

# *Opportunity Funds: Reining in the Fees*

March 18, 2003



# *Opportunity Funds: Reining in the Fees*

## **Introduction**

Real Estate Opportunity Funds gained prominence in the early to mid “90s” as investors sought to participate in the recovery of the real estate markets and take advantage of the lack of available capital. The early funds promised minimum net returns of 18-20% and delivered twice that. For that performance, GPs were rewarded handsomely with a Fund Management Fee of 1.5% on committed capital plus 20% of total profits. Opportunity Funds and their GPs have become a permanent fixture. Although markets have corrected, capital seeking real estate has become over abundant and the ease of achieving 20+% net returns has vanished. This paper examines Opportunity Fund fee structures and the disconnect between compensation and investment performance that has resulted as markets have changed and returns have declined. As well, it highlights the effect of leverage and the extent to which GPs are compensated simply for using it. Fee structures need to evolve to better reflect risk, return and strategy.

## **Typical Opportunity Fund Structures**

Opportunity Fund structures typically fall within a range of terms and conditions, with further variations resulting from a variety of factors including prior performance/history, size of the program, investment strategy and founding Limited Partners. Generally, there is a preferred return to investors of 9% to 11%; a catch-up to the manager until the manager receives 20% of total profits (not an IRR based concept), with the catch-up ranging from 60/40 (GP/LP) to 50/50 to 40/60 (GP/LP); and a Fund Management Fee of 150 basis points, reduced to 125 basis points for commitments of \$75 million and 100 basis points for commitments over \$100 million. The Opportunity Fund Manager invests capital during a 3 to 4 year period during which the manager is paid its Fund Management Fee on committed (vs. invested) capital, and is often reimbursed for a variety of costs such as accounting department overhead and dead deal pursuit costs that a Core manager would not receive. Although not representative of market, there are several funds that have acquisition fees: 50 or 100 basis points on gross acquisition price; so, if the investment is 75% levered, the fee is 400 basis points on invested equity. Funds also vary by the degree to which there is a clawback to ensure distributions according to the basic structure.

## **The Problem**

Depending on the actual pattern of cash flows, for a fund with a 10% preferred return and a 60/40 catch-up, the manager is likely caught up to 20% of total profits at a net return to investors of 12.5% and a corresponding gross return of 16.5%. This net return, on an unlevered basis, does not warrant this level – 400 basis points - of compensation to the manager. *No GP should be rewarded just for utilizing leverage.* Put another way, an investor can readily achieve a 12.5% net return with a lot less risk by leveraging a Core investment and without paying 400-450 basis points on equity in fees. An unlevered gross return of 7.35% can be levered 67% to achieve a gross return of 10% - the standard preferred return over which the GP receives a disproportionate share of distributions.

## **Why the Mispricing?**

Real Estate Opportunity Funds borrowed their structures from private equity funds in the early 1990s. Investors didn't mind paying 20% of total profits for returns that on a net basis exceed 20%. No one seemed to be bothered by the structure, that is, until the funds failed to deliver the promised net 20% IRR – or, worse, failed to deliver returns that exceeded unlevered Core returns. The problem lies with a structure that compensates the GP extremely well for having failed.

## **Correlation Between Risk, Return and Strategy**

A cornerstone of the private equity fund philosophy is that fees should reflect performance and interests between GPs and LPs are aligned via the compensation arrangement. There should be a continuum along the risk and return spectrum of fees paid for performance. *Managers should only be rewarded with outsized fees for exceptional performance.* During the period 1996-2000, a fund that bought the NCREIF Index and levered it 75% would have achieved a gross return of 29.5%<sup>1</sup>. *No manager should be rewarded with outsized fees just for utilizing leverage.*

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<sup>1</sup> NCREIF for this period was 12.79% and the 5-year T Note plus 200 bps was 7.57%.

