

Flash Notes – New Fees Structure

December 2018

H2O Adagio



Recent performance of the H2O team and particularly since the beginning of the year have not been unnoticed. As a result, the AuM of the asset manager has almost doubled in one year (from EUR 15bn in November 2017 to EUR 27bn in November 2018). In order to avoid prejudicing future performance with overcapacity, H2O decided to take some fees structure measure instead of taking a strict soft- or hard-closed decision. These measures will impact mainly the Absolute Return strategies (**Adagio**, Moderato, Allegro and Largo) but also the Total Return Multibonds strategy. H2O Vivace and H2O Multistrategies have already been impacted by such fees structure measure earlier this year.

For the **H2O Adagio fund**, we have in our selection list, the changes are the following.

- **The I (institutional) and N (clean retail) share classes:** As of **31.12.2018**, for each new subscriptions a **0.2%** entry fees will be paid to H2O asset management. Management and performance fees will remain unchanged ($0.35\% + 25\% > \text{EONIA} + 1\%$ for the I share class, and $0.45\% + 25\% > \text{EONIA} + 1\%$ for the N share class).
- **The R (retail) share class:** As of **31.12.2018**, for each new subscriptions a **5%** entry fees will be paid to the fund. Management and performance fees will remain unchanged ($0.8\% + 25\% > \text{EONIA} + 1\%$).
- On the other hand, H2O will launch on the **1st of February 2019** a new share class: **Super Retail (SR) share class**: This new share class will be more expensive than the existing retail ($0.9\% + 25\% > \text{EONIA} + 0.45\%$).

WS Partners view

While we very much welcome the decision to limit new inflows in the strategies, the effectiveness of such measures remain to be seen. In case these measures wouldn't be dissuasive enough to restrain the flows, we think much stricter decisions (hard-close) will be considered at some point next year.

As a result, we have decided to keep our status unchanged (**Selected**) for the **N share class** as we see the 0.2% entry fees as still bearable with regard to the alpha the team has been able to generate in recent years and in different market environments. The **retail share class (R)** will however be **dropped** from our selection at the end of the month. The 5% entry fees are obviously crippling.