Warren Buffett was right about the stock pickers – they mostly lose

I
N 2008 a guy with a nose for publicity bet Warren Buffett $1 million that hedge funds would do better than the stock market over the next ten years.

In between gales of laughter, the best investor that ever lived took the bet and later the money.

That bet turned into a question to be asked in perpetuity: what is the point of fund managers?

If stock pickers can't beat an index, why don't we all just follow the index and strip these guys of their absurd pay, their homes in Mauritius, and all the rest?

Our analysis today by Alan Miller, see the website, is sort of shocking. It isn't just that the funds in almost every single sector, from North America, to Japanese Smaller Companies to the UK are losing money since Christmas.

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(You’d normally expect at least a couple of guys to have called it right.)

It is that they are all beneath their benchmarks. So whichever place you had chosen to invest, you would have done better to just track that index rather than pay a stock picker to try and be clever.

We single out Terry Smith and Nick Train today, since they are the best known – both occasionally described as our best answer to Buffett.

Probably, the pair of them, whose long term track records are excellent will turn it around (Train is under more pressure than Smith – I am an investor in FundSmith.)

And we hope they do, a lot of people’s futures depend on it

For the wider trade these figures make uncomfortable reading. They are short term.

That does not disguise the fact that in the longer run, most funds in the City are a bad bet. Ask Warren Buffett.