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The fees associated with a Core open-ended fund are approximately 70 basis points on invested gross<sup>2</sup>. While it is rare for a pension fund to lever Core more than 50% LTV, the effect on fees of leveraging up to 70% (at 5.0% interest), expressed as basis points on equity, is as follows:

LTV	BPs on Equity	Gross IRR	Net IRR
0%	70	9.50%	8.80%
30%	100	11.33%	10.33%
35%	108	11.79%	10.71%
40%	117	12.32%	11.15%
45%	127	12.95%	11.67%
50%	140	13.69%	12.29%
55%	156	14.59%	13.03%
60%	175	15.69%	13.94%
65%	200	17.09%	15.09%
<b>66.6%</b>	<b>210</b>	<b>17.62%</b>	<b>15.52%</b>
70%	233	18.91%	16.58%
75%	280	21.40%	18.60%

The 210 basis points fee load on levered Core at 66.6% LTV sets the minimum fee that should be paid to an Opportunity Fund GP who has used a similar amount of leverage. Additionally, the approximately 15% net return sets the threshold over which an Opportunity Fund should be compensated for performance.

Investors have a wide range of alternatives to both allocate and execute their real estate capital along a continuous spectrum of risk and reward. The strategies are generally categorized as Core, Levered Core, Value-Added, and Opportunity. Net returns from an unlevered Core strategy are generally 8.8%; adding 15%-50% leverage, the net return becomes 9.41%-12.86%. Net returns from a Value-Added strategy with 60%-67% leverage should be at least 15.0%-17.5%. The net returns from an Opportunity Fund that has performed should have delivered 20% net at a minimum. The fees associated with a Core open-ended fund are approximately 70 basis points on invested gross. Adding leverage and assuming additional risk from a repositioning strategy results in approximately 200-350 basis points of fees on equity for Value-Added investments. The fees for an Opportunity Fund with net returns of 18% to 22% results in fees of approximately 450 to 500 basis points.

	Core	Levered Core	Value-Added	Opportunity
LTV	0%	15%-50%	60-67%	67%
Unlevered Gross	9.5%	9.5%-10%	10.5%-11%	12%-13%-14%
Levered Gross Return (%)	NA	10.26%-14.26%	17.7%-21%	22.8%-24.9%-27.1%
Cost to Invest (bps)	70 bps	85-140	200-350	480-495-510
Net Return	8.8%	9.41%-12.86%	15%-17.5%	18%-20%-22%

### Performance Defined

To understand how Opportunity Funds are expected to perform on a net basis and the associated level of fees and expenses, we began by defining various levels of returns. We then surveyed a large number of funds for their performance (\$28.2 billion in invested capital).

We surveyed funds for their IRRs since inception 1) utilizing current fair market value (FMV) as the reversion and 2) as projected through liquidation. The meaningfulness of the FMV returns is undermined by the lack of consistent valuation policies across funds. Many funds intentionally hold investments at cost until they are realized.

For both sets of returns we surveyed for Gross, Adjusted Gross, and Net returns. Gross is defined as the fund's investment level IRRs in local currency net of debt. Adjusted Gross is then net of hedging costs, currency translation, pursuit costs (dead deal costs), credit facility interest if utilized to bridge equity, audit

<sup>2</sup> Similar to Separate Account Fees in total which usually include an acquisition fee, disposition fee, and asset management fee.

