

SPIVA Australia Focus

Mid-Year 2024 Highlights

Contributor

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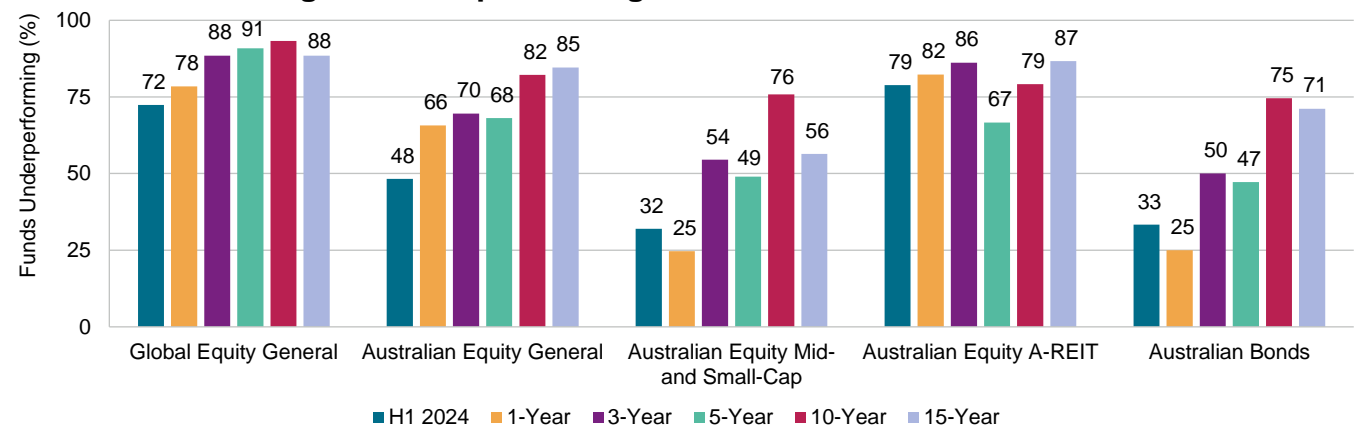
Over the six-month period ending June 2024, a majority (54%) of funds across all Australian fund categories underperformed their assigned benchmarks.

As highlighted in the [SPIVA Global Scorecard](#), the first half of 2024 proved to be a particularly challenging market environment for active managers across developed equity markets, as the outperformance of the very largest companies resulted in a high proportion of index constituents underperforming their benchmarks. In Australia, 72% of actively managed Global Equity General¹ funds trailed the [S&P World Index](#)'s total return of 14.9%, posting an asset-weighted average return of 11.8%, both measured in AUD (see Exhibit 3).

Australian domestic equity funds had relatively better results, as the country's equity market set the bar significantly lower, with a 4.2% return for the [S&P/ASX 200](#). A slim minority (48%) of Australian Equity General funds underperformed the S&P/ASX 200, while less than one-third (32%) of Australian Equity Mid- and Small-Cap funds underperformed the [S&P/ASX Mid-Small](#) (3.1%). Australian Equity A-REIT funds were an exception, with 79% of funds underperforming, partially driven by a high portion (15.4%) of funds failing to survive.

Many active managers in the Australian Bonds category had good results. Following a record low underperformance rate (26%) in 2023,² only one-third of funds lagged the 0.2% return of the [S&P/ASX Australian Fixed Interest 0+ Index](#) in H1 2024.

