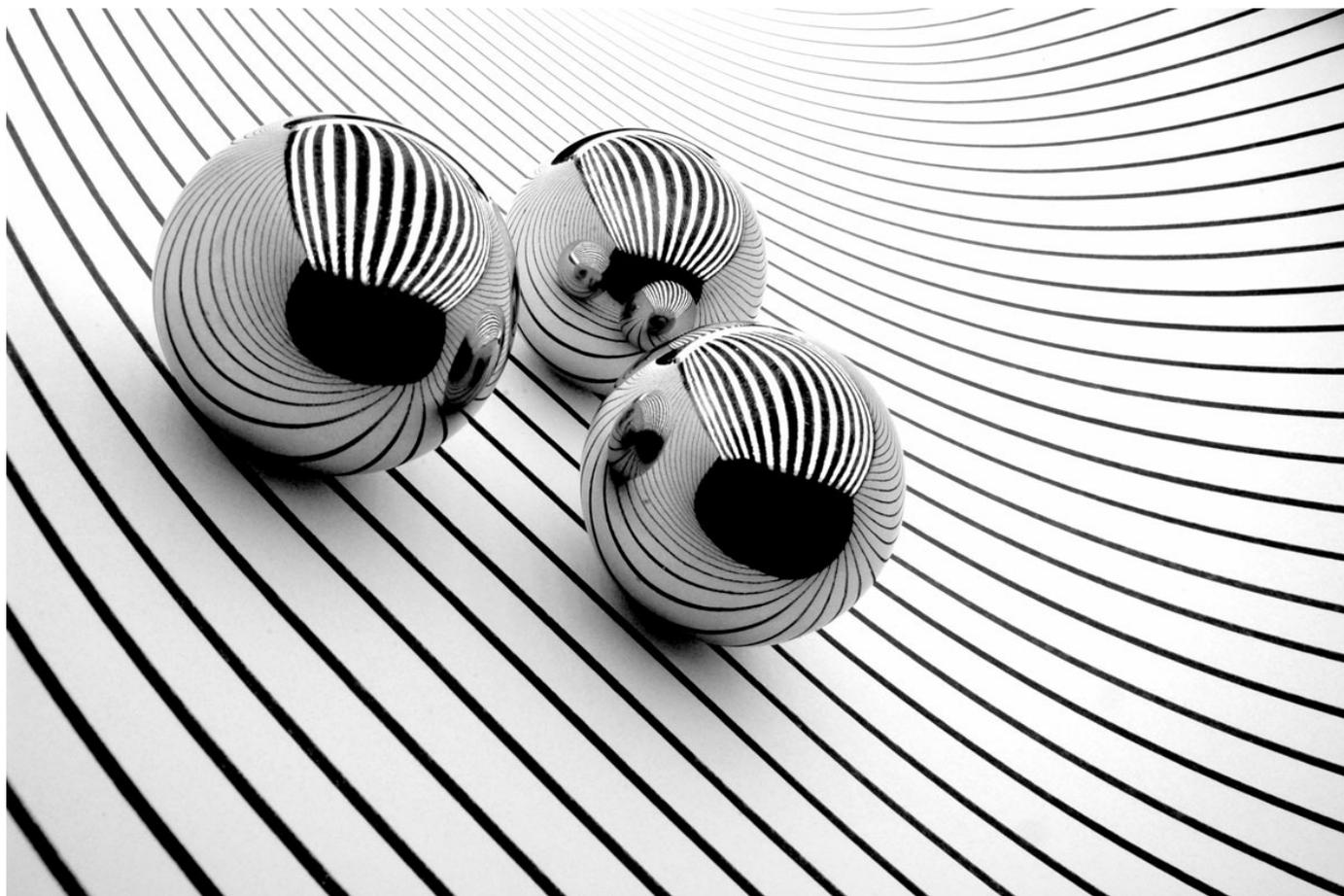

Solving the Fee Issue

[westwoodgroup.com/insight/solving-the-fee-issue/](https://www.westwoodgroup.com/insight/solving-the-fee-issue/)



