

Latin America Persistence Scorecard

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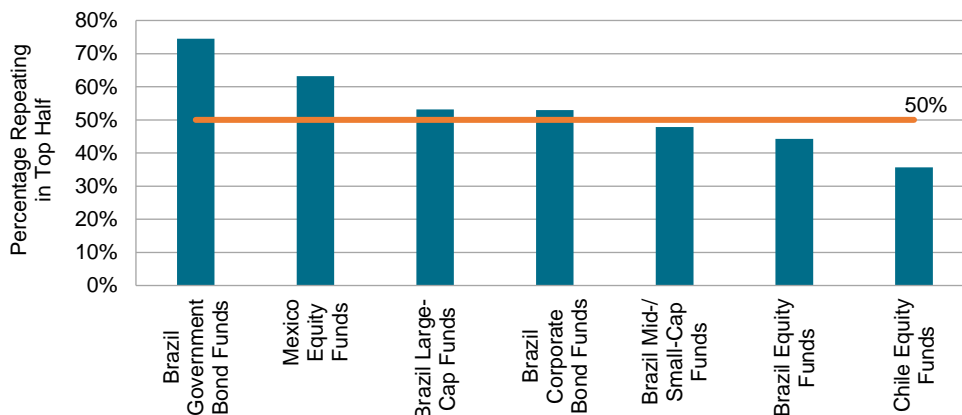
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Summary

Can investment results be attributed to skill or luck? Genuine skill is more likely to persist, while luck is random and fleeting. Thus, one measure of skill is the consistency of a fund's performance relative to its peers. The Persistence Scorecard measures that consistency and shows that, **regardless of asset class or style focus, active management outperformance tends to be relatively short lived**, with few funds consistently outranking their peers.

Among a total of 201 funds in our seven reported regional fund categories across Brazil, Chile and Mexico whose performance placed them in the top quartile for the 12-month period ending December 2019, **only four funds (2%) managed to remain in the top quartile for each of the next four years** (see Report 2). Exhibit 1 illustrates that in three out of seven categories, less than 50% of funds were able to repeat their top-half status over two consecutive five-year periods (see Report 6).

Exhibit 1: Percentage of Funds Repeating in Top Half over Two Consecutive Five-Year Periods



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

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Report Highlights

Brazil

- Most of Brazil’s top-performing equity fund managers did not maintain their outperformance in subsequent years. Among equity funds ranked in the top quartile for the 12-month period ending December 2019, one remained consistently in the top quartile over the subsequent four one-year periods (see Report 2). Active fund outperformance in 2021 did not predict outperformance in the two subsequent years (see Report 1b).
- The Brazil Government Bond funds category showed similar erosion of outperformance, with precisely zero top-quartile managers as of December 2019 managing to remain in the top quartile for the subsequent four 12-month periods (see Report 2).
- Brazil Corporate Bond funds fared slightly better, with 9.1% of managers maintaining consistent top-quartile performance for five years in a row, and 33.3% remaining in the top quartile for two consecutive five-year periods (see Reports 2 and 5).

Chile

- The rarity of persistence by equity managers was equally visible in Chile, with only one out of eleven (9.1%) of the top-quartile funds in the first 12-month period repeating its outperformance for the subsequent four years (see Report 2).
- Report 3 shows that 33.3% of the top-quartile funds in the first period of the three-year transition matrix remained in the top quartile at the end of the second period.
- Among funds ranked in the top half for the three years ending December 2020, the majority (55.6%) either fell to the bottom half, were merged or were liquidated over the subsequent three-year period (see Report 4).

Mexico

- Similar to the other regions, top-quartile managers in Mexico had difficulty replicating their rank in subsequent years. After one year, 36.4% of Mexico Equity funds remained in the top quartile, yet after four years, none remained (see Report 2).
- The five-year transition matrix shows that 40% of top-quartile funds subsequently dropped to quartile three or four over the five-year period, or were merged or liquidated, while another 40% remained in the top quartile (see Report 5).
- Consistent with data from the [SPIVA® Latin America Year-End 2023 Scorecard](#), Mexico had a higher fund survival rate than Brazil and Chile across all periods measured. Reports 3, 4, 5 and 6 show that, on average, Mexican funds were less likely to be shut down than Brazilian and Chilean funds.