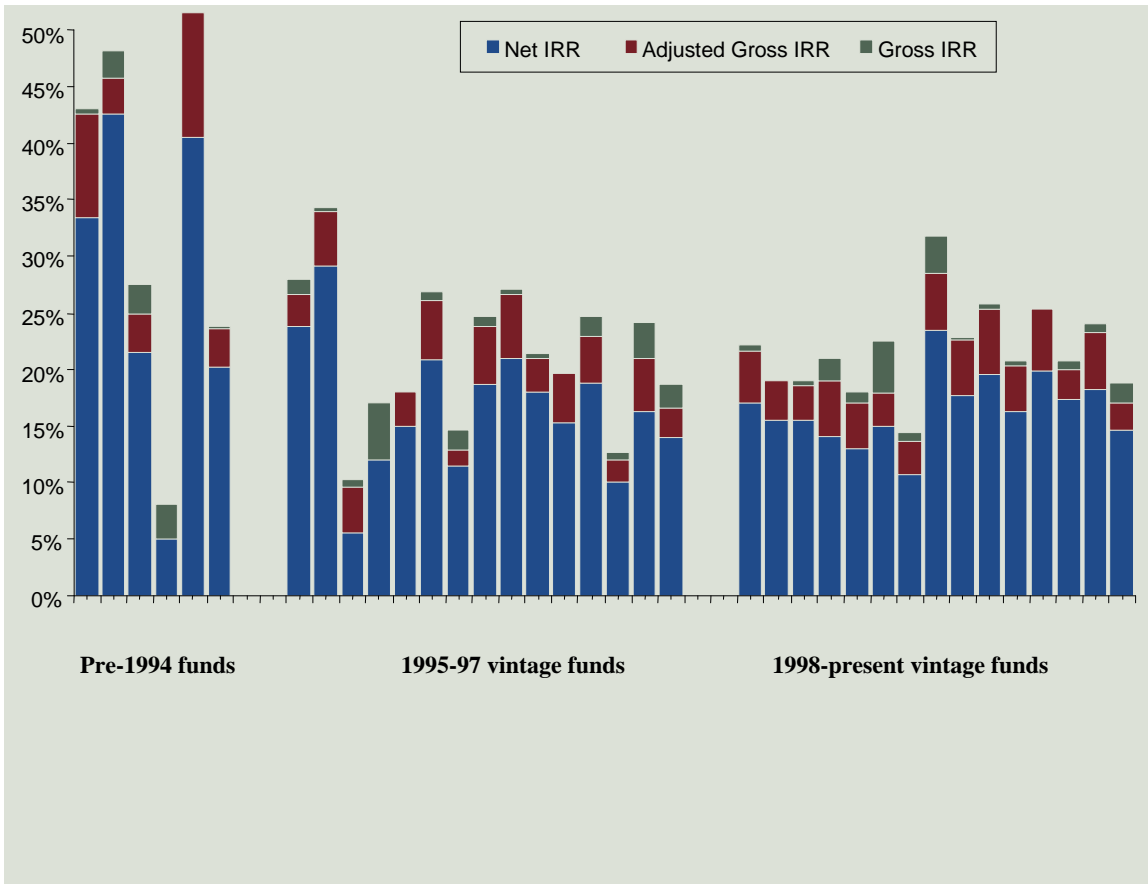
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and legal expenses, and accounting overhead if reimbursed by the fund<sup>3</sup>. Net is net of the Fund Management Fee and Carry. The matrix used in the survey is shown in Appendix A.

## Opportunity Funds are Failing to Deliver

Our recent survey of Opportunity Fund performance (as of June 30, 2002) reveals that many of the top tier funds are projecting net returns to investors in the range of 15.5% to 18% on the recent vintage funds (1999-2000). The few funds that are projecting returns in excess of this are first time funds that have had few realizations; thus, these projections may not be borne out in an eventual liquidation. An examination of the handful of top performers, funds that have delivered top returns on a consistent basis relative to their peers based on vintage year of the fund, reveals the extent to which returns have declined since the early 1990s. Funds that once delivered net returns in excess of 40% are now projecting returns in the range of 15.5% to 18%. Many others are projecting net returns below 15%, below 13%, and below 10%. If the opportunity for 18% net returns has dried up, it's OK. Market dislocations that allow for 18% plus net returns, by definition, should be cyclical. However, GPs should not be compensated with 20% of total profits on net returns between 12.5% and sub-20% as the current compensation structures allow.

*Opportunity Funds that deliver net returns to investors below 20% are generally overcompensated, particularly in the range of returns between the preferred return and the minimum return promised to investors of 20%.*



<sup>3</sup> We are now utilizing a survey whereby we have added a fourth level of returns: Gross, net of hedging costs and currency translation.

