



## TELOS Fee Survey 2018/2019

Fees for German institutional  
asset management mandates



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## EXTRACT

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## Foreword

Dear Readers,

We all know that the demands in the institutional business are becoming even more demanding. This concerns the rising expectations of the return as well as the customer service.

However, one point that has become increasingly prominent, especially since the low interest rate phase was launched, is the cost of an institutional mandate, a special fund and / or an institutional mutual fund. The experience from tenders also shows that the fee differences for a given special fund mandate are often far apart. Not infrequently a lever from 3 to 5 lies between the cheapest and the most expensive provider.

With our present "Large Fee Study" we want to ensure greater transparency in the German market. In doing so, we do not want to concentrate exclusively on fee structures in portfolio management, but at the same time make a comparison of the Master-KVG market.

In terms of asset management, the analysis picks up on all asset classes that are currently important for the institutional market. In addition to the liquid asset classes, it also deals specifically with the various product offerings for illiquid assets such as real estate or private debt. We also look at issues such as "Are foreign providers generally more expensive than German asset managers?". Overall, the study provides a holistic overview of fee structures in institutional asset management in Germany.

We are pleased that we were able to carry out this survey together with GSC (Wiesbaden). Mr. Georg Seil has known the institutional sector for decades and accompanied our study.

At this point we would like to thank all the participating houses. Without your support, it would not have been possible to create such a comprehensive analysis!

If you have any questions about fees in asset management, we are always at your disposal.

Have fun while reading!

Your TELOS Team

## Summary

### Fees in institutional asset management - TELOS fee study creates transparency

- **Costs are very important for 80 percent of institutional clients**
- **Foreign asset managers cut costs to lower level of German providers**
- **Active mandates cost four times more than passive mandates**

Fees are very important to German institutional investors. This is shown among other things by the results of a survey of German institutional investors conducted by TELOS GmbH (TELOS) in January 2019. 80 percent stated that fees are very or very important for them. 20 percent are neutral against fees. In order to create more transparency with regard to fees, TELOS carried out a comprehensive analysis of management fees in asset management for German institutional investors at the end of 2018/beginning of 2019.

For the analysis, TELOS surveyed German and foreign asset management companies - broken down by mandate size - on their fees for various asset classes such as equities, bonds and multi-assets and their sub-groups such as corporate bonds. In addition, TELOS has taken into account the fees from tenders that it has accompanied. In total, the evaluation includes fees for over 60 liquid and alternative asset classes. The fee study also includes special cost components such as ESG approaches and overlay offers. The fees for administration services of Master KVGs and depositaries were also included in the analysis. Dr. Frank Wehlmann sums up the study as follows: "Our study confirms that fees tend to rise for more complex investment universes and tend to fall for higher mandate volumes. All in all, the fees are under pressure. "

The results also show that there is a clear difference between the **lowest** and the **highest** management fee - sometimes up to factor 4 (see chart 1 "Management fees actively managed mandates up to EUR 50 million" - IG = Investment Grade / HY = High Yield).

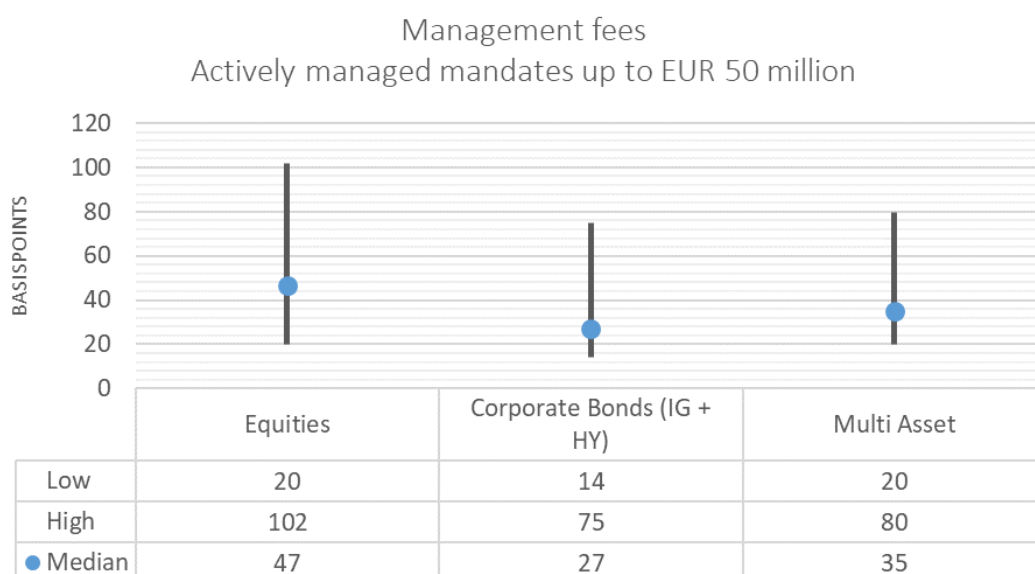


Chart 1 "Management fees - active mandates up to 50 million euros"

The difference in fees between **actively** managed and **passive** mandates in the same asset class is around a factor of 4. This means that managing active mandates is about four times more expensive than managing passive mandates (see chart 2 "Management fees for equity mandates up to EUR 50 million").