About the Persistence Scorecard

The phrase “past performance is no guarantee of future results” (or some variation thereof) can be found in the fine print of most mutual fund literature. Yet, due to either force of habit or conviction, investors and advisors consider past performance and related metrics to be important factors in fund selection. So, does past performance really matter?

To answer this question, the semiannual S&P Persistence Scorecard tracks the degree to which historical relative performance is predictive of future relative performance. For a more detailed description of the Persistence Scorecard’s allocation of funds to appropriate categories, and how funds are screened and selected for inclusion, please see the corresponding SPIVA Latin America Year-End 2023 Scorecard.¹

Key features of the S&P Persistence Scorecard include:

- **Historical rankings without survivorship bias:** For anyone making an investment decision, all funds available at the time of that decision are part of the initial opportunity set. Ignoring funds that liquidate or merge during a period of study biases measurements of persistence.
- **Clean universe:** The mutual fund universe used in these reports comprises actively managed funds in Brazil, Mexico and Chile. Index, leveraged and inverse funds, along with other index-linked products are excluded from the sample. To avoid double counting of multiple share classes, only the share class with the highest previous period return of each fund is used.
- **Transition matrices:** Transition matrices show the movements between quartiles and halves over non-overlapping three- and five-year periods. They also track the percentage of funds that have merged or liquidated.
- **Tracking reports of top performers:** The tracking reports show the percentage of funds that remain in the top-quartile or top-half rankings over consecutive three- and five-year periods.

¹ The latest and historical SPIVA Scorecards for each region can be found at <https://www.spglobal.com/spdji/en/research-insights/spiva/>

Reports

Report 1: Performance Persistence of Funds over Three Consecutive 12-Month Periods

Fund Category	Fund Count at Start (December 2021)	Percentage Remaining in Top Quartile	
		December 2022	December 2023
Top Quartile			
Brazil Equity Funds	65	41.54	20.00
Brazil Large-Cap Funds	32	43.75	12.50
Brazil Mid-/Small-Cap Funds	24	41.67	8.33
Brazil Corporate Bond Funds	25	36.00	12.00
Brazil Government Bond Funds	74	75.68	5.41
Chile Equity Funds	11	45.45	9.09
Mexico Equity Funds	11	18.18	0.00
Fund Category	Fund Count at Start (December 2021)	Percentage Remaining in Top Half	
		December 2022	December 2023
Top Half			
Brazil Equity Funds	130	60.77	33.08
Brazil Large-Cap Funds	64	67.19	45.31
Brazil Mid-/Small-Cap Funds	48	62.50	25.00
Brazil Corporate Bond Funds	49	61.22	28.57
Brazil Government Bond Funds	148	73.65	37.84
Chile Equity Funds	22	50.00	40.91
Mexico Equity Funds	21	33.33	23.81

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 1b: Alpha Persistence of Funds over Three Consecutive 12-Month Periods

Fund Category	Benchmark	Total Fund Count	Funds Outperforming the Benchmark (December 2020)		Percentage Continuing to Outperform the Benchmark (%)	
			Count	Percentage (%)	December 2021	December 2022
Brazil Equity Funds	S&P Brazil BMI	270	115	42.59	56.52	20.87
Brazil Large-Cap Funds	S&P Brazil LargeCap	132	95	71.97	26.32	4.21
Brazil Mid-/Small-Cap Funds	S&P Brazil MidSmallCap	103	37	35.92	62.16	13.51
Brazil Corporate Bond Funds	Anbima Debentures Index (IDA)	109	53	48.62	81.13	60.38
Brazil Government Bond Funds	Anbima Market Index (IMA)	316	210	66.46	75.24	1.90
Chile Equity Funds	S&P Chile BMI	45	26	57.78	53.85	50.00
Mexico Equity Funds	S&P/BMV IRT	43	5	11.63	100.00	0.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 2: Performance Persistence of Funds over Five Consecutive 12-Month Periods

