.58%	0.70%	0.65%
Global Small Cap	0.80%	0.89%	0.90%
US All Cap	0.62%	0.70%	0.71%
US Large Cap	0.52%	0.57%	0.55%
US Small Cap	0.80%	0.85%	0.85%

## # of Holdings in Q1 2023

Median Mgmt Fee at \$50M

	Bottom Quartile	In Between	Top Quartile
ACWI ex-US All Cap	0.70%	0.70%	0.60%
ACWI ex-US Large Cap	0.70%	0.67%	0.65%
ACWI ex-US Small Cap	0.93%	0.92%	0.85%
EAFE All Cap	0.71%	0.70%	0.63%
EAFE Large Cap	0.67%	0.65%	0.50%
EAFE Small Cap	0.93%	0.85%	0.77%
EM All Cap	0.82%	0.85%	0.70%
EM Large Cap	0.80%	0.80%	0.65%
EM Small Cap	0.95%	1.10%	1.00%
Global All Cap	0.70%	0.68%	0.50%
Global Large Cap	0.70%	0.65%	0.50%
Global Small Cap	0.80%	0.85%	0.80%
US All Cap	0.75%	0.65%	0.55%
US Large Cap	0.60%	0.55%	0.48%
US Small Cap	0.87%	0.85%	0.75%

## % Portfolio Concentration in Top 10 Stocks in Q1 2023

Median Mgmt Fee at \$50M

	Least Concentration	In Between	Most Concentration
ACWI ex-US All Cap	0.60%	0.70%	0.68%
ACWI ex-US Large Cap	0.60%	0.67%	0.70%
ACWI ex-US Small Cap	0.85%	0.92%	0.92%
EAFE All Cap	0.61%	0.70%	0.70%
EAFE Large Cap	0.55%	0.65%	0.69%
EAFE Small Cap	0.80%	0.85%	0.90%
EM All Cap	0.75%	0.80%	0.85%
EM Large Cap	0.65%	0.78%	0.80%
EM Small Cap	0.95%	1.04%	0.98%
Global All Cap	0.53%	0.65%	0.70%
Global Large Cap	0.55%	0.65%	0.70%
Global Small Cap	0.80%	0.85%	0.90%
US All Cap	0.57%	0.65%	0.74%
US Large Cap	0.50%	0.55%	0.58%
US Small Cap	0.80%	0.85%	0.87%

## Annual Turnover (LTM) in Q1 2023

Median Mgmt Fee at \$50M

	Least Turnover	In Between	Most Turnover
ACWI ex-US All Cap	0.69%	0.70%	0.70%
ACWI ex-US Large Cap	0.70%	0.70%	0.65%
ACWI ex-US Small Cap	0.92%	0.92%	0.90%
EAFE All Cap	0.71%	0.70%	0.70%
EAFE Large Cap	0.65%	0.65%	0.60%
EAFE Small Cap	0.85%	0.85%	0.85%
EM All Cap	0.79%	0.85%	0.80%
EM Large Cap	0.85%	0.75%	0.80%
EM Small Cap	0.95%	1.01%	1.04%
Global All Cap	0.65%	0.65%	0.64%
Global Large Cap	0.70%	0.64%	0.55%
Global Small Cap	0.88%	0.85%	0.85%
US All Cap	0.69%	0.66%	0.59%
US Large Cap	0.57%	0.55%	0.50%
US Small Cap	0.85%	0.85%	0.80%

## Active Share in Q1 2023

Median Mgmt Fee at \$50M

	Lowest Active Share	In Between	Highest Active Share
ACWI ex-US All Cap	0.60%	0.70%	0.74%
ACWI ex-US Large Cap	0.65%	0.70%	0.70%
ACWI ex-US Small Cap	0.88%	0.92%	1.00%
EAFE All Cap	0.55%	0.70%	0.71%
EAFE Large Cap	0.55%	0.65%	0.67%
EAFE Small Cap	0.85%	0.85%	0.90%
EM All Cap	0.75%	0.80%	0.85%
EM Large Cap	0.65%	0.85%	0.75%
EM Small Cap	1.05%	1.00%	0.94%
Global All Cap	0.57%	0.65%	0.70%
Global Large Cap	0.55%	0.65%	0.65%
Global Small Cap	0.80%	0.85%	0.90%
US All Cap	0.59%	0.65%	0.74%
US Large Cap	0.50%	0.55%	0.57%
US Small Cap	0.77%	0.85%	0.87%

See methodology for additional details.

