St James Place (SJP) v's The Portfolio Platform (TPP):

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At E Financial Newsletter, we regularly browse the market place and search for investment propositions that could benefit one's portfolio. It's no secret that over the last couple of years, we have often referenced The Portfolio Platform. Quite simply- we believe that every investor should have some form of exposure to TPP. It's a 'game changing' investment vehicle for portfolios in our humble opinion.

A previously published article compared TPP to eToro, as both companies provide some form of 'tech platform' that potentially (pending market climate) benefits their customers.

Feedback and comments on the article in question suggested TPP was the far superior and more client friendly product.

Although The Portfolio Platform might share a sprinkling of similar clients to their competitors like eToro, it was also apparent that the average client would tend to invest larger sums of capital when working with TPP, than one might with eToro.

Therefore, today, we wanted to compare TPP to one of the most popular investments in the UK, and one where many investor portfolios reside- St James Place.

The Portfolio Platform (TPP) v St James Place (SJP):

The proposition

First thing we should point out is that although they are both for investments, once you get under the hood, they are very different. The comparison might be better if we were to compare TPP to a proprietary trading desk at Goldman Sachs, but given that you can't put your money into an investment banks prop desk, we will have to compare it with something you can invest in.

The reason they are so very different, is in how they make money, and to understand this, we need to first look at the basics of fund management. Wealth Managers like St James's Place have access to Passive and Active funds, but what they don't have, are traders.

By this, we don't mean traders that you might find at Asset Managers, facilitating trades for portfolio managers to then sit on; we mean traders who are there for only for one reason, to make money with money.

We mean professionals who use capital, to actively buy and sell on a regular basis simply to make more. To use leveraged positions and take a little risk to bring in heightened returns. These are proprietary traders whose only job is to continually build the capital they've been allocated.

You will only find these people at hedge funds, Investment Banks, Private Investment Companies and proprietary trading firms. Here is a brief outline of what the differences are from an investment management point of view:

Passive Fund– This is an investment vehicle that tracks a market index, or a specific market segment, to determine what to invest in. This normally makes them cheaper to invest in than active funds, which require the fund manager to spend time researching and analysing opportunities to invest in.

It is a buy and hold strategy that will most likely do nothing in a market crash, maintaining the belief that over time, the market will come back. They hold no responsibility for performance, as it will simply track the markets on a 1 to 1 basis.

Active Fund– Active funds typically have one goal, to outperform a benchmark. This benchmark is essentially what the passive funds should be tracking.

They do this by relying on a fund manager to use their expertise to make individual investment choices. Large amounts of research will help decide which investments the fund will hold.

They adjust the holdings on an ongoing basis, in response to performance and changes in market conditions.

Related Sectors:

Business & Finance :: Personal Finance ::

Related Keywords:

St James Place :: SJP :: The Portfolio Platform :: TPP :: EToro :: Fintech :: Traders :: Performance :: Risk Managed :: Diversified :: Asset Management :: IFA :: Investment ::

Scan Me:

Fund managers are paid to manage the fund, even if it does not succeed in performing better than its benchmark. For this reason, active funds, are more expensive than passive funds.

Active Trading– Traders will often be in and out of the market on any given day. They have one job, to maximise profit and make as much money as they can within their risk parameters.

They will leverage trades by using margin. Only experienced traders should ever use margin as they are using it to buy more assets than if they were using cash.

They can also short sell the market. This is the opposite of a passive fund as rather than do nothing in a falling market, they will look to profit from it. This is why investment banks have had one of their most profitable years in history, and UK passive funds, one of their worst.

Traditionally this is the most expensive as hedge funds tend to charge a 2% management fee as well as at least a 10% performance fee on all profit. All traders at funds or investment firms take a cut of profit and this makes up their bonus.

The only place they do not it would seem, is The Portfolio Platform. Here their performance is rewarded with more investors linking to their strategies. The better they perform, the more people will want them in their portfolios.

Fees

St James' Place
The fees at St James' Place are not easy to work out but we've given it a go. The marketing literature suggests customers pay an initial fee of 5% of the investment up front, and then between 1.6% and 2% on top of this every year (before transaction charges which can add another 1.1% per year).

There is also an exit fee of 6% on pension and investment bond products.

This charging structure means that new investors can pay over 7% of the amount of money they invest, in fees, in the first year alone. If you are then unhappy with the service, it would cost you a further 6% to withdraw your money.

The Portfolio Platform
The only fees on the TPP platform, are the subscription fees to the traders. These are, on average, £75 per month. That is all the fees. There is no management fee on top, and no performance fee at all. There is no fee to get in, and no fee to exit.

Performance

SJP
The Times recently stated that nearly 80% of funds run by St James's Place are failing.

They looked at 51 of SJP's products, holding a total of £33.8 billion, and found that 39 (£29bn) had underperformed their benchmarks, failed to meet their objectives, or both.

Only Invesco can claim to have performed even worse, according to Tilney Bestinvest's 'Spot the Dog' list of underperforming funds.

Their worst 3-year underperformers compared to the benchmarks were:

'The UK & International Income fund' which **lost 37%,**
The £1.3bn Global Fund which **fell 29%**
and the SJP 'UK High Income Fund' which **lost 26%.**

Maybe this is a little unfair as we're only focussing on the worst performing fund here and not the average. They do have a few funds that have averaged around 5% per year, but that is at the top end of their returns.

Being the biggest means money will always find them, but what they do with it is a reflection of how little research individuals will do into their own investments.

TPP
Last year the average performance by TPP's traders, was a whopping 58.8% profit. At the time of writing this, every single user of the platform according to the TPP management team, was making money year on year.

Maybe it is unfair to compare the two. **TPP have traders who are professionals looking to make money for investors regardless of market direction. SJP has a model that immediately puts every new investor in at least a 5% hole.** Given they can't make this back in a year, it takes at least 2 years for them to break even. Then if the investor does make anything, SJP will take 6% of it if they want it back.

So, why is The Portfolio Platform only now, just making waves in the investment world?

The reason for this, is technology. Technology is advancing many industries, and now it is finally giving retail investors, the chance to make the same returns as professional traders.

TPP's innovative software enables retail investors to link their own accounts, with these world class trading strategies. They can link multiple accounts and have multiple strategies all running at once.

In Summary

Although we seem a little biased towards TPP, it's hard not to be, we love what they are doing and the more we compare The Portfolio Platform to other products available on the market place, the better TPP seems.

Perhaps the comparison to SJP is a little unfair, as we could have chosen any number of other wealth managers to make the comparison. Maybe we will do a dive into one less controversial and report our results.

TPP seems to be combining the best attributes of the 'old world' investing such as the 'risk managed and diversified approach' with the finer attributes of the 'new age' fintech companies like eToro who are providing easy access to market and a low cost of trading.

Where TPP really stands out though, is the performance the traders and trading teams have been delivering on their platform.

With no performance or management fees paid, it really is a client friendly product, and one that might even be beginning to change how the world invests.

If you think The Portfolio Platform is making a positive noise now, fast forward 5 years, and the noise might almost be deafening.

To find St James Place visit their website at www.sjp.co.uk

To find TPP visit their website at www.theportfolioplatform.com

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