



Famous for 15 minutes

We take arms against a field of sacred cows.

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03 June 2026

Fund managers have lots of advantages over retail investors: no day job to take their time away from investing, great access to information and research, other investors around them to feed them ideas and challenge them, and brightly coloured Lambos to make them feel better after a tough day. This is all well known. However, the professionals don't have it all their own way. Retail investors have a lot of advantages too, which receive less attention. In fact, we think the humble retail punter may even be better placed to make active management pay off.

The problem fund managers have

There's a fair amount of academic research kicking about which claims to show that active management doesn't outperform, because less than 50% of active funds outperform an index over a given time period. A fundamental problem with all such studies is that they aren't really looking at what they purport to be. Fund managers are not perfectly free actors making whatever decisions they like to try to outperform the index over a given time period — they don't represent ideal 'active management'. In fact, they are severely constrained by a number of institutional, psychological, and regulatory factors, all of which the self-directed investor can avoid.

The framework that has been built up within and around the asset management industry has some perverse consequences. Professional fund pickers want managers who have a consistent style and approach. In this world, style drift is the worst sin. However, the most obvious example of style drift is the career of the world's most famous investor, Warren Buffett. Buffett's initial approach to investing was very focussed on finding cheap companies, businesses with real assets which could be bought at a substantial discount to their fair value. Over the years, his portfolio became more focussed on finding cash-generative businesses with strong competitive positions — it's certainly hard to classify Berkshire Hathaway's top holding, Apple, as a value company.

There are a number of reasons this might have happened. Buffett may have decided there was a better method of investing. It may be that as Berkshire grew, he was more constrained in the businesses he could invest in. It is certainly true that the economy has changed over the 60 years since Buffett began running Berkshire. Whatever the combination of reasons for the change, it has clearly worked well for Buffett's investors, who enjoyed 19.7% annualised returns under Buffett's tenure (last year he handed the keys over to Gregory Abel), compared to just 10.5% for the S&P 500 over this time frame.

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There are huge dangers to sticking to the same investment approach, particularly over the ultra-long term. The past decade has seen some quality growth managers run into real trouble as artificial intelligence has upended many assumptions and business models. We saw a similar phenomenon around 15 years ago when quality growth managers in Asia struggled after the rapid emergence of the Chinese tech and ecommerce industry, with Tencent and Alibaba coming out of nowhere to top the indices. In general, a quality growth approach is likely to do better when industry dynamics are stable, as recurring revenues are more likely to recur in such circumstances. Other approaches might work best in different circumstances.

However, there are strong incentives for fund managers to stick to the same investment style, even if it stops working. Managers will usually have been employed on the understanding from their employer that they will invest in a certain way, and the infrastructure around them will be set up to facilitate this, be it the analysts who are hired, the teams that are formed, or the research that is bought from outside analysts. Then, perhaps more importantly, there is the marketing angle. Fund managers have to be able to sell what they are doing to the end investor. This involves a lot of work to



explain how and why they take a certain approach and how that is expected to deliver outperformance. Over time, investors will come to live through the ups and downs with the fund manager, if they are successful, watching periods of underperformance or stock picks that aren't working transform into prolonged periods of outperformance or those companies turning good. The longer this goes on, the harder it is to do something different without sounding like you are contradicting what you have been telling everyone for years about the best way to invest and without looking foolish. The best managers will find a way to finesse an evolution of their strategy, but that is a tough thing to achieve successfully from a messaging point of view, and requires ace marketing skills, not investing skills, and support from your employer.

As a retail investor — or 'punter', in the slightly dismissive industry jargon — you are completely unconstrained by these considerations. Unless you are a particularly boring pub companion, you have no reputation or image as a particular type of investor to maintain. If you want to pivot, you go, girl. Funds are expected by professional investors to behave predictably and follow the same strategy over time, but you can be sure that no matter how much their sales talk focusses on diversification, part of the reason is so that professional investors in funds can switch horses when they think the time is right. Fund managers have the least freedom of all in this chain!