Exhibit 1: Percentage of Underperforming Active Funds in Australia



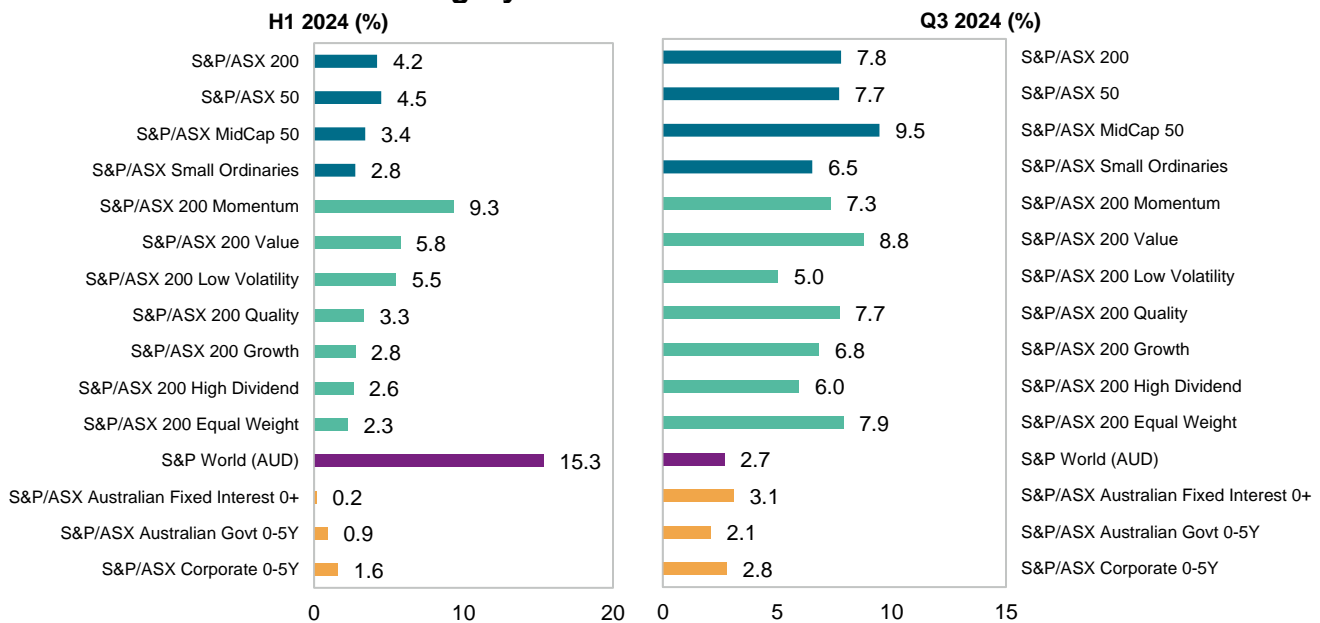
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The back-tested data reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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Market Context: H1 2024 and Beyond

Australian equities had a slower start to the year than other developed markets, but they picked up steam in the third quarter, with the S&P/ASX 200 posting a healthy 12.3% gain through Q3 2024 (see Exhibit 2). With the large-cap segment’s outperformance reversing and 56% of the S&P/ASX 200 constituents underperforming the index as of the end of the third quarter, market conditions remain fairly neutral for active managers in the Australian Equity General category. For historical context, the *annual* underperformance rate of the Australian Equity General funds averaged at 60% for the past 15 years,² while 85% of funds underperformed over the entire 15-year period (see Exhibit 1).

Exhibit 2: Australia Fund Category Benchmarks and Select Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

As noted in the [SPIVA Global Mid-Year 2024 Scorecard](#), the Australian Equity Mid- and Small-Cap fund category had the lowest historical underperformance rates when the return spread between the [S&P/ASX MidCap 50](#) and [S&P/ASX Small Ordinaries](#) was low, suggesting a predilection for funds to seek excess returns among the smallest stocks. With the spread widening in the third quarter (by 3.0%, as shown in Exhibit 2), we will continue to observe how Australian mid- and small-cap managers navigate the potential challenges and opportunities remaining in 2024.

In line with the U.S. dollar and euro-denominated fixed income market, the Australian fixed income market provided favorable grounds for active managers in H1 2024. The excess return obtained by moving from Australian government bonds to investment grade corporate bonds, as measured by return spreads between the S&P/ASX Corporate Bond Index and the S&P/ASX Australian Government Bond Index series, was positive across maturities. This

suggests that bond managers would have been rewarded for their conventional strategy of taking more credit risk than the benchmark. **With credit spreads tightening further as of the end of Q3 2024, active bond managers appear to be on track for another strong year.**

Report 1: H1 2024 Statistics – All Australia Categories

Fund Category	Comparison Index	% Underperforming (H1 2024)	Comparison Index Return (%)	Bottom Quartile Return	Asset Weighted Avg. Return (%)	Median Return	Top Quartile Return	Sample Size	Survivorship (%)
Global Equity General	S&P World Index	72.38	14.94	6.62	11.76	10.83	15.42	315	99.05
Australian Equity General	S&P/ASX 200	48.32	4.22	2.92	4.31	4.45	5.64	298	97.99
Australian Equity Mid- and Small-Cap	S&P/ASX Mid-Small	32.02	3.11	2.79	5.97	6.20	8.75	178	97.75
Australian Equity A-REIT	S&P/ASX 200 A-REIT	78.85	10.17	7.22	7.09	8.75	10.14	52	84.62
Australian Bonds	S&P/ASX Australian Fixed interest 0+ Index	33.33	0.16	0.07	0.76	0.34	1.09	69	97.10