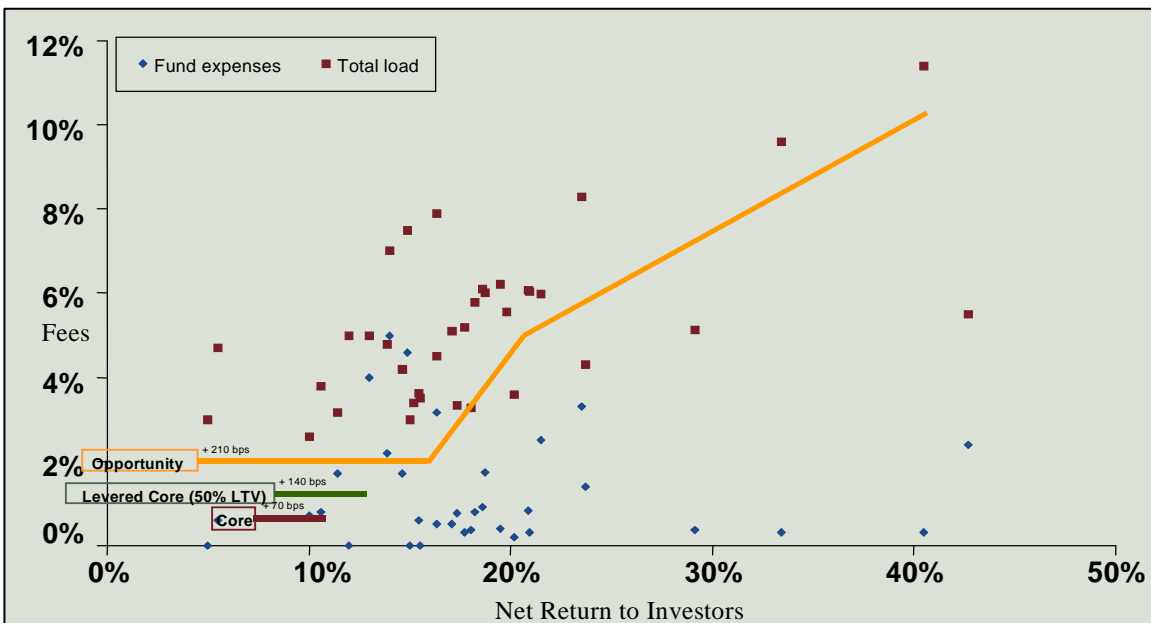


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## Investors Have Only Themselves to Blame

Now is the time for investors to bring fee structures into alignment with the returns being projected and delivered. As long as the funds deliver an acceptable level of return, nothing is being taken away from the manager's compensation. In this interest rate environment, investors should insist that the preferred return be no lower than 15% and that the catch-up be slowed down such that the manager achieves 20% of total profits when the investor nets at least 20%. Additionally, funds should have claw-backs of 100% of the after-tax Carry on a portfolio basis to ensure that the investor achieves its preferred return and that the manager never receives more than 20% of total profits.

Superimposing the ideal fee load for various investment strategies on the earlier graph of surveyed performance, one can see the extent to which the Opportunity Fund GPs are being over compensated for returns that are below 20% net. Interestingly, the shape of the orange line is that of a free option: the GP has no downside risk, only upside risk.