# Fees Paid vs. Stated Separate Account Management Fees

In addition to providing insights on public plan allocations, new and potential mandate announcements, manager rosters, consultant recommendations and ratings of managers, commentary and analysis from global consultants, and manager pitch decks, Nasdaq eVestment Market Lens is also a repository offering details on the actual fees that public plans have negotiated with asset managers. If you are an asset owner, click here to find out more about Market Lens, or if you are an asset manager click here.

Clients with access to both our Market Lens and Analytics solutions can compare the actual fees public plans are paying to the stated management fees of these managers. If you are an asset owner, click here to find out more about Analytics, or if you are an asset manager click here. 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 charts on the following pages, we provide a look at the level of fees public plans actually paid to equity strategies versus these managers' stated management fees.

Bubble sizes represent 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 Analytics.

The charts show that negotiated discounts are very common, even among smaller commitment amounts. Among the 201 public plan commitments that we analyzed in this portion of the report—which contain 152 unique strategies—we note that 61% of managers stated that their separate account fees are negotiable within their product profiles in Analytics; 16% did not provide details and 23% stated that they are not negotiable. Additionally, 61% stated that performance-based fees are available as an alternative to their standard separate account fee schedule, while 5% did not provide details and 34% stated that they do not offer this option.

Within our sample of 201 public plan commitments from Market Lens, the median discount was -5 bps and the average -8 bps. 38% of commitments showed discounts of -10 bps or more.

Example of a public plan's document from Nasdaq eVestment Market Lens on the actual fees asset owners are paying to managers.

Core Investments			Fee Schedule	
Asset Class	Investment Manager	Fee Schedule	Expense Ratio & Estimated Annual Fee <sup>1</sup>	Industry Average <sup>2</sup>
Core Fixed Income	Dodge & Cox	0.40% on the first \$10 million 0.30% on the next \$25 million 0.20% on the next \$25 million 0.15% on the next \$65 million 0.12% on the next \$575 million 0.10% on the Balance	0.17% \$384,712	0.22%
Large-Cap Core	INTECH Investment Management	0.375% on the first \$50 million 0.350% on the next \$50 million 0.300% on the next \$100 million 0.250% on the Balance	0.37% \$218,695	0.43%
Large-Cap Core	JP Morgan 130-30	0.70% on the first \$25 million 0.60% on the Balance	0.61% \$1,142,940	0.40%
Small-Cap Core	DFA US Small Cap Trust	0.35% on the Balance	0.35% \$184,738	0.75%
Global Core Equity	SSgA MSCI ACWI	0.10% on the first \$50 million 0.08% on the next \$50 million 0.07% on the Balance	0.10% \$38,198	0.71%
Non-U.S. Large-Cap Growth	Baillie Gifford International Choice Fund	0.58% on the Balance	0.58% \$689,531	0.65%
Non-U.S. Large-Cap Value	Mondrian Investment Partners Fund	0.770% on the first \$20 million 0.595% on the next \$30 million	0.48% \$710,877	0.60%

# Fees Paid vs. Stated Separate Account Management Fees: Multi-Region Equity

We provide some commentary on the fees paid by public plans from Market Lens documents vs. the stated fees from these asset manager products in Analytics.

**ACWI ex-US 1:** the commitment amount from Market Lens documents is less than the minimum separate account size specified in this product's profile in Analytics.

**ACWI ex-US 2:** stated separate account minimum size is 2.5x larger than the commitment amount.

**EAFE 1:** stated separate account fee structure only includes two tiers versus three that were offered to the public plan in the document. The inclusion of this 3rd tier pushed the paid fee significantly lower than the stated fee at the two-tier rate. Manager may have left open the possibility of negotiating the number of tier structures.

