Are investors gaining value from wealth managers? Lane Clark from TPP and Jason Holland from BestInvest suggest not.

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Are investors gaining value from the fees paid to their IFAs and Wealth Managers every year?

Recent data yet again suggests not.

Wealth Managers and IFAs are very quick to entice investors to work with them with promises of 'low costs' and 'market equaling (or beating) performance' but the reality looks very different.

It's leading many to question whether the traditional world of wealth management is in need of a revamp, and it is making low-cost DIY investment platforms more appealing for the slightly more sophisticated investor.

History informs us that at some stage every empire falls, but is it even possible that an industry as powerful and lucrative as the wealth management model could be turned upside down by disruptive products and companies?

Sophisticated investors are looking towards low cost ETF's like those that Vanguard offer, or an investment platform like Interactive Brokers where they can make their own investment decisions on their investment accounts, corporate accounts, as well as their SIPPs.

Or for those who like a little bit more and perhaps don't have the knowledge to invest themselves, perhaps a facility to copy and link their portfolios to experienced market-beating traders like those that TPP offers.

For the investors that are aware of these alternative investment options, it's often a case of once they've tried them they never look back, but can these upstarts create enough momentum for the mainstream investment market to migrate to these solutions?

If recent performance by the traditional global players is an indicator, the disruptors stand an excellent chance.

Jason Hollands of BestInvest compiles data on the underperformers and his company's most recent findings shock many to the core.

“Once again, the latest Spot the Dog report serves as a timely reminder to investors to check in on their portfolio at regular intervals to assess how well their assets are performing. It is important to stress that Spot the Dog should not be treated as a simple list of funds to ‘sell’, it does highlight the importance of monitoring a portfolio of investments and asking yourself whether you remain comfortable with your holdings or whether it is time to make some changes.

For investors choosing to invest in actively managed funds, finding managers with the right skills to deliver superior long-term returns is vital to justify paying the fees to be invested in those funds. With many fund managers failing to achieve this over the long run, the report acts as a guide to encourage investors to keep a closer watch on how their investments are performing to assess what action, if any, is required and when.

Funds can stumble for a myriad of different reasons – from poor decision-making or a run of bad luck to instability in the team or because the fund has a style or process no longer favoured by recent market trends. Identifying whether a fund is struggling with short-term challenges that will later pass or more deep-rooted issues with long-term consequences is vital for investors considering whether to remove an investment from their portfolio."

Spot the Dog – a biannual report closely followed by investors for more than three decades – never pens a fund in the doghouse just because markets are going through a difficult patch. The List does, however, highlight the funds that have consistently underperformed their relevant market index over three consecutive 12-month periods and by 5% or more over the entire three years analysed.

The latest report suggested that many big players in the market are struggling. Baillie Gifford

Media:

Biggest underperformers overall

	Fund	IA Sector	Size (£m)	Value of £100 invested after 3 years	3-year under performance (%) versus benchmark
1	Artemis Positive Future Fund	Global	10	£62	– 71%
2	Baillie Gifford Global Discovery Fund	Global	490	£40	– 65%
3	FTF Martin Currie Japan Equity	Japan	160	£53	– 64%
4	AXA ACT People & Planet Equity Fund	Global	30	£80	– 53%
5	Aegon Sustainable Equity	Global	180	£82	– 52%
6	IFSL Marlborough Global Innovation Fund	Global	40	£82	– 51%
7	L&G Future World Sust UK Eq Foc	UK All Companies	140	£74	– 51%
8	Baillie Gifford Japanese Smaller Coms Fd	Japan	160	£56	– 47%
9	FSSA Japan Focus Fund	Japan	60	£70	– 47%
10	Baillie Gifford European	Europe Excluding UK	405	£74	– 46[illegible]

Source: Bestinvest

Largest funds on the list

	Fund	IA Sector	Size (£bn)	Value of £100 invested after 3 years	3-year underperformance (%)
1	SJP Global Quality Fund	Global	10.69	£106	-27%
2	Fidelity Global Special Situations Fund	Global	3.34	£121	-12%
3	Fidelity Asia Fund	Asia Pacific excl Japan	2.71	£85	-12%
4	Ninety One Global Environment Fund	Global	1.63	£96	-37%
5	Fidelity Emerging Markets Fund	Glbl Emerg Mkts	1.59	£81	-12%
6	Baillie Gifford Japanese Fund	Japan	1.49	£91	-26%
7	Liontrust Sustainable Future Glbl Gr Fd	Global	1.46	£102	-31%
8	St James´s Place Gr Euro. Progress	Europe excluding UK	1.39	£111	-8%
9	Columbia Threadneedle Responsible Global Equity Fund	Global	1.34	£116	-18%
10	Jupiter Japan Income Fund	Japan	1.16	£109	-8%

Source: Bestinvest

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SJP :: St James Place :: TPP :: BestInvest :: Lane Clark :: Ed Davies :: Baillie Gifford :: Wealth Management :: Portfolio :: Fidelity :: Ninety One :: Aegon :: Dog Funds ::

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dominated the lists, with St James Place, Aegon, Ninety One, Fidelity, Liontrust, and L&G also featuring prominently.

Lane Clark, one of the founders of the revolutionary investment platform TPP had the following comments:

'It isn't good enough. For years investors have had to watch these overpaid and underperforming IFA's and wealth managers fail to yield respectable returns. The BestInvest Dog Fund list is a brilliant bi-annual report for investors to monitor.

Some of these wealth managers feature in these lists every time, yet very little change is made to their models.

I know as a trader myself that to beat their benchmarks every year is a challenge, but as far as I am concerned this level of underperformance is deeply concerning.

This is why Ed Davies and myself set up TPP. We grew frustrated with the traditional world of wealth management and we wanted to offer investors what we believe is a better alternative.

It would be very easy for us to copy the established model, take no risks, and charge our management fees, but it isn't what we wanted. We wanted a customer-centric model that would grow on the back of the strength of our product, rather than our marketing ability.
As word spreads I would expect our platform will become incredibly popular. Our most basic strategy is a slightly leveraged market tracker, so why underperform your benchmark with your overpaid wealth manager, when our most basic structure is designed to yield 1.5 x the performance of its benchmark?

Investors aren't stupid. Change is coming, and I hope we're at the forefront of that change.
Is a large-scale investment revolution underway, and will the traditional wealth management space be under threat? I'm not sure. That would be a big statement to make, but if we can assist tens of thousands of investors over the coming years to move away from the outdated and slightly stale wealth management model, I'll retire a happy man.'

So, there we have it. The BestInvest Dog Fund list has yet again exposed major issues in the wealth management space.

At this point, it would only be fair to say that there are also many great firms in that arena, but in the future, **it would be no surprise to us if disruptive companies like TPP, or DIY investment platforms like Interactive brokers become integral to improving investor performance.**

Could the traditional world of wealth management be under attack soon? I guess time will tell.

For more information on Interactive Brokers (DIY platform) visit:

https://www.interactivebrokers.co.uk

For more information on TPP (revolutionary platform) visit:

www.tppglobal.io

For more information on Vanguard (low cost ETF's) visit:

https://www.vanguardinvestor.co.uk

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