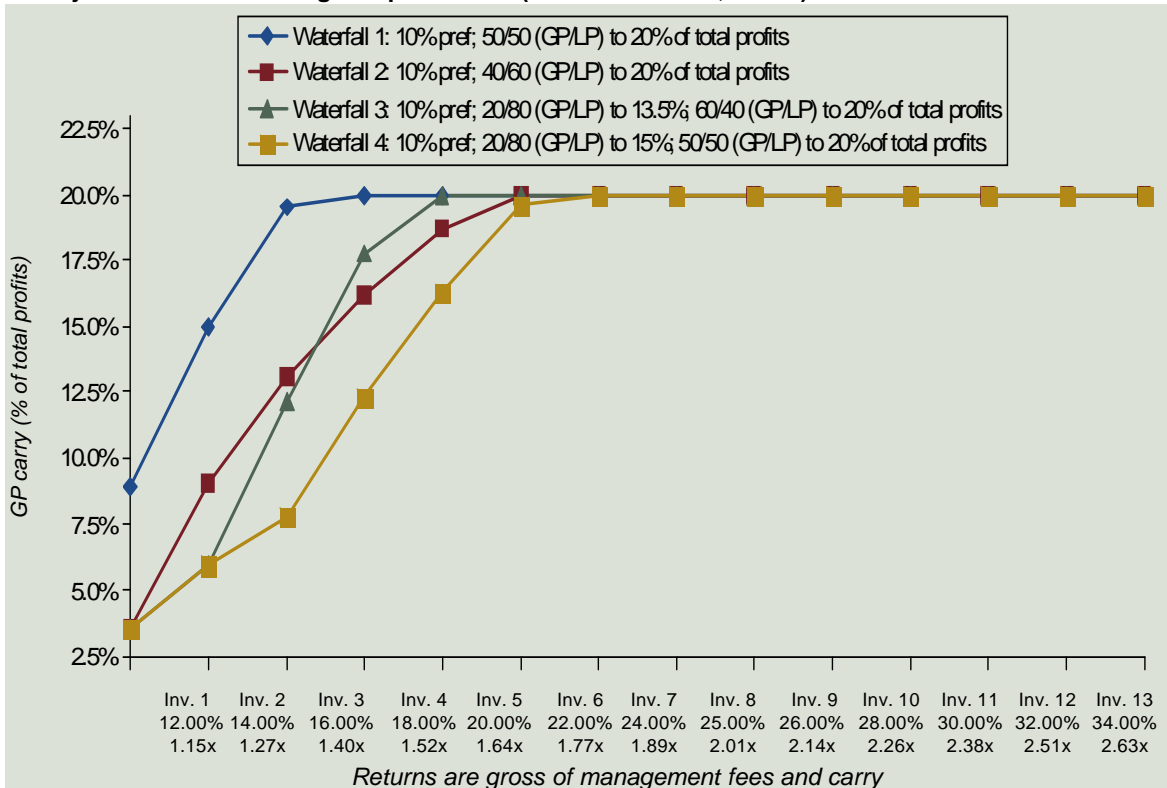


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## What is the Solution?

There are a number of solutions to the misalignment of compensation and performance seen at the lower levels of returns. Ideally, the GP should be judged and compensated on its de-levered returns, performance that is totally neutral to leverage. Alternatively, the structure might utilize a series of hard IRR-based hurdles, eliminating the 20% of total profits concept, much as the Opportunity Funds reward their operating partners. Or, the pref should be increased and the catch-up slowed down to provide higher returns to LPs before a GP has achieved a 20% profit share from “first dollar”. The diagram below illustrates the effect and timing of GP compensation by slowing down *the catch-up* before reaching 20% of total profits.

**Projected IRRs through liquidation (as of June 30, 2002)**



We would suggest that the level of the preferred return should be a function of the interest rate environment in which the fund is raised or invested. In the current environment the pref should be 15%, which reflects current Core returns levered to 67% (net of fees). Thereafter, the GP should begin getting a disproportionate share of the distributions – [50/50], [40/60 (GP/LP)] until the GP is caught up to 20% of total profits.

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## **The Ramifications of Poor Performance**

It has been fascinating to observe the impact on organizations and GP motivations when the prospect for realizing Carry evaporates. Evaporating Carry has resulted in a number of GPs searching for ways of generating additional sources of fees. There seems to be no limit to GP creativity in this endeavor. The GPs most guilty of “stretching the limits” are those with funds that are producing no Carry. Conversely, the funds that are performing well seem to have GPs that are transparent and have not sought to generate fees from new sources. Investors should not assume that the latter group is incapable of also morphing into the former should Carry become scarce for them as well.

Many completely ethical GPs created Asset Management Affiliates that ran “at cost” to provide in-house created expertise in markets where the expertise did not exist. An added benefit to their funds was the avoidance of an additional layer of promote, and the direct control over the “partner”. “At cost” evolved into “cost plus 10%”. Then the GP began utilizing the affiliate for more than just specialized services such as resolving non-performing loans (NPLs) in overseas markets. The next stage was to see the migration of personnel from the GP to the affiliate. The end result was that GP overhead was shifted from the GP to the Affiliate, which was then reimbursed by the fund. In this way, some GPs found a way to generate profit from their management fees through a virtual elimination of their overhead.

Another variation on this was the Asset Management Affiliate that is not reimbursed at cost but charges fees to the fund: Base Asset Management Fees, Incentive Fees, Acquisition and Disposition Fees. This structure was often described as necessary “to satisfy the foreign tax authorities”. Pretty soon this affiliate had 15 times more employees than the GP and was making a huge profit. GPs argued that they are not making a profit because they are still recovering their start-up costs. If the fund pays for all of the start up costs, don’t all of the eventual profits from the Affiliate belong to the fund?

Finally, a fund should never be allowed to charge unspecified fees to an Affiliate subject to the approval of an Advisory Committee. Additionally, the asset management affiliate must always be staffed separately from the GP, reimbursed by the fund at the lesser of market or cost plus 7-10%.

