

## Matarin Fee Philosophy

### **Introduction**

At Matarin Capital Management, we are committed to being true stewards of our clients' assets and to providing a working environment which encourages our employees to build long term partnerships between our firm and our clients. One of the primary means for achieving these goals is by developing a product pricing strategy which ensures an equitable distribution of profits between our firm and our clients.

For this reason, we have defined the **"Matarin Fee Philosophy,"** which allows our investors to see clearly and easily what they are paying for our services, and why. Our fee structure is designed to be fair, transparent, understandable, and to encourage behavior which leads to portfolio decisions that are in our clients' long term best interest.

### **Equitable Distribution of Profits**

The common fee calculation for many hedge fund products has two parts: first, a Management Fee, which is the fixed fee charged on assets under management; and second, a Performance Fee, which is the fee charged as a percentage of investment returns realized in any given time period. Because the Management Fees and Performance Fees are calculated separately, it is challenging to get a simple view of how much a manager is actually being paid. It is almost impossible, as well, to compare the pricing of funds with different return objectives.

While Matarin does quote fees using the Management/Performance Fee structure, we price on the notion that clients should realize 75% of the expected outperformance of each product and Matarin should receive 25%. If hedge fund managers that charged 2% and 20% thought the same way, it would imply that they would be expecting excess returns of 32% per year for their products:

Fee Structure	Gross Expected Excess Return	Base Management Fee	Performance Fee	Total Management Fees	Net Client Excess Returns	Manager/ Client Excess Return Split
1% & 10%	6%	1.00%	0.5% <sup>1</sup>	1.50%	4.5%	25% / 75%
1% & 15%	9%	1.00%	1.2% <sup>2</sup>	2.2%	6.8%	25% / 75%
0.75% & 0%	3%	0.75%	0.0%	0.75%	2.25%	25% / 75%
2% & 20%	32%	2.00%	6.0% <sup>3</sup>	8.0%	24%	25% / 75%

<sup>1</sup>10% of (6% return - 1% base fee) <sup>2</sup> 15% of (9% return - 1% base fee) <sup>3</sup>20% of (32% return - 2% base fee)

For investment products expected to have lower levels of excess return and lower risk, Management and/or Performance Fees will be lower than they are for products with higher excess return and higher risk. Our fee structure is predicated on both rational return expectations and our goal of distributing profits as fairly as possible.

In conclusion, it is our goal to demonstrate to our clients our desire to develop relationships of fairness and integrity. The Matarin Fee Philosophy is a key ingredient in that.