Funding the Future

# Active fund management: an exercise in damaging wealth

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I could not help but smile at this report in the FT this morning:

*Nine out of ten US equity funds failed to beat the market over the past year, according to a new study that undermines active managers' claims that they can outperform in more volatile markets.*

*There was not a single category of domestic fund – whether investing in large-caps, small-caps or a combination, or favouring growth stocks or value stocks – in which more than a quarter of managers succeeded in beating their category benchmark.*

It would be hard to find any report that without explicitly saying it so roundly condemned the rentiers within our financial services economy. I have little doubt the UK would be not much different, overall.

The question is why we as a society continue to tolerate the waste they impose upon us through their costs, through their poor advice to pension funds and through the innovations in financial services (like most improvements to reporting) that they seek to strangle at birth.

If cigarettes require a health warning so should active portfolio managers. It should say something like:

*WARNING: We only exist to damage your wealth at gain to ourselves*