



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 maintains a disciplined focus on minimizing fees to support the long-term growth and sustainability of client funds. An SEC Investor Bulletin¹ detailing the damaging, often unnoticed, impact of fees and expenses on investment portfolios closely aligns with this investment philosophy.

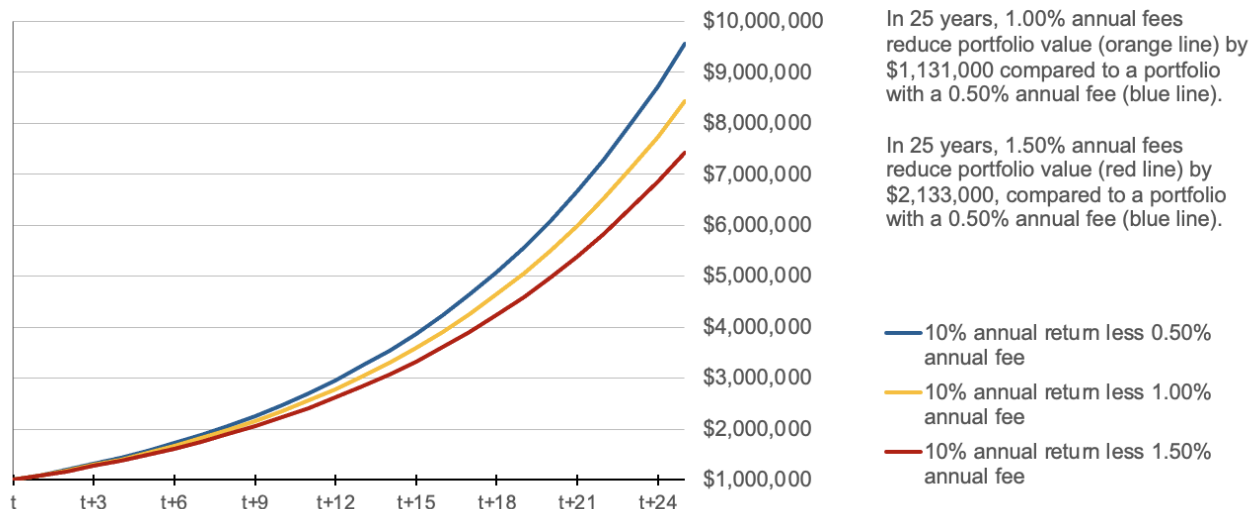
Impact of Fees on Portfolio Growth

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 10% annual return can see a substantial reduction in total return over 25 years due to fees ranging from 0.50% to 1.50%. 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 reduce the value delivered to clients. 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. At Gaard Capital, this commitment to transparency is reflected directly in our fee structure. Our advisory fee does not exceed 50 basis points, which is nearly half of the typical 1.00% advisory fee charged by many investment advisers.²

Portfolio Value From Investing \$1,000,000 Over 25 Years



Important Information: This example is for illustrative and educational purposes only and is intended to demonstrate the impact of advisory fees on investment returns over time. The performance shown is hypothetical, and does not represent the performance of any actual account.

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 clients 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. We focus on products and services that not only provide 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 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 supports their enduring missions while aligning with our vision of fostering a more accountable and efficient investment landscape.

References

1. Securities and Exchange Commission. (2014). *How fees and expenses affect your investment portfolio* (Investor Bulletin No. 164).
https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf
2. RIA in a Box. (2019, July 18). *2019 RIA industry study: Average investment advisory fee is 0.96%*.
<https://www.comply.com/resource/2019-ria-industry-study-average-investment-advisory-fee-is-96-percent/>

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