This isn't only about a change of investment style. Turning back to the recently retired great, Warren Buffett, he made some oil and gas investments for Berkshire Hathaway shortly after the Russian invasion of Ukraine in 2022. If you were to classify this trade, perhaps it would be opportunistic rather than value or quality growth? In any case, he clearly wasn't afraid to make a big move based on newsflow and a changing environment, something that might be impossible for most fund managers without his reputation and working with a much more constrained framework. In that light, it is interesting to note how few global equity managers overweighted NVIDIA after the launch of ChatGPT. As a retail investor, you have the licence to make a call when something new comes up, without having to worry about what you have told other people about how you invest.

The trouble with benchmarks

In a [recent strategy article](#), we analysed how the market indices most often used by professional fund managers as benchmarks are deeply flawed, and represent the outcome of a series of choices made by index providers to aid their usability and to boost sales, rather than reflecting the actual economic value of the businesses that are listed on them.

Benchmarks can create perverse incentives. For a fund manager with a restricted mandate, outperforming in a falling market might represent success. But taking a step back, if a manager was convinced their market is going to fall, if they were managing their own money, they might sell out rather than looking for the stocks which will fall the least. Within the framework of the modern wealth management industry, a UK small-cap manager who went 50% to cash would be deeply unpopular, as the professional investor wants to make the asset allocation decision themselves. Moreover, the professional investor is highly unlikely to make such a bold asset allocation, as the model portfolio services, which increasingly dominate the professionally managed industry, take long-term structural asset allocations, and adjust tactically around them, which is precisely why an equity manager going to cash is unwelcome.

Additionally, managing to a benchmark means excluding vast swathes of opportunity, with the ultimate justification being to make portfolio behaviour more able to be modelled, something that a truly active investor wouldn't be considering. Does it make much sense for an investment in UK companies to be limited to listed businesses only, especially with fewer companies going public than in the past? Does it make sense for a mid-cap manager to exclude larger small caps, or sell a stock when it enters the large-cap segment, even if they think its potential returns are just as attractive? Only within an institutional or marketing framework that adds other objectives alongside maximising returns.

The trouble with time in the market

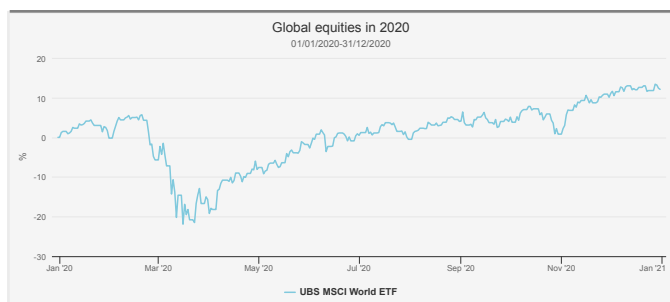
'Time in the market beats timing the market' is the old industry adage. What it really means is something like 'timing the market poorly results in a worse outcome than remaining invested', which is trivially true, and something else like 'it is impossible to time the market', which is simply false. Godwin's Law says any argument on the internet will result in a reference to Hitler, and perhaps we need the equivalent for investing to note that any argument about investing will result in a reference to Saint Warren, before noting that one of the secrets to Buffett's success later in his career has been using his estimate of market valuations to manage his cash position aggressively. Timing the market is hard, but so is stock-picking. Frequent trades will have a cost, so they should be minimised. But neither fact means market timing shouldn't be a tool in the average investor's kit.

This isn't a suggestion to trade in and out like a White House-connected oil trader — none of us has that sort of access to information. Getting market timing consistently



right is going to be extremely difficult, and so it is probably best used in moderation. But anyone who stared the pandemic in the face in February 2020 and didn't take down their exposure to equities, missed a generational opportunity to boost their relative returns. If you had sold all or some of your equities when the pandemic was looming, and then bought back in to a passive tracker any time before July 2020 and remained invested, making no other active decisions, you would still be ahead of the index today. Market timing is an incredibly powerful tool, and lots of fund managers in the investment trust sector use it when it comes to gearing, while many others manage their cash position actively too, but they are relatively constrained in their use by a number of factors that private investors can look through. Fund managers have a mandate with an objective; they frequently have to bear in mind sector rules too, and then on top of this, expectations they have built with investors and employers that mean selling down and going heavily into cash is unlikely to go down well.

Fig.1: Performance Of Global Equity ETF



Source: Morningstar

Past performance is not a reliable indicator of future results.