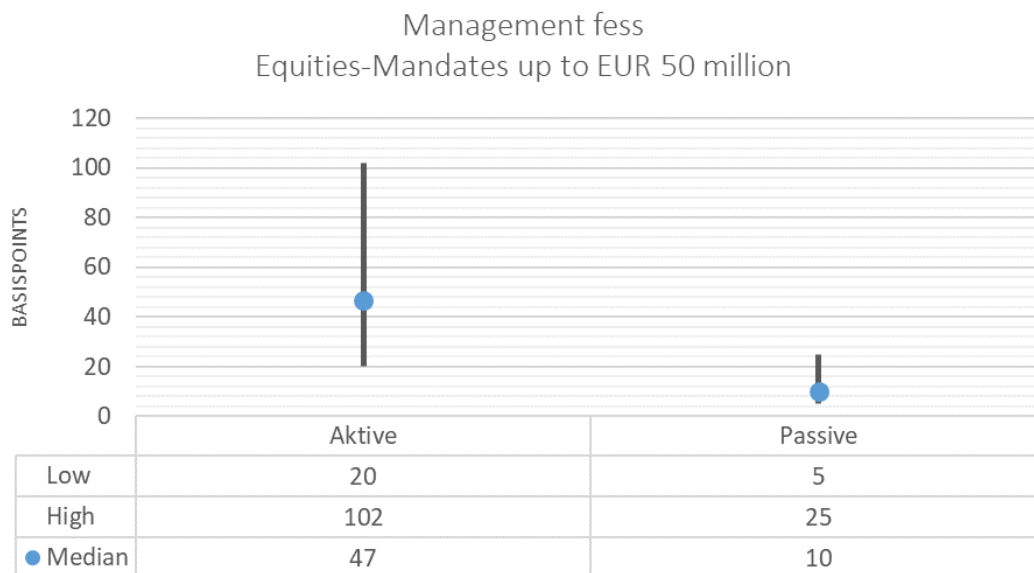
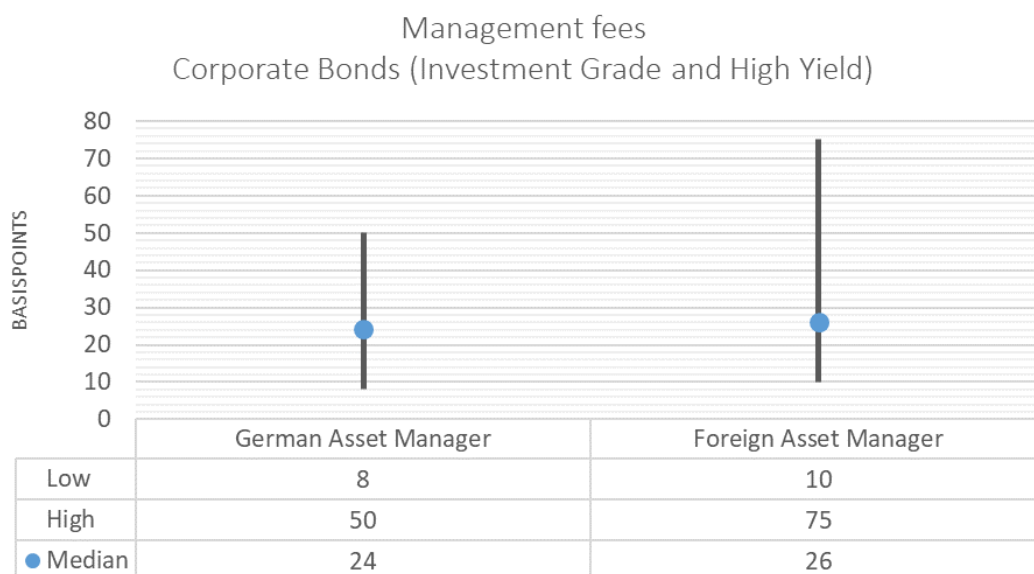


Chart 2 "Management fees - share mandates up to 50 million euros"

The experience from earlier market assessment that foreign asset managers are significantly more expensive than German providers cannot be confirmed by the TELOS fee study. Depending on the asset class and mandate size, some German and some foreign asset managers are more expensive. Overall, the fees of these two groups of providers are now close together (see chart 3 "Management fees for corporate bonds (investment grade and high yield)").



Graph 3 "Management fees - corporate bonds (investment grade and high yield)"



## **„TELOS Fee Survey“ (2019)**

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Your TELOS-Team