

# The SMA Snapshot Report - Fall 2025

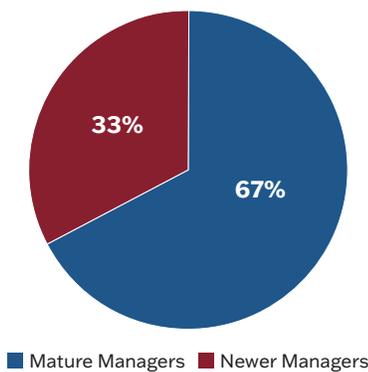
Seward & Kissel has advised the investment management industry for more than 75 years and we continue to be committed to understanding the dynamics of the investment management marketplace, while bringing the latest industry color to our clients and friends.

Accordingly, this year we are excited to release the fifth edition of The SMA Snapshot Report, which provides insights into the current state of the institutional separately managed account (SMA) environment over the past 12 months. Set forth below are the Report’s key findings:

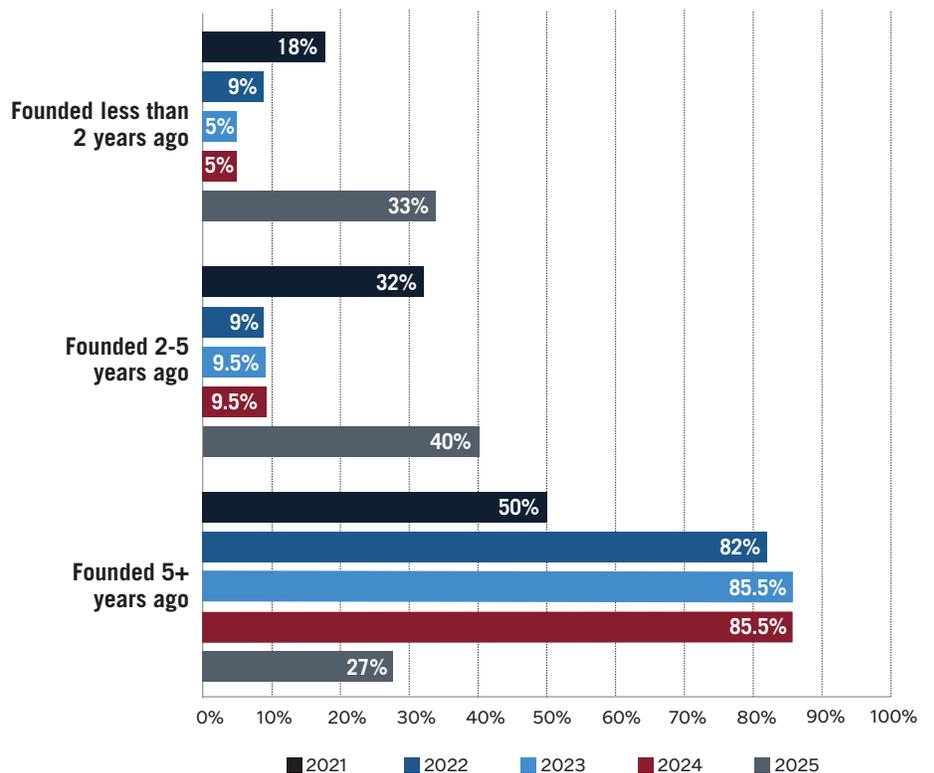
## I. Average Time in Business for Managers:

Unlike last year’s Report, just 67% (as compared to 95% last year) of the SMA managers within the Report founded their business two or more years ago (“mature managers”), and 40% (versus 92% last year) of that group were started over five years ago. 33% of the managers were founded less than two years ago (“newer managers”), which was much higher than the 5% figure in last year’s Report. These figures may demonstrate a new willingness on the part of investors to consider less seasoned managers for SMAs.

