

# Harbor Fee Suit Gets Green Light From Judge

By Beagan Wilcox Volz, Ignites, November 25, 2014 [subscription required]

A lawsuit against Harbor Capital Advisors over the fees it charges for its biggest mutual fund can move forward, a federal judge ruled last week.

The plaintiff, Terrence Zehrer, brought the lawsuit in Illinois federal court in February, alleging that, under the Investment Company Act of 1940, Harbor retains too much of the fee for managing its \$49 billion International Fund. In reality, the subadvisor for the fund, Northern Cross, does most of the work, the complaint states. The fund itself was also named as a defendant.

The fund's management fee is 75 basis points for all three classes, but once the fund hits its \$38 billion breakpoint the fee drops to 58 bps, the prospectus states. In its 2012 fiscal year, Harbor retained \$100.5 million in fees for the International Fund, compared to \$125 million it paid to Northern Cross for its subadvisory work, according to the complaint.

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Niels Holch, executive director of the Coalition of Mutual Fund Investors, is tracking the suits that target subadvisory fees and relationships. The percentage of the management fee that the advisor retains in each case ranges from 42% in the claim against Hartford Funds to 74% in the Axa case, Holch calculates.

“When a fund is retaining a significant amount to oversee the subadvisors, it faces a greater risk of one of these lawsuits,” says Holch.