Conclusion — how to invest like a retail ‘punter’

We think private investors have three major advantages over professionals: the ability to be truly flexible when it comes to investment style and strategy, the ability to be benchmark-unconstrained and invest on- and off-market, and the ability to sell and sit it out for a bit. None of these is risk-free, and all are tools which need to be used judiciously. Ultimately, we think they are just features of truly active management and reflect being free from the institutional and marketing restrictions that fund managers have to deal with.

All can be the source of failure as well as success, just like a more restricted approach to active management, and not everyone wants to take this responsibility on themselves. Luckily, the investment trust sector includes a number of trusts which use these features to the full, reflecting

in most cases what could be considered a family office approach to investing, or almost a halfway house between outsourced investment management and a personally managed portfolio. We think these trusts capture how a truly active investor might manage their own money.

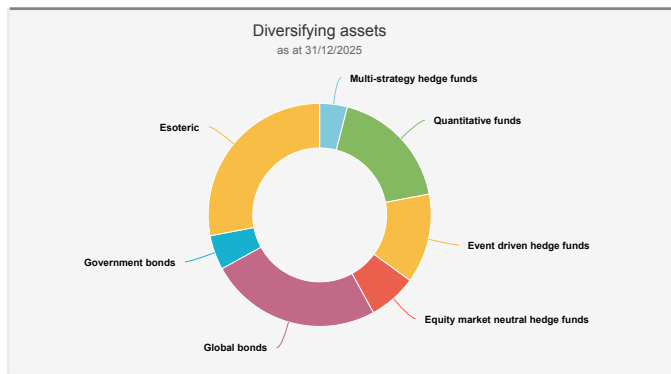
One we would highlight is **Majedie Investments (MAJE)**, which was established to manage the wealth of the Barlow family, who still own about half the shares. MAJE has long had a distinctive approach, and in 2023 took a different direction, being managed to a liquid endowment strategy by Marylebone Partners (now part of Brown Advisory). MAJE is benchmark-free with external allocations to specialist managers covering mainstream equity markets, and even in these allocations, can be highly specialised. This is accompanied by special investments in carefully selected co-investments, special purpose vehicles, or thematic situations, all expected to deliver a higher return profile of at least 20% IRR, but which must be monetised within a maximum of three years. It really is a unique portfolio, and a truly active approach to generating its objective of 4% above CPI. We will discuss the portfolio in greater detail in our upcoming note, [click here](#) to be notified when it's published.

It's not quite a family office, but **Global Opportunities Trust (GOT)** surely owes some of its independent character to the fact that manager Sandy Nairn owns c. 16% of the shares, with his wife owning an additional 2.5% (as of 31/12/2025). This has to help explain how Sandy and his co-managers are bold enough to hold 40% of their portfolio in cash or equivalents. The managers view markets as unattractively expensive, and aim to reinvest when these valuations eventually deflate. This approach means the trust will inevitably lag if markets continue to grind higher, but if we do see a major sell-off, there is the potential for investors to add to it now to remain ahead of global benchmarks for some time to come. GOT also has a highly distinctive and truly active approach to its stock portfolio, with only 23 positions currently, and each held at equal weight, with absolutely no attention paid to their weights in global stock market indices. We have recently published a new note on GOT, [click here](#) to read it.

The Salomon family still own c. 50% of the voting shares in **Hansa Investment Company (HAN)**, and 33% of the total shares. HAN is another highly distinctive portfolio managed on a truly active basis. Country-specific and thematic funds are invested in via active managers where the team think they can add value, and via passive funds when they think alpha is challenging to generate. The team also invest in direct-listed equities and in private assets, along with a highly eclectic pool of diversifying assets in which hedge funds sit alongside trend-following strategies and other investments, all designed to offer diversification and offset market exposure elsewhere.



Fig.2: Diversifying Sleeve Breakdown



Source: Hansa Capital Partners

Past performance is not a reliable indicator of future results.

The family ownership means the trust is managed with the aim of generating long-term growth on an intergenerational scale without reference to market benchmarks, career risk, or short-term marketing goals, with full freedom. The sale of Wilson Sons by Ocean Wilsons and the combination of Hansa with the latter last year have led to a significant build-up of cash in HAN, which means we think the wide discount of 40% looks particularly attractive.



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