**EAFE 2:** stated separate account minimum size is 10x larger than the commitment amount.

**EAFE 3:** stated separate account minimum size is 3.5x larger than the commitment amount

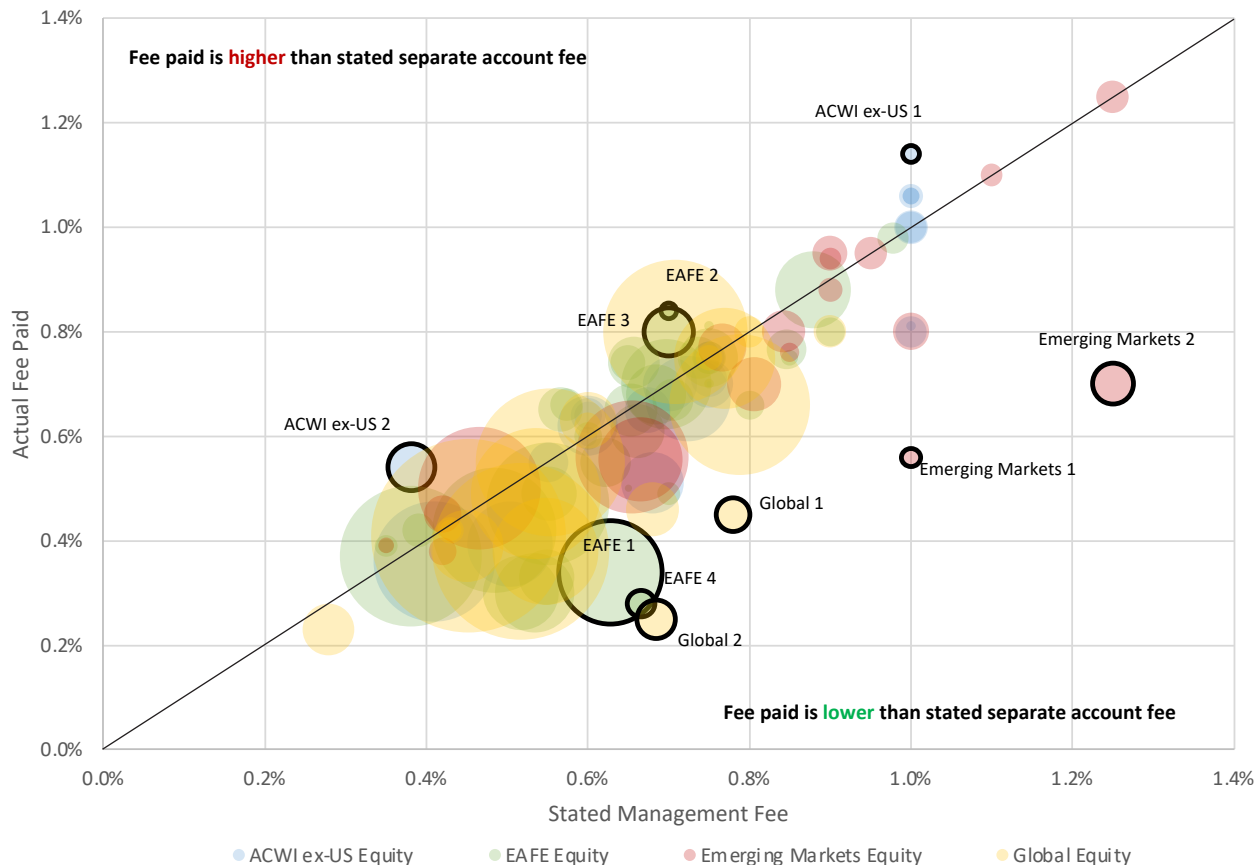
**EAFE 4:** manager is charging the public plan only the last tiered fee in their stated fee schedule.

**Emerging Markets 1:** product profile only has one stated separate account fee for all investment amounts but notes that fees are negotiable.