Fund Category	Fund Count at Start (December 2019)	Percentage Remaining in Top Quartile			
		December 2020	December 2021	December 2022	December 2023
Top Quartile					
Brazil Equity Funds	49	42.86	12.24	2.04	2.04
Brazil Large-Cap Funds	24	16.67	0.00	0.00	0.00
Brazil Mid-/Small-Cap Funds	16	25.00	18.75	12.50	0.00
Brazil Corporate Bond Funds	22	54.55	31.82	13.64	9.09
Brazil Government Bond Funds	68	60.29	7.35	0.00	0.00
Chile Equity Funds	11	54.55	36.36	9.09	9.09
Mexico Equity Funds	11	36.36	18.18	0.00	0.00
Fund Category	Fund Count at Start (December 2019)	Percentage Remaining in Top Half			
		December 2020	December 2021	December 2022	December 2023
Top Half					
Brazil Equity Funds	97	55.67	26.80	11.34	8.25
Brazil Large-Cap Funds	47	36.17	10.64	8.51	8.51
Brazil Mid-/Small-Cap Funds	31	41.94	16.13	16.13	3.23
Brazil Corporate Bond Funds	43	69.77	41.86	27.91	20.93
Brazil Government Bond Funds	135	82.96	21.48	8.89	7.41
Chile Equity Funds	22	50.00	45.45	22.73	18.18
Mexico Equity Funds	21	66.67	42.86	9.52	4.76

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 3: Three-Year Transition Matrix – Performance over Two Non-Overlapping Three-Year Periods (Based on Quartiles)

Quartile	Fund Count at Start (December 2017- December 2020)	Three-Year Percentages at End (December 2020-December 2023)				
		1st Quartile (%)	2nd Quartile (%)	3rd Quartile (%)	4th Quartile (%)	Merged/ Liquidated (%)
Brazil Equity Funds						
1st Quartile	45	20.00	11.11	26.67	35.56	6.67
2nd Quartile	44	29.55	27.27	15.91	15.91	11.36
3rd Quartile	45	20.00	26.67	28.89	8.89	15.56
4th Quartile	45	17.78	20.00	15.56	26.67	20.00
Brazil Large-Cap Funds						
1st Quartile	19	47.37	15.79	5.26	21.05	10.53
2nd Quartile	19	31.58	10.53	26.32	15.79	15.79
3rd Quartile	19	0.00	31.58	21.05	31.58	15.79
4th Quartile	20	10.00	25.00	30.00	20.00	15.00
Brazil Mid-/Small-Cap Funds						
1st Quartile	12	33.33	16.67	8.33	25.00	16.67
2nd Quartile	12	25.00	33.33	25.00	16.67	0.00
3rd Quartile	12	8.33	8.33	41.67	33.33	8.33
4th Quartile	13	23.08	23.08	7.69	15.38	30.77
Brazil Corporate Bond Funds						
1st Quartile	16	25.00	0.00	12.50	37.50	25.00
2nd Quartile	16	31.25	18.75	12.50	6.25	31.25
3rd Quartile	16	6.25	18.75	50.00	12.50	12.50
4th Quartile	16	18.75	37.50	6.25	25.00	12.50
Brazil Government Bond Funds						
1st Quartile	59	3.39	10.17	20.34	62.71	3.39
2nd Quartile	58	29.31	20.69	31.03	13.79	5.17
3rd Quartile	59	54.24	27.12	5.08	5.08	8.47
4th Quartile	59	3.39	32.20	33.90	8.47	22.03
Chile Equity Funds						
1st Quartile	9	33.33	33.33	22.22	0.00	11.11
2nd Quartile	9	11.11	11.11	44.44	11.11	22.22
3rd Quartile	9	22.22	22.22	0.00	44.44	11.11
4th Quartile	9	11.11	11.11	11.11	22.22	44.44
Mexico Equity Funds						
1st Quartile	10	50.00	40.00	10.00	0.00	0.00
2nd Quartile	9	11.11	22.22	66.67	0.00	0.00
3rd Quartile	10	20.00	20.00	30.00	30.00	0.00
4th Quartile	10	20.00	10.00	0.00	70.00	0.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 4: Three-Year Transition Matrix – Performance over Two Non-Overlapping Three-Year Periods (Based on Halves)

Half	Fund Count at Start (December 2017-2020)	Three Year Percentage at End (December 2020-December 2023)		
		Top Half (%)	Bottom Half (%)	Merged/Liquidated (%)
Brazil Equity Funds				
Top Half	89	43.82	47.19	8.99
Bottom Half	90	42.22	40.00	17.78
Brazil Large-Cap Funds				
Top Half	38	52.63	34.21	13.16
Bottom Half	39	33.33	51.28	15.38
Brazil Mid-/Small-Cap Funds				
Top Half	24	54.17	37.50	8.33
Bottom Half	25	32.00	48.00	20.00
Brazil Corporate Bond Funds				
Top Half	32	37.50	34.38	28.13
Bottom Half	32	40.63	46.88	12.50
Brazil Government Bond Funds				
Top Half	117	31.62	64.10	4.27
Bottom Half	118	58.47	26.27	15.25
Chile Equity Funds				
Top Half	18	44.44	38.89	16.67
Bottom Half	18	33.33	38.89	27.78
Mexico Equity Funds				
Top Half	19	63.16	36.84	0.00
Bottom Half	20	35.00	65.00	0.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 5: Five-Year Transition Matrix – Performance over Two Non-Overlapping Five-Year Periods (Based on Quartile)

