

Fees Kill

Why endowments need to focus on the fees they are paying

Fees kill ... an endowment's returns. Gaard Capital specializes in managing endowments and believes firmly in maintaining low fees to enhance the growth and sustainability of our clients' funds. An SEC Investor Bulletin detailing the damaging, often unnoticed, impact of fees and expenses on investment portfolios resonates deeply with our core investment philosophy.¹ We charge a flat 20 basis points fee, 80% cheaper than the typical 100 basis point fee levied by other outsourced chief investment offices (OCIO).

Impact of Fees on Portfolio Growth

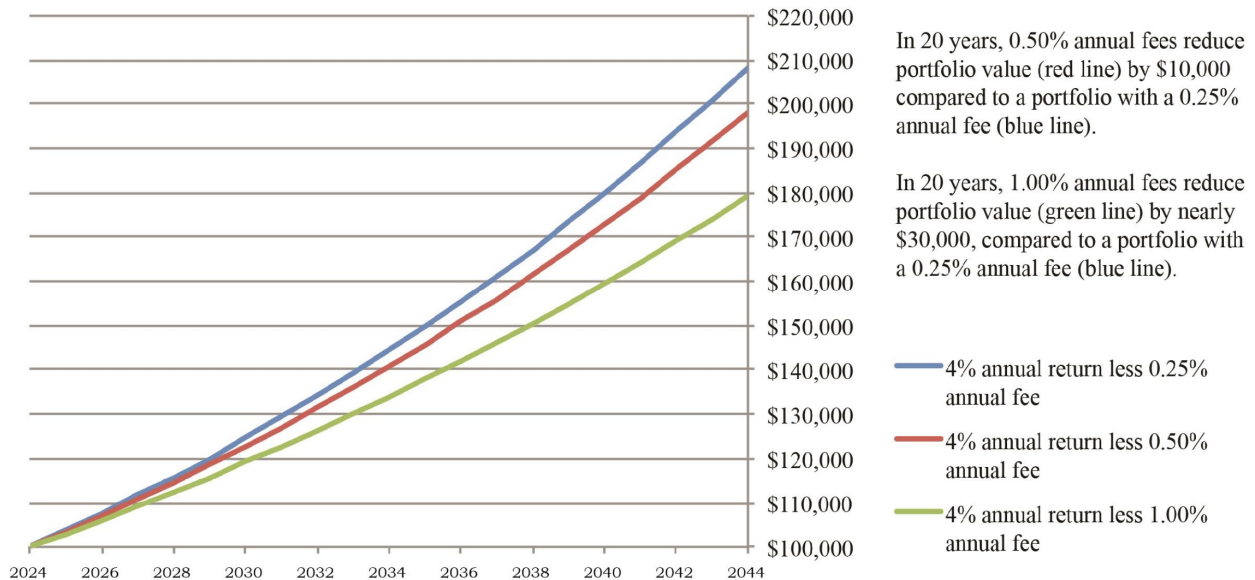
Endowments are designed to provide long-term financial support to their respective organizations, making the growth and preservation of these funds paramount. The SEC's research highlights how even small fees can significantly erode investment growth over time. For instance, a portfolio with a 4% annual return can see a substantial reduction in total return over 20 years due to fees ranging from 0.25% to 1%. At Gaard Capital, we underscore this point to our clients, demonstrating, through detailed projections, how minimizing fees is crucial in maximizing the funds available to support their charitable missions. Importantly, high fees do not correlate with quality. In fact, high fees directly harm the service provided by an OCIO. Ensuring an efficiently administered office, Gaard is institutionally positioned to maintain cost-effective operations while delivering a best-in-class, empirically driven OCIO service to clients.

The Necessity for Fee Transparency

Transparency regarding fees is not just good practice. It is essential for trust and alignment of interests between investment managers and non-profit organizations.

¹ Securities and Exchange Commission. "How Fees and Expenses Affect Your Investment Portfolio, SEC Investor Bulletin." *Securities and Exchange Commission Investor Bulletin* 164, no. 2 (2014): 1-6.

Portfolio Value From Investing \$100,000 Over 20 Years



The SEC’s bulletin advises investors to thoroughly understand and compare fees across investment options, and we advocate for this approach in every interaction. By ensuring that clients are well-informed about the types and structures of fees they incur, we empower better investment decisions that better align with the financial goals of our clients. For endowments, where every dollar saved can be redirected toward furthering their cause, the ability to lower fees is particularly valuable. Gaard Capital provides sophisticated and rigorously backed investment planning, while remaining hypersensitive to fees client incur. The SEC’s bulletin provides a compelling illustration of how ongoing fees, even if they are relatively small, can significantly erode the value of an investment portfolio. This insight is central to our investment strategy. We focus on products and services that not only promise transparency and low fees but also align with the long-term objectives of endowments.

Conclusion

From Gaard Capital’s perspective, the SEC’s emphasis on the critical analysis of fees and expenses in investment portfolios serves as a valuable guideline for managing endowments. We believe that maintaining low fees is not merely a cost-saving tactic but a strategic imperative that can define the success or failure of an institution’s financial strategy. By advocating for a low and transparent fee model, we strive to uphold our commitment to enhancing the financial health and sustainability of organizations. This approach not only supports their enduring missions but also aligns with our vision of fostering a more accountable and efficient investment landscape.