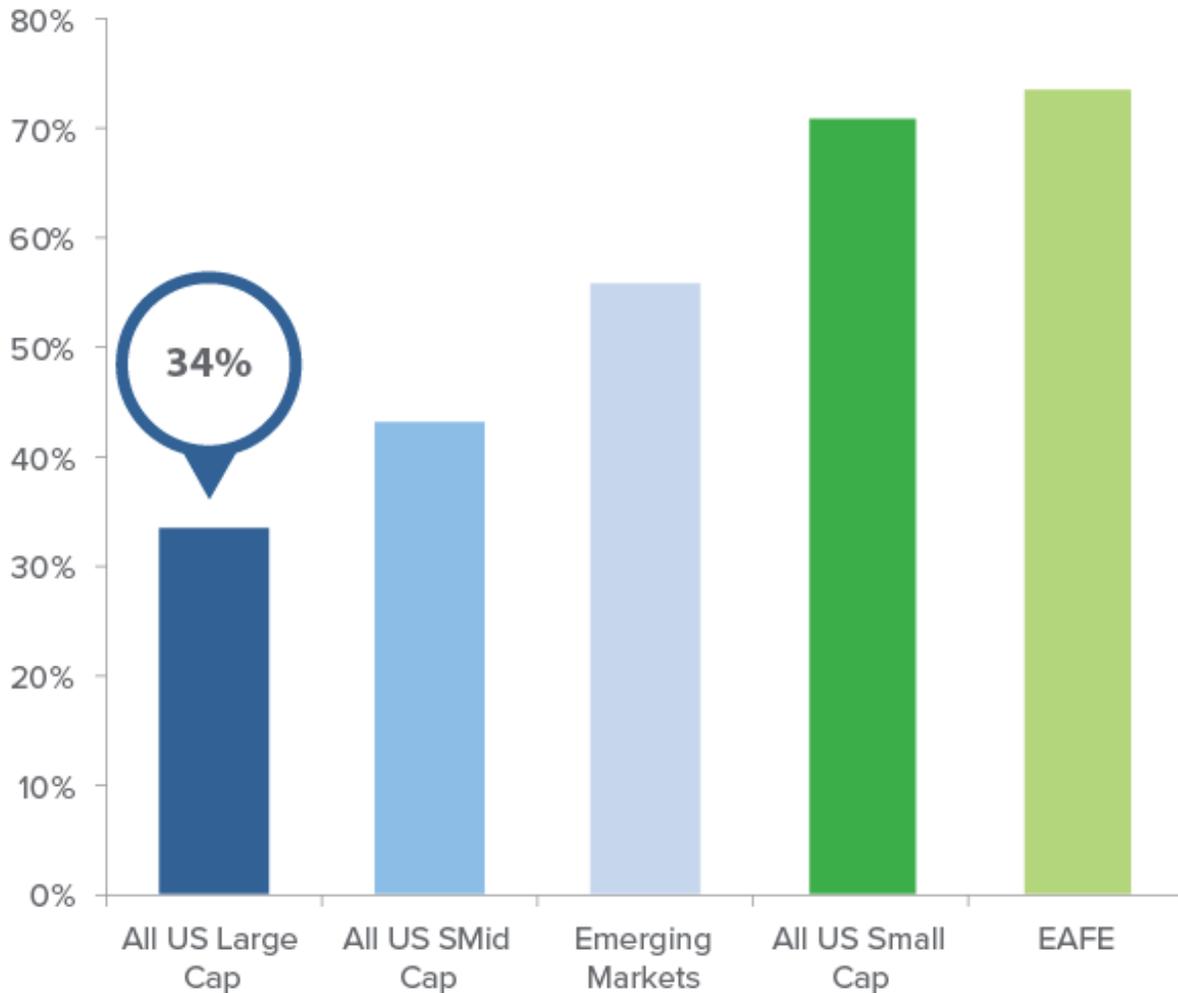
As a high-performing equity market environment lifted most stocks over the last decade, the value proposition for active management in efficient asset classes such as U.S. Large Cap has been scrutinized by both institutional and retail investors alike.

Low active share, otherwise known as “closet indexing,” high turnover and lofty management fees all contributed to a trend of marginal performance results for active products relative to benchmarks. In response, many investors have chosen to reduce their allocations to active managers and increase passive holdings, particularly in

efficient asset classes.

% of Institutional Strategies That Have Outperformed Benchmark

Trailing 10 Yrs, Net of Fees



Source: eVestment

During this period of dominance by passive products, the relationship between asset owners and investment managers has transformed, increasing fee pressures to improve alignment over existing fee structures. While overall fees have come down over the last decade, the industry has done very little to truly level the playing field for investors and solve the real problem — aligning fees to the value of active management and improving the probability of a favorable outcome depending on manager skill and the efficiency of the asset class.

Mutual fund investors paid a staggering \$100 billion dollars in expenses to underperforming asset managers over the last ten calendar years.

We believe the industry is primed for a major disruption that will better reflect the value-added returns of active management by solving the fee problem, altering the probability of winning for investors, and in turn radically changing asset allocation decisions.

Read more in our whitepaper, “Mission Possible: Changing the Probability of Winning for Active Investors.”

Westwood Sensible Fees™

A performance-based fee generally introduces the following risks: (i) performance-based fee arrangements may cause Westwood to make investments that are more risky or speculative than otherwise; (ii) Westwood may receive increased compensation (compared to a fixed fee) based on unrealized appreciation as well as realized gains on assets in the client’s account, (iii) clients may pay a performance fee even if an account declines in value, and (iv) no compensation or refund is paid if Westwood underperforms the benchmark. Sensible Fees are only available to those investors which are “qualified clients,” as defined in Rule 205-3 of the Investment Advisers Act of 1940.