*The only protection for investors is to insist on documentation that leaves no latitude for the GP to devise additional sources of revenue at its discretion. See “Check-List” that follows.*

## **Conclusion**

There should be a continuum along the risk and return spectrum of fees paid for performance so that a manager is paid relative to the returns delivered. Ideally the GP should be judged and rewarded based on its de-levered performance, a standard that is neutral to the amount of leverage utilized. This probably isn’t practical, and therefore:

- In the current interest rate environment, the preferred return should equal the net return from Core levered to 67%: 15.0%.
- After the preferred return, the GP should receive a disproportionate share of distributions that will catch-up the GP to 20% of total profits at a net 20% IRR to the investors.

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## The Investors' Check-List for Fund Documents

Term	Recommendations/Comments
1) GP Commitment	Typically 1% to 5% of fund capital, but commitments of GPs associated with investment banks typically range between 10% and 40%. The amount needs to be adequate to represent "hurt money".
2) Key Person	Identify Key Persons. Terminate the Investment Period or liquidate the Fund? Automatic termination with affirmative vote required to reinstate. LP or Advisory Committee consent?
4) Size of Fund	Limit the size of the Fund to make sure that capital is not locked up with fees being paid on committed capital that is unlikely to be invested. Funds can be too large.
5) Investment Period	Generally 3 to 4 years. Make sure that investment period is consistent with the fund's strategy.  Recycling of capital should be limited to 25% of returned capital during the Investment Period (on a cumulative basis) and to capital that was returned within 12 to 18 months.  After the Investment Period, the Fund should only be able to make investments with respect to which there was a written commitment executed prior to the expiration of the Investment Period.
6) Fund Management Fee	Funds should be able to cover reasonable overhead from the Fund Management Fee. Once a sponsor is onto its 2 <sup>nd</sup> or 3 <sup>rd</sup> fund, perhaps the fee should no longer be based on Committed Capital during the investment period, but rather Invested Capital.  Treating the Fund Management Fee as Contributed Capital does not eliminate the additional load on top of the Carry – only 20% of it.
7) Distribution Waterfall	Deal by deal with a clawback or on entire portfolio? a) Return of Capital first b) Preferred return of 15% to LPs c) 50/50 [40/60(GP/LP)] catch-up until GP receives 20% of total profits (GP should be caught up no sooner than 20% net to the investors) d) 20/80 (GP/LP) thereafter OR A series of hard IRR-based hurdles.
8) Clawback	Protects against over-distribution to the GP. Clawback should be 100% of after tax distributions of Carry to ensure Preferred Return and 80/20 split. Continual true up from future distributions. Separate Guarantee from GP Principals.
9) UBTI	Some pension trust investors do not want UBTI; fund undertakes to use "commercially reasonable best efforts to avoid UBTI" or investor participates through a "blocker" entity to avoid UBTI [a REIT, an insurance company separate account annuity trust, or, if a foreign fund, a blocker corp].  If the Fund fails to achieve its target return but for the UBIT, then the GP Carry is clawed back to the extent of the UBIT until the minimum net return to the

