

# BlackRock Fee Suit Makes Novel Attack

By Beagan Wilcox Volz, [Ignites](#), March 7, 2014 [subscription required]

BlackRock has been hit with a [lawsuit](#) that alleges the firm charges excessive investment advisor fees on its \$59 billion Global Allocation Fund.

The suit, filed Feb. 21 in federal court in New Jersey, is similar to a string of other excessive-fee suits brought in recent years and months against firms such as Axa, **Hartford, Principal**, ING, Russell, SEI and **Harbor**.

But the plaintiffs suing BlackRock rely on a different argument than the allegations made in the cases against the other firms.

Previous suits against Axa and others focus on allegedly excessive fees in subadvised funds. Plaintiffs claim that the firms, as advisors, collect too much money for the work they do on the funds — and that the subadvisors actually do the bulk of the work.

In contrast, the suit against BlackRock uses fees in subadvised funds as a comparison point to highlight allegedly excessive fees in BlackRock's Global Allocation Fund.

The suit focuses on differences between the advisory fee the firm charges on its Global Allocation Fund and the subadvisory fees the firm charges for its work on unaffiliated funds.

The plaintiffs allege that BlackRock provides the same or nearly the same investment advisory services to the funds it subadvises as it does to the Global Allocation Fund, but for lower fees.

“If the [Global Allocation Fund's] investment advisory fees were calculated using the fee rates for the subadvised funds, the [Global Allocation Fund] would pay up to \$198 million less in fees annually at current asset levels,” the plaintiffs allege.

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“It's certainly a different argument than what we've been seeing” in other cases focused on subadvisor fees, says Niels Holch, executive director of the Coalition of Mutual Fund Investors.

The plaintiffs are trying to make the argument that the negotiations to set the fee for BlackRock's Global Allocation Fund did not take place at arm's length, while the negotiations for the firm's fees on subadvised funds were competitive and thus resulted in lower fees, adds Holch, who has been tracking the fee litigation.