### Breakdown of Managers



### Average Time in Business



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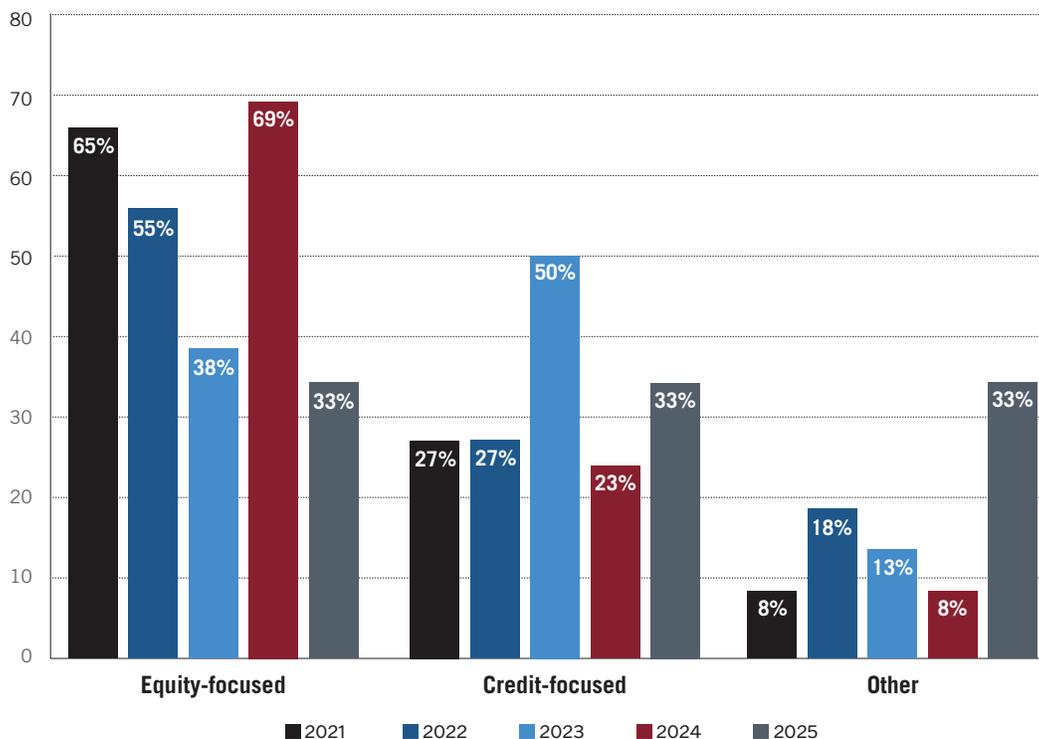
## II. Types of SMA Investors:

Identical to last year’s Report, SMA investors were overwhelmingly institutions (90%), while the remaining 10% comprised High Net Worth Individuals (“HNW”). The continued dominance of funds as SMA investors may be attributable, in part, to their abilities to best marshal the increased resources necessary to source, diligence and negotiate with SMA managers in the current environment.

## III. Investment Strategies:

Reverting to the findings of our Report from two years ago, approximately 1/3 of the SMAs had an equity-focused strategy, with the remaining SMAs represented 1/3 by credit managers and 1/3 by macro managers. There was little distinction in the data for mature and newer managers. We believe that the renewed interest in non-equity strategies may be due to investor concerns of an overheated equities market coupled with the opportunities presented in the overall global macro climate. Approximately 1/3 of the strategies implemented deviated from the manager’s flagship liquid investment strategy due to mandates primarily related to: long-only exposure; higher position concentrations; greater leverage; bespoke market opportunities; or tax efficiency.