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	investor is achieved.
10) VCOC	ERISA LPs should be provided with an opinion of counsel both at the closing of the Fund and at the time of the Fund's first investment that the Fund should qualify as a VCOC; annual certification.
11) Successor Fund/Allocation of Deals	<p>Fund raising distracts GP from investment activity; no successor fund until "fully" invested.</p> <p>Prohibit sharing of investments with new fund; creates conflicts of interest. Priority to old fund results in new fund paying fees but no investment activity. No fees should be paid by new fund until the old fund is fully invested.</p>
12) Organization Expenses	Covers legal expenses of organizing fund. Marketing/placement fees are borne by GP.
13) Marketing Period	Generally 6 to 9 months. Investors want to limit the time period to not distract management while allowing the fund to achieve a size that fits its strategy.
14) Use of Credit Facility	<p>The Credit Facility should be utilized during the marketing period to bridge equity thereby eliminating the "J-curve" and allowing all investors to invest simultaneously. This eliminates the need for early investors to effectively loan money to later investors at an interest rate that does not equate to the targeted net return of the fund.</p> <p>After the marketing period, the facility should not be used to bridge equity for more 6 months. The intent should be to allow the fund to limit capital calls to quarterly. The overuse of Credit Facilities allows the GP to eliminate the "clock" on LP Preferred Return by never calling the capital; managers can thus "juice" their IRRs.</p> <p>The use of the Credit Facility to bridge debt should be limited to 6 or 9 months, long enough to arrange for permanent financing (the very large deals do not close without financing in place).</p>
15) Other Fees	Other Fees earned by a manager from investment partners belong to the fund: Transaction Fees; Monitoring Fees; Directors Fees.
16) Asset Management Affiliates	<p>The GP must provide for asset management as part of the services provided by the GP. The affiliate, if there is one, is in lieu of an operating partner. The manager should charge the fund the lesser of market or "cost plus 7%-10%". Profits from asset management affiliates belong to the fund. Start-up costs of the fund or its affiliates incurred prior to the first close of the fund should be borne by the manager. It is not the responsibility of the investors to pay the expenses of putting a manager in business.</p> <p>The manager should provide the staffing plans of the GP and its Affiliate, including positions to be filled, if a first time fund. The GP should represent that there will be no movement of positions from one entity to the other and that the GP will maintain overhead that, at a minimum, will be no less than that on the staffing plan and will be proportionate to that of the affiliate.</p>
17) Advisory Committees	Advisory Committee members should be required to attend meetings and to actively participate and vote when required. No decisions should be left to an Advisory Committee that could be covered in the Partnership Agreement. GPs can use "comatose" committees as their pawns.

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	<p>In voting, abstentions should be included in the denominator.</p> <p>Any Committee vote or discussion should be by means of a meeting or conference call where all the members can participate and hear each other; and members of the Committee should be able to call meetings.</p>
18) Major Investors	<p>Beware of funds that create favorable economics to large investors at the expense of the smaller investors. The GPs should not use the small investors to subsidize the large investors. The GP should subsidize the large investors with market fee charged to the small investors.</p> <p>Major investors should never receive a piece of the GP Carry and the GP should be required to make representations to that effect. The purpose of paying Carry is to reward a manager for good performance, not another investor who has no active management role.</p>
19) Co-Investment Opportunities	<p>The opportunity should be at the discretion of the GP and allocated pro-rata to all investors. An absolute right to co-invest gives an investor the ability to cherry-pick what are perceived as the best investments, diluting the other investors.</p> <p>The Fund should not bear any expenses related to due diligence by any co-investor.</p>
20) Term	Typically not negotiated. Length is usually a function of investment strategy; market is 8 to 10 years plus two one-year extensions.
21) Vesting of Carry by the Team	Ensure that vesting by the Team in the Carry serves the purpose of keeping the employees from departing.
22) Removal for Cause	Upon the removal of the GP for cause, carried interest distributions should be “haircut” by 50% of the distributions that it otherwise would have been entitled to. Additionally, “Cause” should include (a) activities of the Manager and/or the key persons and (b) convictions (or pleas of nolo contendere) of felonies.
23) LP Clawback	The total LP clawback should be limited to 25% of an LP’s capital commitment and should not be callable from such LP after the second anniversary of the date of distribution relating to the event that gave rise to the indemnification. Additionally, if more than 50% of the LPs are suing the GP/Manager/key persons, expenses with respect to such lawsuit should not be advanced by the LPs. Finally, before clawing back money from LPs, the GP should use commercially reasonable efforts to obtain the funds necessary for the indemnification from other sources ( <i>e.g.</i> , Fund assets, insurance policies, portfolio company indemnification arrangements) before asking LPs to return distributions.
24) Standard of Care	There should be a “simple negligence” standard imposed on the GP/Manager/key persons with respect to activities of the Fund that are not investment related: custodial activities.
25) No-Fault Divorce	The LPs should be able to terminate the Investment Period for any reason or no reason with a 75% vote. GP should not continue to receive management fees after its removal as GP. Also, all contracts between the GP and/or its affiliates and portfolio companies should be terminated.
26) Size of Individual LPs	Investors can be too large and exert too much influence over a GP.