Quartile	Fund Count at Start (December 2013- December 2018)	Five Year Percentages at End (December 2018-December 2023)				
		1st Quartile (%)	2nd Quartile (%)	3rd Quartile (%)	4th Quartile (%)	Merged/ Liquidated (%)
Brazil Equity Funds						
1st Quartile	40	20.00	35.00	17.50	20.00	7.50
2nd Quartile	39	7.69	25.64	28.21	17.95	20.51
3rd Quartile	40	22.50	2.50	30.00	20.00	25.00
4th Quartile	40	32.50	17.50	7.50	25.00	17.50
Brazil Large-Cap Funds						
1st Quartile	16	43.75	18.75	12.50	18.75	6.25
2nd Quartile	16	12.50	31.25	31.25	6.25	18.75
3rd Quartile	16	12.50	12.50	25.00	18.75	31.25
4th Quartile	17	17.65	17.65	11.76	41.18	11.76
Brazil Mid-/Small-Cap Funds						
1st Quartile	12	25.00	33.33	16.67	25.00	0.00
2nd Quartile	11	18.18	18.18	18.18	36.36	9.09
3rd Quartile	11	0.00	18.18	45.45	9.09	27.27
4th Quartile	12	33.33	8.33	0.00	16.67	41.67
Brazil Corporate Bond Funds						
1st Quartile	9	33.33	44.44	11.11	0.00	11.11
2nd Quartile	8	0.00	25.00	37.50	25.00	12.50
3rd Quartile	9	0.00	0.00	22.22	33.33	44.44
4th Quartile	9	33.33	0.00	0.00	22.22	44.44
Brazil Government Bond Funds						
1st Quartile	47	70.21	17.02	2.13	2.13	8.51
2nd Quartile	47	12.77	48.94	25.53	8.51	4.26
3rd Quartile	47	2.13	12.77	55.32	6.38	23.40
4th Quartile	47	0.00	4.26	0.00	68.09	27.66
Chile Equity Funds						
1st Quartile	7	0.00	28.57	14.29	14.29	42.86
2nd Quartile	7	42.86	0.00	28.57	0.00	28.57
3rd Quartile	7	14.29	28.57	14.29	28.57	14.29
4th Quartile	7	0.00	0.00	0.00	28.57	71.43
Mexico Equity Funds						
1st Quartile	10	40.00	20.00	10.00	30.00	0.00
2nd Quartile	9	33.33	33.33	0.00	11.11	22.22
3rd Quartile	9	22.22	22.22	22.22	22.22	11.11
4th Quartile	10	0.00	10.00	50.00	30.00	10.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 6: Five-Year Transition Matrix – Performance over Two Non-Overlapping Five-Year Periods (Based on Halves)

Half	Fund Count at Start (December 2013- December 2018)	Five-Year Percentages at End (December 2018-December 2023)		
		Top Half (%)	Bottom Half (%)	Merged/ Liquidated (%)
Brazil Equity Funds				
Top Half	79	44.30	41.77	13.92
Bottom Half	80	37.50	41.25	21.25
Brazil Large-Cap Funds				
Top Half	32	53.13	34.38	12.50
Bottom Half	33	30.30	48.48	21.21
Brazil Mid-/Small-Cap Funds				
Top Half	23	47.83	47.83	4.35
Bottom Half	23	30.43	34.78	34.78
Brazil Corporate Bond Funds				
Top Half	17	52.94	35.29	11.76
Bottom Half	18	16.67	38.89	44.44
Brazil Government Bond Funds				
Top Half	94	74.47	19.15	6.38
Bottom Half	94	9.57	64.89	25.53
Chile Equity Funds				
Top Half	14	35.71	28.57	35.71
Bottom Half	14	21.43	35.71	42.86
Mexico Equity Funds				
Top Half	19	63.16	26.32	10.53
Bottom Half	19	26.32	63.16	10.53

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