### SMA Investment Strategies

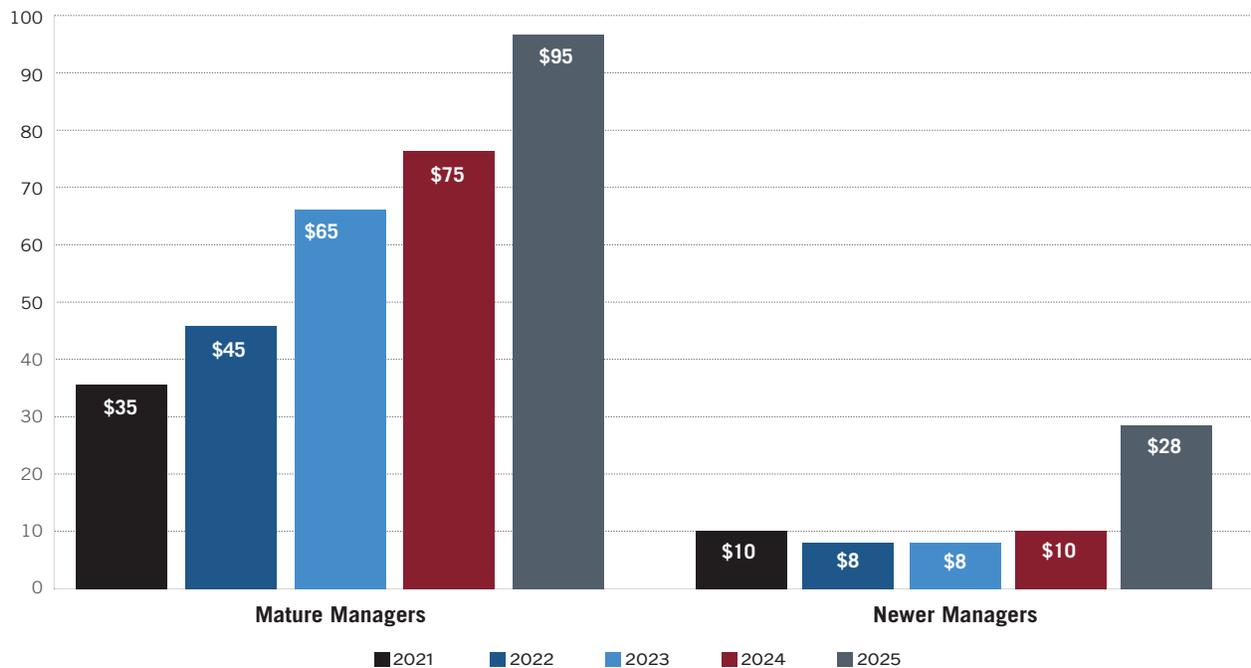


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## IV. Account Size:

The size of allocations to mature managers increased again this year to an average account size of over \$95 million (as compared to \$75m last year) and increased significantly for newer managers to approximately \$28 million (versus \$10 million last year). The findings with respect to newer managers in this section and section I of this Report might point to an increase in high pedigree launches that garnered SMA investor interest.

**Average Account Size for Managers (\$USD millions)**



## V. Termination Rights:

In 63% of the SMAs, either party could terminate under identical circumstances for any or no reason typically on a median 50 days' notice with such termination normally allowed to occur at any time after the initial anniversary. By contrast, the ability to terminate at other times for cause or where there was no mutual termination right was usually much more one-sided in favor of the client, given that the manager has many more duties in a traditional SMA.

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### VI. Incentive Fees:

With respect to incentive fees, the SMA agreements broke down as follows: 33% charged no incentive fee (as compared to just 9% in the prior year's Report); 11% charged an incentive fee of less than 18%; 33% charged a traditional hedge fund-like 20% incentive fee (versus 73% in the prior Report); and the rest charged an incentive fee in excess of 20% with a hurdle. Only 50% of the newer manager SMAs charged an incentive fee as compared to 80% of the mature manager SMAs.

### VII. Management Fees:

With respect to newer manager management fees, 75% of the SMAs had some form of tiered management fee structure tied to AUM levels with a range of 0.5% to 1.1% and the remaining newer manager SMAs averaged about 1%. For mature managers, the average management fee was approximately 0.9% and less than 20% of mature manager SMAs had a tiered management fee structure. There were no SMAs that did not charge a management fee.

### VIII. Standard of Care:

Similar to last year's findings, except for SMAs with ERISA clients, all of the remaining agreements contained a gross negligence standard of care (which is consistent with what we see in hedge funds).

### IX. Most Favored Nations ("MFN") Provision:

There was a significant drop-off in the number of SMA agreements containing an MFN clause, with just 55% of them having such a provision (as compared to 75% in last year's Report). Of the SMAs that did contain an MFN clause, 50% were only focused on fees, 25% covered solely liquidity and transparency, and the rest were standard MFN clauses covering all terms. Each of the MFN clauses contained carveouts for insiders and larger investors, and usually those clauses only applied to other agreements with substantially similar investment strategies.

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**Recognitions:**

The Investment Management practice and partners have been widely recognized by industry organizations for our representation of investment managers, including but not limited to recognition by the following organizations:

