



**Y TREE<sup>®</sup>**

central intelligence for money and life



# Plugged into Wealth Management

Are you overpaying  
for underperformance?

# New data uncovers that portfolios can lose as much as 17.7% in returns with just a 10% chance of outperformance

## 94.1% of UK wealth managers underperformed

Across 2023 and 2024, the UK's top wealth managers failed to beat an investible benchmark of comparable risk.

## 5.6% average global underperformance

Among the world's top wealth managers 90% underperformed against an objective, investible benchmark of comparable risk over 2023 and 2024.

## 6.4% average UK underperformance

The UK's top wealth managers fell below the global average of 5.6% across 2023 and 2024, when measured against an objective, investible benchmark of comparable risk.

As consumers, we tend to be interested in the value of everything from the hotels we stay in to the restaurants we dine at. Yet wealth management operates in a fog of complexity. A set up potentially worth millions escapes the same rigour applied to the things we purchase and consume in everyday life.

Having transparency over the costs, risks and performance of your investments should be the standard service. Wealth managers are your financial stewards, but you still need clear visibility. Being plugged into your portfolio's true performance helps you answer a simple question: ***"am I getting value from my wealth management?"***

Our inaugural ***Plugged into Wealth Management*** industry report 2025 allows you to interrogate and understand the value you're getting. The report is an objective analysis of more than 200 client portfolios managed by wealth managers. Each measured against Y TREE's investible benchmark of comparable risk.



The insights we have unearthed highlight the need for greater transparency. But they also underscore the need for tools to evaluate wealth management as you would any other service. Empowering you to make the best decisions for your money and your life.

# Wealth management underperformance could be quietly costing you millions

## Unsure about the value you get from your wealth manager? You're not alone.

Y TREE clients often tell us they don't really know how well their wealth managers are truly performing. Their quarterly reports arrive with reassuring regularity, professionally presented and full of detail, yet leave the fundamentals unanswered. The proposition is straightforward enough: wealth managers pitch their ability to beat the market. Occasionally, some do outperform. But reporting is often complicated and it can be difficult to understand the inner workings of a portfolio. As a result, meaningful comparisons of returns, risk and costs become an exercise in forensic accounting.

If you're a time-poor professional or executive, it's unlikely you have the bandwidth to deeply evaluate your wealth manager's performance against a relevant benchmark. Even if you had the time, the tools are still lacking. The tools that institutional investors, like sovereign wealth and pension funds use and could not function efficiently without, remain absent from wealth management.

This report aims to promote transparency across the industry, exploring the impact good performance and underperformance can have on people's financial life. Even small underperformance levels of 1-2% can amount to millions of pounds in missed returns over a lifetime.

Take a £5m portfolio, for example. Assuming a base return of 7% but an average underperformance of 2% each year, that portfolio would see a sizeable £1.7m in foregone returns over a decade. Over 20 years, the missed returns become greater than the £5m originally invested.

This is a significant sum to forfeit, which directly impacts what you can or can't do with your wealth.

We launched **Y TREE** to offer clarity to our clients. We've leveraged our experience, knowledge of institutional investment practices, technology and data to evaluate the sector as few others can. Using our universally applicable and relevant benchmark to reveal the true level of wealth manager performance and value.

When new clients come to us, our evaluation of their existing portfolio is independent. We are not incentivised to recommend alternatives to their current investments. Being independent means we objectively assess a portfolio's performance and translate what it means for your money and your life. It's the difference between changing careers, retiring when you want or working longer. It can alter how you navigate life events, what you pass onto your children, the impact you have on society and, ultimately, how you spend and enjoy your wealth.



**"The findings set out in " Plugged into Wealth Management " on the global wealth management industry are very real examples of the opportunity cost of being in a traditional wealth management model. Over time and through compounding, the high costs and underperformance of traditional wealth managers can amount to large sums of money. I used three or four providers previously but now I'm completely bought into what Y TREE does and how they do it. Put simply, there will always be risks we cannot control, but the Y TREE model protects against important ones we can control: underperformance and costs."**

**- Preben Prebensen is Chairman of RiverStone International and formerly CEO of Close Brothers, CEO of Wellington Underwriting and Co-Head of European Investment Banking at JP Morgan**

## The hidden cost of underperformance

“

I think most people will get a nice return. It might be 7 or 8%, and they'll think, "Well, that's fine."

But they won't know the cost. So they look at the gross return rather than the net, and they don't realise that even a 2% underperformance per year has a really material impact over the long term.

If you're compounding 2% worse than you should have for 20 years, that means you'll lose out on your entire starting amount by the end of that period.

The compound impact of 2% a year is massive. People just don't think about it in any given year. **What we're seeing, obviously, with our wealth management report is 4, 5, 6, maybe even 7% underperformance, and that's massive. Even after just a few years, it's big.**

**- Stuart Cash, Founder and CEO**



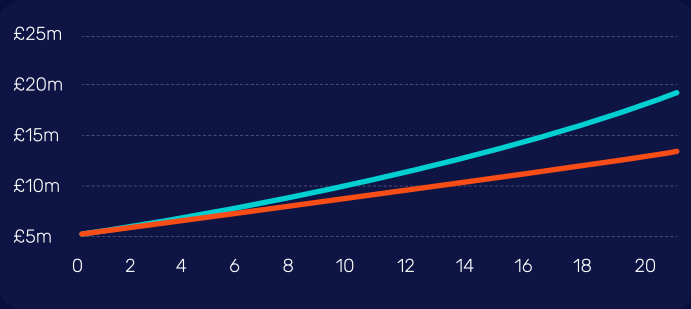
[Listen here](#) 



# Even a small percentage of underperformance will compound over time

These graphs show how much a £5m portfolio could lose over 20 years if it underperforms the average annual market return by 2%, 3%, or 5%.

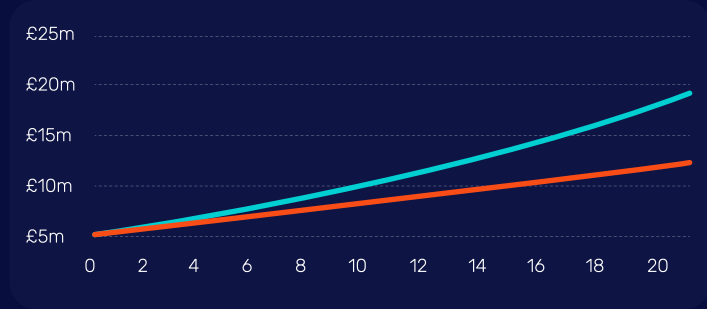
Average % of underperformance **2%**  
 Portfolio starting value **£5m**



**£6.08m gains forgone**

to underperformance over 20 years.\*

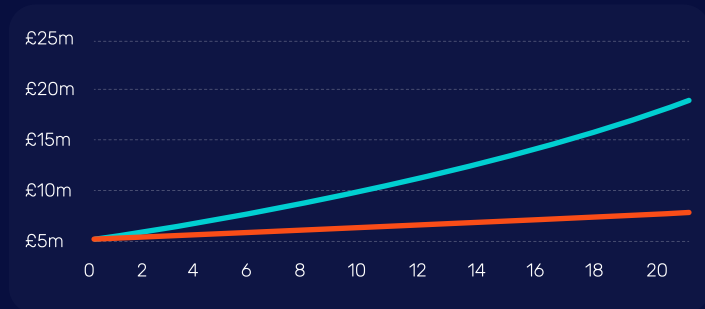
Average % of underperformance **3%**  
 Portfolio starting value **£5m**



**£8.39m gains forgone**

to underperformance over 20 years.\*

Average % of underperformance **5%**  
 Portfolio starting value **£5m**



**£11.92m gains forgone**

to underperformance over 20 years.\*

- Portfolio value
- Portfolio value including underperformance

\* (Disclaimer: Value assumes a base return of 7% p.a. and zero withdrawals)

# Unearthing a universal benchmark of wealth management performance



Part of the difficulty in evaluating the performance of your wealth manager is to know what to measure their performance against. That's what the Y TREE Benchmark does. It is a benchmark that shows you the returns you should have achieved for the level of risk you took in your portfolio over a defined period of time.

We found a distinct lack of benchmarks in the industry that are truly relevant, meaning they're investible and of comparable risk. There's a need for practical benchmarks that take the consumer's perspective into account and answers three questions: ***what am I paying for? Am I getting value for money? Could I receive similar or better results with a simpler set up?***

Our solution is the Y TREE Benchmark. Here's how it works in practice. We analyse the different market risks within a portfolio and then set a risk level derived from this mix. We then build a benchmark of the same risk level and populate it with publicly available index-tracking investments - making it investible. The principle is simple: portfolios adding genuine value should clear this hurdle; those that fall short are underperforming relative to the risk they assume.

The Y TREE Benchmark follows the logic of the world's leading investment institutions. It has been developed by industry experts who know how performance really works. It gives investors a powerful tool to assess the performance of their portfolio, without geographic, sector, or any other biases that constrain conventional, off-the-shelf comparators.

Traditional wealth management benchmarks often compare peer groups (as with Asset Risk Consultants' commonly known as ARC's investment manager indices) or a representative index of all permissible investments. Others may be country or geography specific, missing a global view. By contrast, the Y TREE Benchmark is calibrated to be comparable to the specific risk level of each portfolio being evaluated.

This creates a reference point that shows the returns you should expect, and the value added by your wealth, fund or portfolio manager.

***The Y TREE Benchmark offers a definitive performance standard:***

## 1. Relevance

It is calibrated to match the specific risk profile of each client portfolio, rather than all the risk options available to a wealth manager, making comparisons meaningful and precise rather than arbitrary and broad.

## 2. Investibility

The Y TREE Benchmark comprises publicly available index-tracking investments that can be bought at a low cost, making it investible and impactful rather than just a measuring stick.

## 3. Comprehensiveness

The benchmark can be used for all public asset types. This helps to ensure a holistic view of performance that doesn't reward narrow specialisation at the expense of overall returns.

## 4. Institution grade

The Y TREE Benchmark gives consumers the same level of sophisticated analysis as big institutional investors.

**The Y TREE Benchmark** is a foundation for any independent advisory approach. It's not designed to favour any particular investment style or approach.

Rather, it reflects expected performance after fees, for any given risk level. It also lets you know if you're receiving value for the risk you take and the fees you pay.

# Wealth management underperformance is consistent, not cyclical

**Our analysis reveals a sobering truth: underperformance in wealth management is not a temporary phenomenon. It reminds us that it is a consistent industry challenge.**

Taking into account the broader economic context of 2023-24, it would be reasonable to assume that wealth managers would leverage their expertise to deliver returns above the prevailing market rate. But that was not the case.



There's a striking asymmetry between the levels of underperformance and outperformance. There was a 22.2% difference between the best performing portfolios, which saw 4.5% outperformance, and the worst performing - which fell short by as much as 17.7%.

It means the chances of a portfolio losing out on returns are much greater than the odds of outperforming a relevant benchmark of comparable risk.

This pattern extends beyond recent market cycles. Y TREE's client data going back 10 or more years reveals consistent holistic underperformance of around 2% on average. Over the long-term, that can lead to millions of pounds in forgone performance, depending on your portfolio size.

For example, over 20 years, a £1m portfolio that could be worth £3.8m with an assumed average return rate of 7%, reaches just £2.6m. That's £1.2m forfeited if the portfolio suffers 2% annual underperformance on average. For a £10m portfolio, it translates into £12m in lost wealth.

Those amounts can compromise career flexibility, retirement plans, philanthropic goals or intergenerational wealth transfer.

Underperformance isn't just a missed opportunity; it's a silent drain on your wealth. Most wealth management clients - and even many managers - don't realise the sheer scale of money left on the table. That's why an objective, investible benchmark of comparable risk isn't just important, it's essential.

## So why is underperformance so widespread?

# Five reasons wealth managers find it so challenging to outperform

Wealth management is difficult. That's why you entrust it to professionals. But there are inherent challenges that mean it's extremely hard for wealth managers to deliver returns proportionate to the risk they take with clients' money.

*Several factors contribute to consistent underperformance:*



## 1. Mistiming the market

Timing the market is tricky. It comes down to two decisions: when to sell and when to buy back again (or vice versa). Timing these correctly over an extended period is even trickier.

Asset managers, who wealth managers analyse and select to build investment portfolios, may seek to remove risk ahead of market falls, protecting portfolios from the downturn. However, if they fail to buy back at the right time, they can miss the upturn.

Take 2020, for example. When COVID-19 first hit, a handful of Y TREE clients responded to panic in the press and sold their assets. Some may have been encouraged by wealth managers who were keen to minimise short-term losses.

Many that sold at depressed prices went on to re-enter at higher levels: a perfect recipe for wealth destruction. Meanwhile, clients who maintained target risk levels and rebalanced portfolios accordingly enjoyed optimal participation in the market recovery that followed.

This is not a unique example. Wealth managers often aim to reduce risk in a downturn by selling equities and buying stable bonds or cash. Asset managers simultaneously de-risk their own positions. The result is portfolios that have effectively been double-insulated against risk but the double-insulation also depresses the gains in a subsequent recovery.

Attempting to time the market is challenging. Rebalancing a portfolio back to target risk levels is a statistically better strategy. It just takes level heads and intestinal fortitude not to over-react after a market downturn.

This year's volatility will prove a test of mettle.

Portfolios that reduced their risk early and remained underexposed may have missed April's historic market rally. On April 9th [the Dow Jones Industrial Average rose over 2,900 points](#) in its largest one-day gain since 2001, while the [NASDAQ grew 12% and the S&P 500 gained 9.5%](#). But as uncertainty abounds, do you really know how your wealth management set up is faring in 2025?

## 2. Failure to beat the world

No one has a crystal ball showing them which markets will outperform in the future. So global diversification should be the default for any portfolio, given the current speed of world capital movements and variety of investment opportunities.

However, for wealth managers to deliver value and satisfy client expectations they need to outperform a global index. They often deviate from global exposure by investing in or against specific geographies or sectors, trying to beat global indices through tactical asset allocation.

This can work at times. The S&P 500 has [outpaced international markets in eight of the past 10 years](#), while the "Magnificent Seven" tech behemoths [delivered 31.7% growth in Q4 2024](#), dwarfing the broader index's 16.9% advance. But tactical brilliance rarely persists.

An example where this did not work as well is the local bias among UK wealth managers. Whether due to familiarity, convenience, currency or tax considerations, they often prefer to focus on investments in their home region. In 2023, UK wealth managers [allocated an average of 20% of client portfolios into UK equities](#). But as the UK represents less than [4% of the global market](#), this home bias over the past couple of years through to the end of



2024, resulted in overexposure to the UK and significant underperformance. This was at a time when international markets, particularly US equities, outperformed the rest of the world.

A lot of wealth managers who failed to hedge this currency exposure saw meaningful equity returns erased by currency movements.

### 3. Overdiversification stifles performance

The challenge of identifying consistently outperforming fund managers or asset managers often pushes wealth managers to overdiversify. They can populate portfolios with too many asset managers, such that the outperformance of any one manager is diluted with the underperformance of another. While some active managers do deliver value, their rarity is well documented.

A typical diversified wealth management portfolio may comprise more than 20 asset managers. Yet Morningstar Barometer data shows that the average outperformance rate for active equity managers over the [past decade was only 14.2%](#). That means some 17 of those 20 will underperform. The result: the underperformance of the majority cancels the outperformance of the few.

With overdiversification diluting the few successful managers, it is extremely challenging for a portfolio to outperform overall. Clients can even end up with what is essentially an index fund that doesn't reflect the whole market, but with additional layers of fees to third parties.

### 4. Currency creates unrewarded risk

Currencies introduce an additional layer of uncertainty and risk to portfolios. Unlike equities or bonds, currencies offer no yield, no coupon and no earnings growth. Instead, they reflect the local economy, including inflation, interest rates and sentiment towards government policy of the issuing country.

While hedging can reduce the effects of currency fluctuations on investment performance, it is expensive and complex. Not all wealth managers take appropriate action. Many leave clients exposed, introducing portfolio volatility by default without any long-term reward for taking that risk. Hence, unhedged currency exposure represents what is known as unrewarded risk.

Q3 2024 illustrates the peril. [The S&P 500 gained 5.5% in dollar terms](#), but sterling's [5.8% appreciation against the greenback](#) effectively erased these gains for UK investors.

### 5. High fees squeeze returns

Wealth management fees resemble Russian dolls - structures nested within structures, each extracting its toll and eroding returns without necessarily adding to performance.

Beyond the topline figure lurks fees for wealth management, asset management, custody, trading, foreign exchange and administration. A typical wealth management portfolio may incur these several times over within the same fund, as well as sometimes 10 or more layers of charges.

Compounding fee layers create a significant performance hurdle. Wealth managers must first overcome their own costs before delivering value. Higher fees may even force managers to take excessive risks to cover their charges.

Multiple layers of fees aren't always apparent until you examine the small print and assess net versus gross returns. An institutional investor would be forensic about understanding and negotiating down every fee for each service provided. You need the tools to be able to do the same.



## It's time for transparency

Consider the travel industry's transformation. In the 1990s, travel agents had access to all the information. Flights, hotels and car hire – with their own service charge on top.

It's a very different experience today. You can access all the information and insight needed to shape your perfect trip, from flight price comparisons to hotel reviews.

Wealth management today often feels like travel in the 90s. But it doesn't have to be this way. Equipped with the data, tools and an unbiased, investible benchmark of comparable risk you can begin evaluating wealth management providers objectively.

With the car you drive, the restaurants you dine at, the hotels you stay in, you have access to information that confirms if the products and services you're paying for are delivering value. Yet with wealth management, a service significantly more important to the flexibilities and luxuries in life, this scrutiny evaporates.

The Y TREE Benchmark offers this missing lens. In an industry where even a relatively small percentage of underperformance compounds into millions of pounds forfeited over decades, transparency and objectivity are essential.

In wealth management, knowledge is indeed power. Having access to an objective, transparent view of your money empowers you to make the best-informed decisions for you and your family's lives.

**Do you know how well your wealth manager is performing?**

**We do. [Get in touch here](#)**

[www.y-tree.com](http://www.y-tree.com)

Find out if your wealth manager is offering you value for money.

[Find Out More](#)

### Source data

The above proprietary analysis is the result of portfolios held by Y TREE clients. The analysis considers the performance in the years 2023 and 2024 of 106 and 92 distinctive portfolios, respectively. A comparison is made against the Y TREE benchmark (of comparable risk).

### Y TREE Benchmark

The Y TREE Benchmark is a composite of publicly available low-cost investment vehicles which are systematically combined to allow objective evaluation of any instrument's performance against its risk exposure. Clients of Y TREE (only) may invest in the Y TREE Benchmark.

### Product cost comparisons

Product costs discussed above are presented on a best efforts basis and taken directly from statements provided by third parties. Y TREE has a proprietary process to normalise and compare these fees on a like-for-like, best efforts basis. Costs which are explicit in the portfolio performance or instrument are included. Care has been taken to attempt to exclude other explicit costs (outside of the investment fund) such as custody, advisory or administrative charges, but this may not always be possible, depending on how these are reported.

### General fees analysis

In the latter part of this report, there is a general analysis of fees. This analysis is as holistic as possible, including (where the data is available) advisory, platform, administration, custody, trading, foreign exchange, etc.



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# Plugged into Wealth Management Industry Report 2025



Hello

As a valued Y TREE shareholder, we wanted to give you priority access to our inaugural Plugged into Wealth Management industry report.

For years we've known, and seen in clients' portfolios, a stark reality: the wealth management industry isn't delivering the value for clients. And now we have the analysis to prove it.

The report reveals that a staggering **94.1%** of UK wealth managers underperformed in 2023-24, when measured against the Y TREE Benchmark. And that's just the beginning.

We decided that now is the time to share our findings more widely. And reveal to consumers just how much they are potentially losing with traditional wealth managers.

Your early access allows you to review these insights before wider release. We'd appreciate you sharing the report and its findings with your network to help bring the transparency we all know is so sorely lacking from the industry.

And, as ever, we'd love to hear your thoughts.

Thank you again for your continued support.

[DOWNLOAD THE REPORT](#)

