Best Invest's 'Spot The Dog' report suggests the traditional wealth management model underperforms. Could TPP provide a solution?

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Fund managers split opinion. For some, they're the superstars who drive market-beating performance. For others, they're overpaid and underperforming.

With access to low-cost trackers so accessible these days, the pressure is on for wealth managers, and their future existence.

Over 80% of wealth managers underperform simple market trackers, yet investors still give them their hard-earned capital and wealth.

A yearly feature many wealth managers/fund managers and IFA's dread is the 'spot the dog' list that Best Invest releases, as it exposes the guilty parties.

This year's numbers do demonstrate how poorly some funds perform. The number of ‘dog funds’ has increased by 170% since August 2023, according to Bestinvest’s latest ‘Spot the Dog’ report.

The report found 151 equity investment funds holding £95.26bn consistently underperformed.

In August, only 56 funds were highlighted in the last report.

To make it into the list, a fund must have underperformed compared to the market it invests in by 5% or more overthree years.

A second filter is that the fund must also have underperformed in three successive 12-month periods in a row.

Global equity funds make up 49 of the 151 dog funds listed, more than double the 24 listed in August.

The number of UK funds featured on the list also increased to 34, from five in August.

Two of most prominent-prominent fund managers, Terry Smith and Nick Train saw the funds they manage, the Fundsmith Equity and WS Lindsell Train UK Equity funds entering the list for the first time.

The report also highlights the “incredible gains” made by Alphabet (which owns Google), Amazon, Apple, Meta Platforms (owner of Facebook), Microsoft, chipmaker NVIDIA and Tesla, which have earned the moniker the ‘Magnificent Seven’.

The companies benefited from investor excitement about the potential benefits to their businesses from Artificial Intelligence (AI).

Bestinvest managing director Jason Hollands said: “These last three years have been one of the most challenging periods in living memory for fund managers to consistently beat markets, because of sharply divergent performance from different sectors as the world reopened from the pandemic, followed by a war in Europe and, more recently, excitement about AI driving extreme market concentration in a small cluster of mega-sized companies.”

The Baillie Gifford Global Discovery, SVS Aubrey Global Conviction, AXA ACT People & Planet Equity, FTF Martin Currie Japan Equity and the Aegon Sustainable Equity were listed as the top five worst performing dog funds overall.

The results highlight some of the underperformance in the industry.

However, 2 industry veterans plying their trade in the quiet and calm away from the City (Stamford and Cambridge) might be on the verge of providing a solution for frustrated investors.

Edward Davies and Lane Clark have built a solution for investors that aims to bring 'market-beating' products directly to the marketplace via the platform they have built which is known as TPP.

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TPP provides access to experienced traders and their trading strategies, and makes these strategies available to the masses.

The strategies available vary, with leveraged trackers (1.5 x leverage) which bring amplified market returns becoming very popular, but it is the 'long or flat' and their 'active' strategies that really differentiate them from the crowd.

The performance since inception has in the main been exceptional, and with no management or performance fees charged, a solution to what looks like a slightly outdated wealth management model might just build traction in the coming years.

Keep your eyes open for TPP, or visit them at www.tppglobal.io

Is the traditional world of wealth management about to be disrupted?

We'll find out in time.

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