**Emerging Markets 2:** lower management fee because the public plan and manager have a performance-based clause included in the document. The clause specifies a performance-based fee of 15% with a cap.

**Global 1:** paid fee used to be on par with the stated fee at the commitment amount based on older documents. However, the public plan received an evaluation from their consultant on this manager's performance in Q3 2020 stating: "We recommend that the Board consider terminating the [Global 1] equity strategy and reallocate across the remaining managers." Public plan likely followed up with the manager because fee was reduced to 0.45% by Q4 2020.

**Global 2:** document shows that manager is offering a performance-based fee structure to the public plan.



# Fees Paid vs. Stated Separate Account Management Fees: Multi-Region Equity

We provide some commentary on the fees paid by public plans from Market Lens documents vs. the stated fees from these asset manager products in Analytics.

**US Large Growth:** commitment is \$347M but was \$760M in the prior year. Negotiated fee schedule from the larger amount may still be in place with the smaller amount.

**US Large Value:** manager may be offering a legacy/longevity discount because the relationship with the public plan started in Jan-1995.

**US Small Core:** manager is headquartered in the same city as the firefighter & police pension plan.

**US Small Growth 1:** document shows manager is offering a performance-based fee structure to the public plan. The manager/plan also have longevity, with a relationship start date of Jun-2005.

**US Small Growth 2:** plan commitment amount used to be >\$300M as of Q2 2021. The product profile in Analytics states "Separate Account fee schedules are negotiable for accounts, not relationships, over \$300 million."

**US Small Growth 3:** product's profile in Analytics states "Fees are negotiable depending on the size of mandate, the scope of servicing required, any special client needs, and multi product relationships with the firm. The firm would be happy to discuss performance-based fee arrangements."

**US Small Growth 4:** product profile in Analytics mentions "Advisory fees may be negotiated if quoted fees would not position [US Small Growth 4] competitively in the pricing of investment management services relative to other managers."

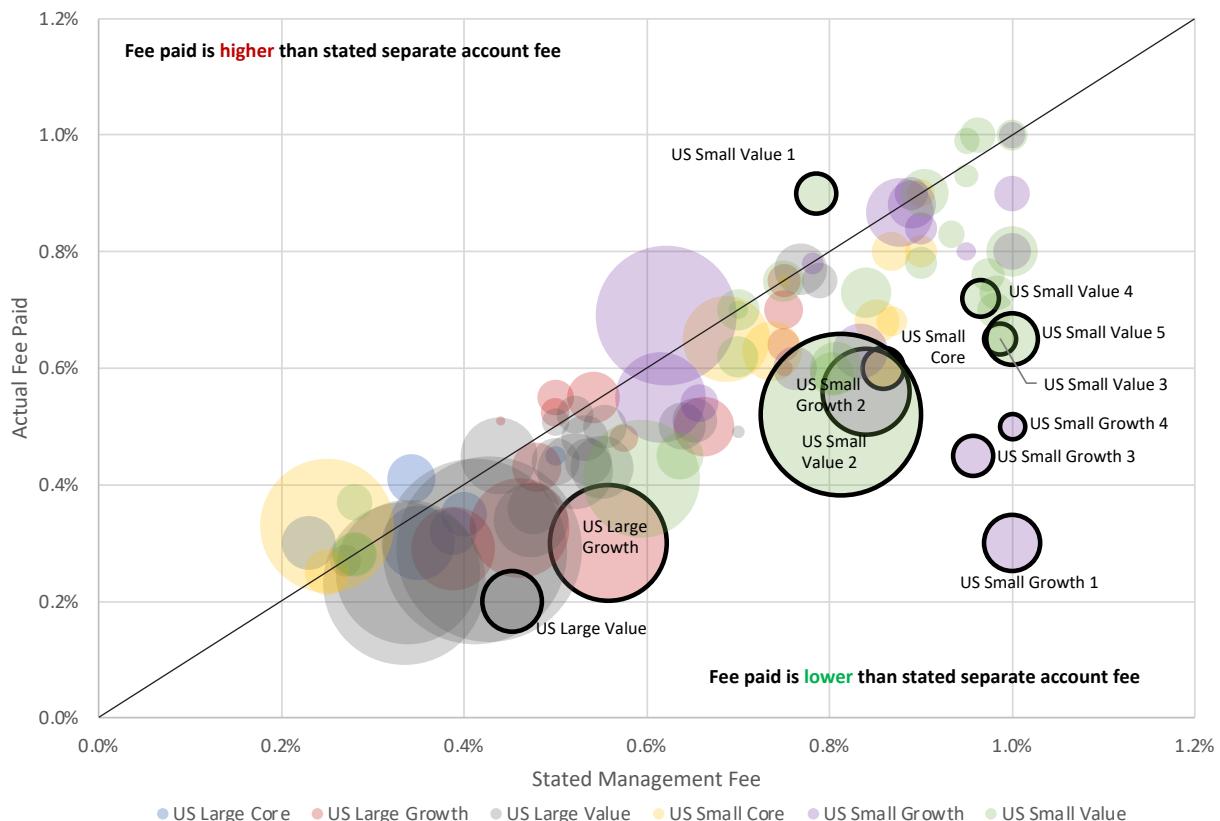
**US Small Value 1:** document specifies manager will reduce fees by 33% if placed on the Watch List of Probation

