



CONVERGENCE
OPTIMAL PERFORMANCE

Limited Partner Fund Expenses
10 Common and Less Common Expense Disclosures
Convergence Insight #31
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The annual Form ADV filing season is upon us and thousands of Compliance Officers are spending many hours and burning hefty dollars with their legal and compliance consultants to ensure they comply with the spirit and letter of the disclosure requirements to complete Section 5 of Part 2A, “Fees and Compensation”. We at Convergence describe this as the “Goldilocks’ debate”, a fruitless exercise of debating what may be “too much, too little or just the right amount of disclosure”. To ease the pain and cost of this “debate”, we offer you a look at our “*10 Common and Less Common Expense Disclosures*” made by thousands of Advisers in the market.

Common Expense Disclosures		Less Common Expense Disclosures	
Expense Type	% Advisers	Expense Type	% Advisers
Investment Related Expense	99.62%	Risk Management Expenses	6.50%
Management Fees	98.82%	Performance Reporting	3.40%
Custody Fees	97.98%	Proxy Voting	1.80%
Audit Expenses	95.46%	Credit Rating Services	1.47%
Other Fees and Expenses	90.90%	Public Relations	1.45%
Fund Administration	85.65%	Trade Errors	0.67%
Performance Fees	79.91%	Memberships	0.53%
Legal Expenses	77.95%	Trademarks	0.24%
Taxes-Funds	71.21%	Political Lobbying	0.20%
Compliance Expenses	67.02%	Charitable Contributions	0.16%

The Convergence database reflects “*the voice of the market*”. We mapped and linked fee and expense disclosures made by thousands of Advisers¹ to 50 standard and easy to recognize expense types. Pay close attention to this list, especially to less common disclosures, because if you are allocating them to your LPs, they may come back to bite you, regardless of what your documents permit!

Special Focus on Compliance Expense Disclosures

Three years ago, this expense disclosure was **less common** at 27% of all Advisers. Consider using granular examples of the types of “Compliance Expenses” you plan to allocate to LPs. It is the growing trend.

Please call George Gainer at 203-956-4824 for more information on how you can determine how common, or less common, your expense disclosures are relative to your peer group.

¹ The population referenced includes 4,477 Non-Exempt Advisers to Private Funds (Hedge, PE, RE, VS, SAF and Other) @ Feb 28, 2019.