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## APPENDIX A - Performance Survey Template

Fund	Fund Size (committed capital)	Inception Date	1	2	3	4	5	6	7	8
			FMV Returns				Projected Returns Through Liquidation			
			Percent Cost Returned (100% when fully liquidated) As of	Gross IRR (estimated fair value) As of	Adjusted Gross IRR (estimated fair value) As of	Net IRR (estimated fair value) As of	Gross IRR (Projected Through liquidation) As of	Adjusted Gross IRR (Projected Through liquidation) As of	Net IRR (Projected Through liquidation) As of	Projected Equity Multiple As of

### Definitions:

- 1 Calculated as total original committed capital returned to date divided by total committed capital.
- 2 Based on the aggregated quarterly compounded actual cash flows, using current fair values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Gross of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Gross of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 3 Based on the aggregated quarterly compounded actual cash flows, using current fair values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Net of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Gross of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 4 Based on the aggregated quarterly compounded actual cash flows, using current fair values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Net of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Net of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 5 Based on the aggregated quarterly compounded actual and projected cash flows, using estimated liquidation values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Gross of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Gross of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 6 Based on the aggregated quarterly compounded actual and projected cash flows, using estimated liquidation values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Net of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Gross of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 7 Based on the aggregated quarterly compounded actual and projected cash flows, using estimated liquidation values as the terminal values.  
Net of any affiliate fees, including asset management affiliates and credit facility interest/fees allocable to debt funding (portion of the facility used to bridge permanent financing).  
Net of all fund level G&A type fees, including audit, legal, foreign currency translation and credit facility interest/fees allocable to funding of equity and fund level expenses.  
Net of all sponsor fees, including acquisition fees, asset management fees, and carried interest.
- 8 Calculated as the projected total distributions divided by total committed capital.

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## APPENDIX B - Levered Gross Returns

LTV	Interest Rate						
	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
0%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
5%	9.77%	9.75%	9.72%	9.70%	9.67%	9.65%	9.62%
10%	10.08%	10.03%	9.97%	9.92%	9.87%	9.81%	9.76%
15%	10.42%	10.34%	10.26%	10.17%	10.09%	10.00%	9.92%
20%	10.81%	10.69%	10.57%	10.45%	10.33%	10.21%	10.09%
25%	11.24%	11.08%	10.92%	10.76%	10.61%	10.45%	10.29%
30%	11.73%	11.53%	11.33%	11.12%	10.92%	10.71%	10.51%
35%	12.30%	12.04%	11.79%	11.53%	11.28%	11.02%	10.77%
40%	12.95%	12.63%	12.32%	12.01%	11.69%	11.38%	11.06%
45%	13.71%	13.33%	12.95%	12.56%	12.18%	11.79%	11.41%
50%	14.62%	14.16%	13.69%	13.22%	12.75%	12.29%	11.82%
55%	15.72%	15.15%	14.59%	14.02%	13.45%	12.88%	12.32%
60%	17.08%	16.38%	15.69%	15.00%	14.31%	13.62%	12.93%
65%	18.79%	17.94%	17.09%	16.24%	15.39%	14.54%	13.70%
66.6%	19.44%	18.53%	17.62%	16.71%	15.80%	14.89%	13.99%
70%	21.03%	19.97%	18.91%	17.86%	16.80%	15.75%	14.70%
75%	24.09%	22.74%	21.40%	20.06%	18.72%	17.39%	16.06%
80%	28.53%	26.76%	24.99%	23.23%	21.48%	19.74%	18.01%

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**Joanne Douvas**, *Vice President and Head of the Real Estate Fiduciary Services Group, JP Morgan Fleming Asset Management.* A JP Morgan Fleming employee since 1999, she is the portfolio manager of the real estate allocation a major US corporate pension fund with full discretion over strategy, acquisitions, dispositions, and hiring/firing of managers. Joanne oversees a portfolio of core and value-added investments through separate account managers and a global portfolio of opportunity funds. She currently sits on the advisory committees of 24 opportunity funds. Joanne also oversees the JP Morgan Multi-Markets Funds. Prior to joining JP Morgan, Joanne worked for Morgan Stanley Realty as a Senior Asset Manager for the Morgan Stanley Real Estate Funds. Previously, Joanne worked at Clarion Partners, The Galbreath Company, and Equitable Real Estate Investment Management. Joanne holds a B.A. and M.Architecture from the University of Pennsylvania as well as a M.B.A. in finance from Wharton. She is a licensed architect, a board member and past-Treasurer of WX – New York Women Executives in Real Estate, and a member of PREA, Pension Real Estate Association.