



# Capital Cities

INSTITUTIONAL INVESTING MADE PERSONAL



Porter County Government Nonprofit  
Charitable Foundation, Inc.  
Fee Analysis  
May, 2019

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# Foundation Fees Overview

## Institutional Investment Management Framework

### *Types of Fees:*

#### **Investment Managers:**

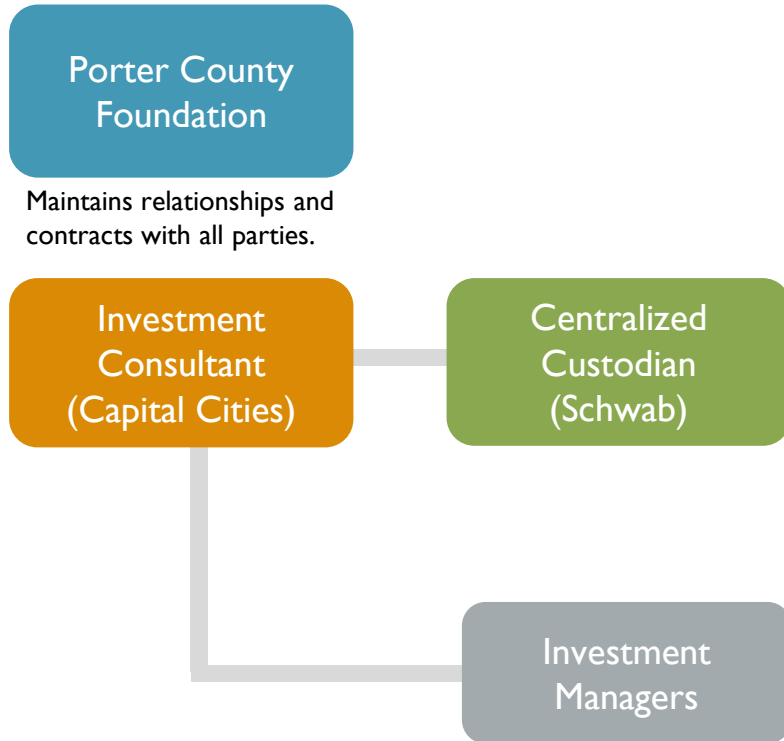
- Typically represent a larger portion of overall fees paid
- Investment Managers manage assets on behalf of investors, including buying/selling securities

#### **Custodian:**

- Fees vary based on the level of service provided
- Custodians safe-keep assets, settle trades and serve as the book of record

#### **Advisor/Consultant:**

- Advisory fee structures vary, including asset-based, flat rates or commission-based
- Some advisors utilize proprietary investment products
- Advisory services can include: fee analyses, manager structure evaluations, investment policy statement development, investment manager searches and performance reporting



**The Porter County Government Nonprofit Charitable Foundation follows an institutional framework, in which the key roles (Consulting, Investment Management and Custody) are clearly delineated. This open architecture approach leads to transparency of fees and services.**

# Investment Management Fees

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## Overall Fees

- Both active and passive management have a place in the portfolio. Active management provides diversification and potential for alpha while passive management provides broad exposure at a low cost.

## Least Expensive Share Class

- All investment funds should reflect the least expensive share class or vehicle available.

## Reasonable Relative to Peers

- All of the active investments should be competitively priced relative to peers. Passive investment funds should only be managed by low-cost providers.

# Investment Management Fees

## Monitoring of Investment Management Fees - Equity

Equity Funds	Peer Group	Fee Schedule	Peer Group Fees					
			10th	25th	Median	75th	90th	
<b>Schwab S&amp;P 500 Index</b>	Passive Large Cap Core	<b>2 bps</b>						
<b>Vanguard Windsor II</b>	Large Cap Value	<b>25 bps</b>	174 bps	133 bps	<b>95 bps</b>	68 bps	53 bps	
<b>Harbor Capital Appreciation</b>	Large Cap Growth	<b>58 bps</b>	180 bps	131 bps	<b>100 bps</b>	75 bps	63 bps	
<b>Diamond Hill SMID</b>	SMID Broad	<b>93 bps</b>	200 bps	141 bps	<b>113 bps</b>	91 bps	81 bps	
<b>Vanguard Developed Mkts Index</b>	Passive International Equity	<b>6 bps</b>						
<b>TIF International Equity Series</b>	International Value	<b>79 bps</b>	190 bps	143 bps	<b>110 bps</b>	86 bps	67 bps	
<b>William Blair International Leaders</b>	International Growth	<b>100 bps</b>	193 bps	140 bps	<b>109 bps</b>	88 bps	68 bps	

- **Passive Equity Management provides market exposure at a low cost:**
  - Schwab S&P 500 = 2bps; Vanguard Total International = 6bps
- **Active Equity Managers seek to provide alpha over passive management:**
  - All Active Equity Manager fees are below the median of their respective peer group.

