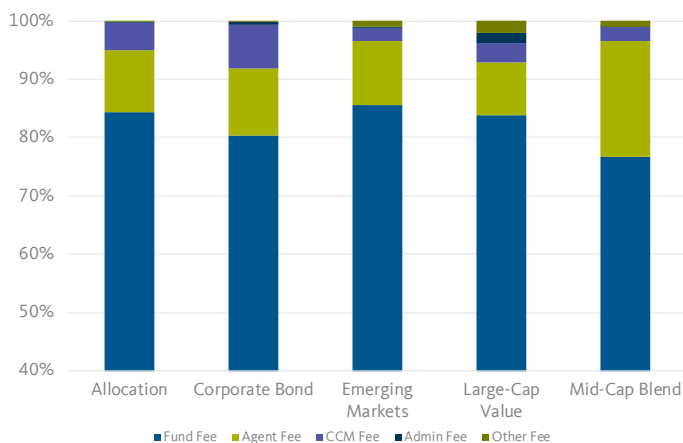


# Securities Lending Benchmark Reports

- Analyzes the cost and returns of an asset manager's securities lending program
- Provides data for fund boards in support of securities lending programs
- Provides comparisons to peer group securities lending programs
- Evaluates lending agents and cash collateral managers based on affiliation
- Conducts benchmarking across key metrics including lending agent fee split rate, collateral management, net income rate, contribution to fund performance and more
- Empowers the asset manager with lending program details and statistics to create a better return for the funds



## SECURITIES LENDING PROGRAMS

Securities Lending provides asset managers with a means of generating extra income for mutual funds and ETFs to enhance fund performance. Fund boards review securities lending programs to ensure that investors benefit from the programs. With the downward pressure on fees, the added income from lending securities can help funds offset low management fees and contribute to the total return of the funds. In 2020, nearly 60% of ETFs and 45% of all mutual funds conducted securities lending programs.

## INDUSTRY CHALLENGES

Lending terms that drive fees and revenues vary widely from lending agreement to lending agreement. Lending agreements are primarily driven by negotiating power of the asset manager – usually based on size, affiliation of the lending agent, and the market demand of the loaned securities. Asset managers often have little insight as to the effectiveness of their lending programs versus the industry's. Although a fund's lending program fees are tracked, industry data is not readily available to analyze how the overall lending program compares to the industry's average lending program. Fund boards and asset managers are often left to evaluate securities lending programs simply by the contractual lending agent fee split rate.

## MEETING THE INDUSTRY CHALLENGE

To aid the fund board and asset managers in assessing the success of their securities lending programs, Broadridge has created a benchmarking methodology providing statistical analysis of a fund's lending program along with snapshots of industry and peer group lending programs. To accomplish this, Broadridge collects data from "Statement of Additional Information" (SAI) documents which are required when lending securities.

## BENCHMARKING ANALYSIS

The final net fee split rate of an asset manager's lending program and the revenue retained are driven by several typical components of a securities lending program. Some of these components are controllable by the asset manager and others are not. The securities lending benchmarking analysis evaluates these components by asset class to provide more realistic comparisons. The analysis focuses on the net fund fee split rate and analyzes the impact to this rate from each of the following:

### Cash Collateral Management Impacts

Shows the core effectiveness of all securities lending programs by removing cash collateral management fees.

### Lending agent impacts

Shows how the other fees are effectively managed by removing the lending agent fees.

### Affiliated versus non-affiliated lending agents

Shows how fund fee split rates are influenced by lending agent affiliation and how the program's rate compares to each.

In addition to the fund split rates, the benchmarking analysis also looks at the following:

### Loan value percentages

Analyzed to determine if the asset manager is conducting a securities lending program to its fullest.

### Contributions to fund performance

Analyzed to show how the lending program contributes to fund performance in comparison to the industry.

### Return on loaned assets

Shows the return on the assets loaned for each asset class and compares it with the industry average return.

The analysis also benchmarks the asset manager's securities lending program statistics against a peer group's statistics. Peers are selected based on similar attributes as the asset manager being evaluated.

## BENCHMARKING REPORTS

The results of the analysis are delivered in a structured report that evaluates each component's sector ranges and averages. Tables, histograms, and charts are included to help visualize how the securities lending program performs.

## CONTACT US

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### Revenue and Fee Breakout by Asset Class

The benchmarking report provides an overview of the overall securities lending fee split rates of each component along with the net income split rate. Bar charts show the revenue and fee breakouts for the asset manager, the industry and peer groups by asset class.

Within each detailed fund fee split rate analysis, a histogram showing the percentile where the asset manager's overall fund fee split rate falls is provided.

### Net Fund Split Rate Histogram of the Asset Manager's Securities Lending Program Versus the Market

In addition to the lending fee split rate ranges and Averages, weighted split rates are also provided. Weighting the lending fee split rate to fund assets normalizes the split rate for all size funds to adjust for the effects of asset size in negotiating split rates.

## PROVEN VALUE

Broadridge's Securities Lending Benchmarking Reports have been used by fund boards to renegotiate fee splits with lending agents to provide greater value to fund investors and lessen potential regulatory or litigation risk to the asset managers. Created in collaboration with clients and industry experts, these reports enable the Asset Managers to accurately and easily evaluate and manage securities lending programs.