**US Small Value 2:** manager may be offering a legacy/longevity discount because the relationship with the public plan started in Jan-1994.

**US Small Value 3:** manager/plan relationship start date is Sept-2005.

**US Small Value 4:** under the Fees Disclosures field in Analytics, the product profile state "Fees are negotiable."

**US Small Value 5:** manager only showing one flat fee in Analytics but offered a three-tiered fee structure during the RFP process.



# Methodology & Notes

All mentions of “stated management fee” or “stated fee” refer to the separate account vehicle structures of products included in the primary universes in Nasdaq eVestment Analytics. Only products that were included in eVestment primary universes were used (i.e. those meeting our standardized reporting requirements). Stated separate account fee structures not set in US Dollars were converted to USD using Q1 2023 spot rates.

Certain fee data found in public plan documents included performance fee estimates. We excluded these estimates and recalculated the management fee based on fee terms specified within the document. In instances where public plan documents only listed quarterly fees paid, we multiplied these figures by 4x to get FY estimates.

Fees paid versus stated management fee comparisons use actual fees from public plan documents dated June 1, 2022 or after, as found on Nasdaq 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 various characteristics. The quartiles are based on intra-universe/grouping data, so each segment has their own distinct performance, firm AUM, portfolio holdings, etc. combinations.

For details on the lower and upper quartile bounds please reach out to [research@evestment.com](mailto:research@evestment.com)

## **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 Nasdaq eVestment Market Lens. Stated management fees are based on manager-entered fees in Nasdaq eVestment Analytics for products that were matched to those in the Market Lens documents. Data includes information from documents in Market Lens dated June 1, 2022 or after.

# Methodology & Notes

## **Mercer actual fees disclaimer:**

Mercer Actual Fee samples are generated using client fee schedules stored in Mercer's global client database.

The sample includes active portfolios that are linked to an active Strategy of Mercer's Global Investment Manager Database (GIMD). Mercer removes any incomplete fee scales and any performance based fees. Mercer also removes any portfolios that have a flat fee but no portfolio assets. All Defined Contribution (DC) portfolios are excluded as the fees of a DC plan depends upon the aggregate assets of the plan rather than the individual portfolio.

As per Quoted Fees, Mercer does not display data for categories with a sample size of less than six. For smaller sample sizes (less than 12), Mercer show the upper quartile, median, and lower quartile; for larger samples, Mercer also shows the 95th and 5th percentiles.

The calculation of the fee is dependent on whether the fee schedule is tiered/scaled or flat. For portfolios with tiered/scaled schedules the fee is calculated based on the listed account size. For portfolios with flat fees, the fee is calculated based on the latest available portfolio assets and included in the appropriate asset range (as shown on the exhibit).

When comparing Actual Fee and Quoted Fee universes, the constituents of the universes may not be the same.

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