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Fund and benchmark returns are all in AUD. The Global Equity General fund category is equal to the International Equity General category in previous SPIVA Scorecards, while the fund benchmark has been changed from the S&P Developed ex-Australia LargeMidCap to the S&P World Index. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Fund Underperformance Rate – All Australia Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)	15-Year (%)
Global Equity General	S&P World Index	72.38	78.41	88.49	90.91	93.28	88.24
Australian Equity General	S&P/ASX 200	48.32	65.66	69.57	68.10	82.16	82.16
Australian Equity Mid- & Small-Cap	S&P/ASX Mid-Small	32.02	24.71	54.49	49.01	75.83	56.41
Australian Equity A-REIT	S&P/ASX 200 A-REIT	78.85	82.35	86.21	66.67	79.17	86.67
Australian Bonds	S&P/ASX Australian Fixed interest 0+ Index	33.33	25.00	50.00	47.22	74.55	71.19

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The Global Equity General fund category is equal to the International Equity General category in previous SPIVA Scorecards, while the fund benchmark has been changed from the S&P Developed ex-Australia LargeMidCap to the S&P World Index. The S&P World Index (AUD) was launched May 28, 2020. The S&P/ASX Mid-Small was launched July 29, 2011. The S&P/ASX Australian Fixed Interest 0+ Index was launched Sept. 5, 2014. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

References

- ¹ The Global Equity General fund category is equal to the International Equity General category in previous scorecards. The fund benchmark has been changed from the [S&P Developed ex-Australia LargeMidCap](#) to the S&P World Index
- ² [SPIVA Australia Year-End 2023](#), S&P Dow Jones Indices, February 2024

Appendix: A Unique Scorecard for the Active Versus Passive Debate

For over two decades, S&P Dow Jones Indices' [SPIVA Scorecards](#) have compared the performance of actively managed funds to appropriate benchmarks. Initially covering just U.S.-domiciled funds, our scorecards now cover funds operating in markets from Australia to Chile. They are rooted in the following fundamental principles:

- **Survivorship Bias Correction:** Many funds might be liquidated or merged during a period of study. However, for someone making an investment decision at the beginning of the period, these funds are part of the opportunity set. Unlike other commonly available comparison reports, SPIVA Scorecards account for the entire opportunity set—not just the survivors—thereby eliminating survivorship bias.
- **Apples-to-Apples Comparison:** Fund returns are often compared to popular benchmarks such as the S&P 500, regardless of size or style classification. SPIVA Scorecards avoid this pitfall by measuring a fund's returns against the returns of a benchmark appropriate for that particular investment category.
- **More than Just Underperformance Rates:** As well as the most quoted statistics of percentage underperformance rates, SPIVA Scorecards also include additional data on average fund returns, quartile ranges, survivorship rates and other factors—including the market context—to offer a robust perspective on active performance.
- **Data Cleaning:** SPIVA Scorecards avoid double-counting multiple share classes in all count-based calculations, using only the share class with greater assets. Since this is meant to be a scorecard for active managers, it excludes index funds, leveraged and inverse funds and other index-linked products.

Further information on the scorecard's methodology, including the fund categorizations and details of each reported statistic, as well as more data on fund performances around the world, may be found below:

[SPIVA Global Mid-Year 2024 Scorecard](#)

[Learn More about SPIVA](#)

[SPIVA Around the World: Equity](#)

[SPIVA Around the World: Fixed Income](#)

[SPIVA Scorecards: An Overview](#)

[SPIVA on Indexology® Blog](#)

Performance Disclosure/Back-Tested Data

The S&P World Index (AUD) was launched May 28, 2020. The S&P/ASX Mid-Small was launched July 29, 2011. The S&P/ASX Australian Fixed Interest 0+ Index was launched Sept. 5, 2014. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at www.spglobal.com/spdji. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

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