# Investment Management Fees

## Monitoring of Investment Management Fees – Fixed Income

Fixed Income Funds	Peer Group	Fee Schedule	Peer Group Fees				
			10th	25th	Median	75th	90th
<b>BlackRock Total Return</b>	Core Fixed Income	<b>45 bps</b>	144 bps	95 bps	<b>70 bps</b>	46 bps	38 bps
<b>Dodge &amp; Cox Income</b>	Core Plus Fixed Income	<b>43 bps</b>	152 bps	103 bps	<b>76 bps</b>	50 bps	41 bps
<b>Carillon Reams Core Plus</b>	Core Plus Fixed Income	<b>40 bps</b>	152 bps	103 bps	<b>76 bps</b>	50 bps	41 bps
<b>Loomis Sayles Strategic Alpha</b>	Unconstrained Fixed Income	<b>70 bps</b>	178 bps	138 bps	<b>98 bps</b>	71 bps	60 bps
<b>Western Total Return Unconstrained</b>	Unconstrained Fixed Income	<b>65 bps</b>	178 bps	138 bps	<b>98 bps</b>	71 bps	60 bps
<b>Baird Short-Term Bond</b>	Defensive Fixed Income	<b>30 bps</b>	148 bps	98 bps	<b>67 bps</b>	46 bps	35 bps
<b>Payden Low Duration</b>	Defensive Fixed Income	<b>43 bps</b>	148 bps	98 bps	<b>67 bps</b>	46 bps	35 bps

- **Unconstrained Fixed Income Managers provide the opportunity for absolute positive returns in a challenging fixed income marketplace:**
  - The average expense for the managers (68 bps) falls materially below the median for the peer group.
- **Traditional Fixed Income further diversifies the Foundation’s fixed income exposure and provides relative return and income potential:**
  - The Traditional Fixed Income Managers all rank favorably relative to peers.

# Custodian Fees

## Schwab's Fee Schedule:

**All Assets:**  
0 bps

**Transaction Costs:**  
\$20 per transaction on mutual funds.  
\$0 on OneSource mutual funds.

\$4.95 per transaction on equity/ ETF trades.

\$25 per wire

## Services Provided

- Schwab provides a number of services including: safekeeping of Portfolio assets, transaction settlement, cash management, consolidated accounting and reporting, online account access, collection of income, etc.
- Customized, local client service is not provided by Schwab

## Benchmarked to Peers

- Capital Cities continues to monitor the custodian marketplace and benchmarks Schwab to other custodians

## Reasonable Relative to Peers

- Schwab's fees are considerably lower than other custodians
- Capital Cities facilitates most custodial services

# Investment Consultant Fees

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## Transparent

- Capital Cities' flat fee of \$65,000, is clearly stated within the investment consultant agreement. Capital Cities does not receive any additional compensation from the assets within the Account.

## Appropriate

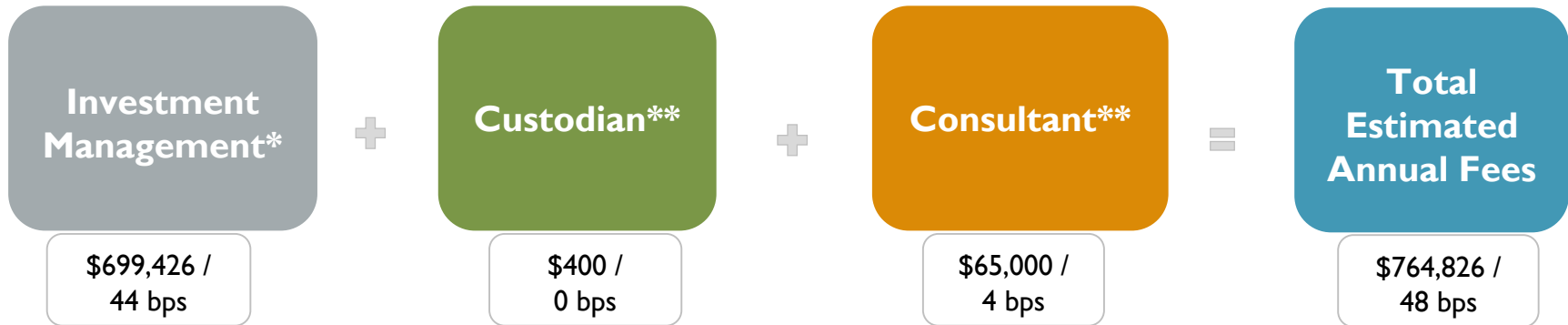
- Capital Cities' service goes beyond simply providing quarterly performance measurement and evaluation reports. Custom projects are delivered to meet your needs. From fee analyses to asset allocations studies, manager searches to custodian evaluations, investment policy statement development to performance reporting, Capital Cities strives to be your interpreter for all investment-related matters.

## Objective

- Capital Cities is an independent, employee-owned firm with no affiliation with custodians, banks or investment managers. Capital Cities serves as a fiduciary to your Account. Capital Cities does not receive any compensation from the Account beyond its stated fee.

# Foundation Fees

## Total Portfolio Fees – 2018



- The least expensive share class currently available at Schwab is utilized for each fund
- Mutual Fund fees are netted from performance

- Custody fees are minimal
- Foundation only incurs transaction fees at Schwab

- Capital Cities does not receive any additional compensation

- Total fees are 48bps
- Out-of-pocket fees are 4bps

- **The Foundation utilizes an open-architecture, transparent investment program structure.**
- **Total fees are reasonable and appropriate given the portfolio's construction.**