



# THE MANAGEMENT FEE

Most professionals who charge a fee for services rendered rarely initiate a discussion on the subject with a prospective client. If coverage even appears in print, it is usually tucked away in some obscure place. We at Martin Capital Management are *outspoken* about the compensation arrangement under which we labor in exchange for the fees you pay. Our fee structure is all about integrity—you will not find anything like it anywhere in this part of the country.

In most instances, the fee levied by a professional money manager will take the form of a fixed percentage of the value of your portfolio, usually measured on a quarterly basis. Some fees are inclusive of miscellaneous charges, like custody fees and equity transaction commissions, and others are not. Managers, particularly bank trust departments, assess fees on an a la carte basis, adding a layer of complexity that makes comparisons difficult, hence the admonition: *caveat emptor*.

We believe that our uncompromising commitment to integrity should include the way in which we assess fees. Therefore, the fee structure under which we operate ties our revenues to the dollar growth of your portfolio while under our care. Our clients tell us that an equitable sharing of the rewards of wealth creation is intuitively appealing. They see integrity, particularly in the sharing of adversity. Should your portfolio experience negative returns for a period of time, the fees assessed will be reduced dramatically until the portfolio's value is restored to its previous "high-water mark."

Essentially what we have created is a process whereby we will assess a *performance fee* when your portfolio moves into new high ground. By new high ground, we mean over and above the highest value your portfolio has achieved while under our guidance (exclusive of withdrawals and contributions). The *wealth sharing* performance fee calculation, as you can see from the performance fee schedule to the right, is

relatively straightforward: for accounts up to \$10 million, ninety percent of the new wealth created accrues to you and the remaining ten percent is the fee paid to Martin Capital Management as a form of sharing in the wealth created. During any period of time when the portfolio value is less than any previous "high-water mark," we will assess a quarterly *keep-the-lights-on* fee of no more than 1/8 of 1%. Please understand, we pay all commissions and related account administration charges (if securities are held in safekeeping by Merrill Lynch)—whether we earn a performance or subsistence fee. There are no *hidden charges*. We feel very strongly that if we cannot find investments that lead to growth in wealth, we should not charge you as though we did.

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## MCM PERFORMANCE FEE SCHEDULE

*The greater of:*

- A. A quarterly maintenance fee assessed as a percentage of assets:

<u>Assets</u>	<u>Quarterly Fee</u>	<u>Annualized</u>
First \$5 million	1/8 of 1%	0.50%
Next \$5 million	1/10 of 1%	0.40%
Next \$10 million	1/16 of 1%	0.25%
More than \$20 million	1/40 of 1%	0.10%

..... *or* .....

- B. A quarterly performance fee based on the aggregate size of the portfolio:

Up to \$10 million	10%
\$10 – 20 million	9%
\$20 – 30 million	8%
\$30 – 40 million	7%
More than \$40 million	6%

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