

# SPIVA<sup>®</sup> Brazil Focus

## Mid-Year 2024 Highlights

### Contributor

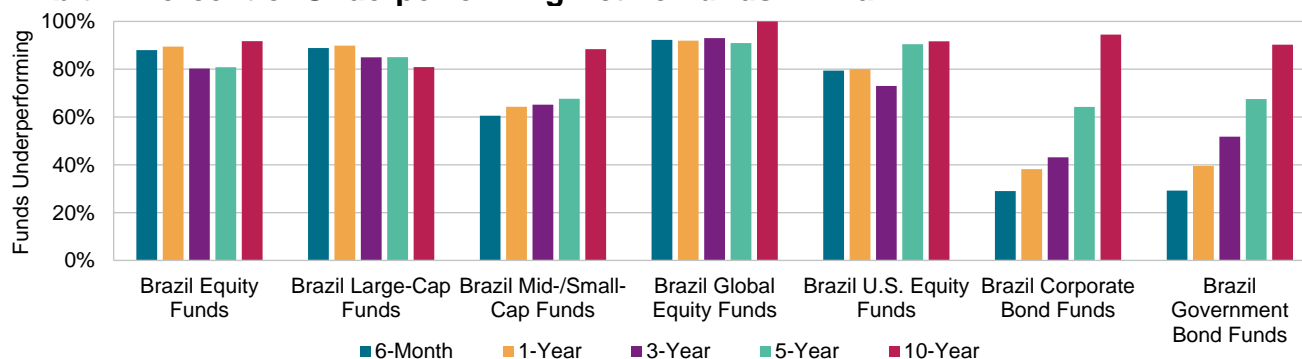
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Our [SPIVA Global Scorecard](#) illustrated the challenging market conditions for active managers around the world in the first half of 2024, particularly in equities, and Brazil was no exception. Funds in the Brazil Equity category underperformed at a rate of 88.0% over the first six months of 2024, rising to 91.7% over a 10-year period (see Exhibit 1 and Report 2). Brazil Large-Cap funds fared similarly, with 88.9% underperforming in H1 and 80.9% failing to beat the benchmark over 10 years. Among Mid-/Small-Cap funds, results were slightly better, with 60.6% of funds underperforming in H1, but that rate rose to 88.4% over 10 years.

In addition to Brazil Equity categories, this report presents inaugural SPIVA analyses of two new categories of Brazil-domiciled funds: U.S. Equities and Global Equities. In the first six months of 2024, 79.4% of BRL-denominated U.S. Equity funds underperformed the [S&P 500<sup>®</sup>](#), with the underperformance rate rising to 93.6% over 10 years. Global Equity funds had an even worse showing in the first half of 2024, with 92.3% underperforming and a full 100% falling behind the benchmark over a 10-year period.

Finally, Brazil Corporate Bond funds and Brazil Government Bond funds had better beginnings in H1 2024, with only 29.0% and 29.2% underperforming, respectively. However, few managers generated sustained outperformance, as 94.5% of Brazil Corporate Bond funds and 90.3% of Brazil Government Bond funds underperformed over the 10-year period.

### Exhibit 1: Percent of Underperforming Active Funds in Brazil



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Index performance based on total return in BRL. S&P World Index total returns were translated at prevailing exchange rates into BRL through back-testing. 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.

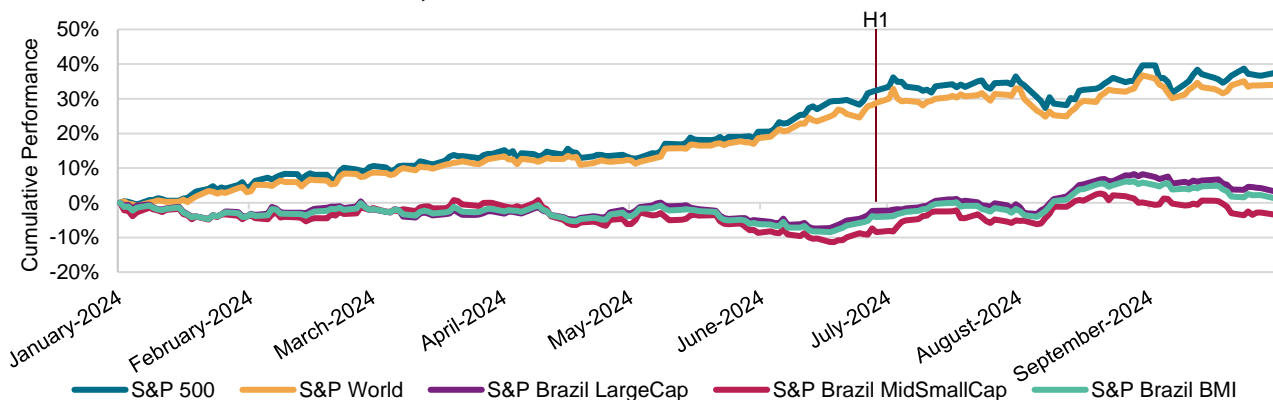
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# Market Context: H1 2024 and Beyond

In Brazil, all our reported major equity indices finished the first half of 2024 in negative territory, standing in contrast to 2023 when benchmarks across capitalization ranges rose by double digits. [The S&P Brazil BMI](#), S&P Brazil LargeCap and S&P Brazil MidSmallCap fell 4.1%, 2.3% and 8.5%, respectively. In contrast, the ANBIMA IDA (corporate bonds) and ANBIMA IMA (government bonds) benchmarks were positive during H1, rising 5.1% and 2.4%, respectively. Meanwhile, the S&P 500 rose 32.4% and the [S&P World Index](#) was up 28.8% in BRL during H1, outperforming local equities (see Exhibit 2).

## Exhibit 2: Brazil Benchmarks, S&P 500 and S&P World Index Performance



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Sept. 30, 2024. Index performance based on total return in BRL. S&P World Index benchmark total returns were translated at prevailing exchange rates into BRL through back-testing. 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.

Skewness of stock returns may have played a role in Brazilian active fund performance. The S&P Brazil LargeCap was led by a select few large contributors, as 65.6% of constituents underperformed the index. With so few stocks beating the benchmark, Brazil Large-Cap funds had one of the highest single-country underperformance rates reported for H1 in our SPIVA Global Scorecard, at 88.9%. In the Mid-/Small-Cap Equity category, managers did slightly better with 60.6% underperforming, perhaps dipping into slightly higher-performing large-cap stocks and picking from a somewhat less-skewed constituent universe, as 58.0% of stocks underperformed the S&P Brazil MidSmallCap index.

Looking beyond H1, Brazil equities rebounded in Q3, with the S&P Brazil LargeCap and S&P Brazil MidSmallCap rising 5.8% and 5.6%, respectively. The S&P 500 and S&P World Index remained positive in Q3, yet slowed slightly from their H1 pace, finishing Q3 up 37.4% and 34.0% YTD, respectively. Brazilian corporate and government bonds also continued a steady climb in Q3. Fast-rising markets can benefit index performance but can also create higher hurdles for active managers. As the months keep rolling past, only time will tell how well Brazil's active equity and bond managers navigate the challenges and opportunities remaining in 2024.

## Report 1: H1 2024 Statistics – Brazil 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 (%)
<b>Brazil Equities</b>									
Brazil Equity Funds	S&P Brazil BMI	88.01	-4.11	-11.35	-8.45	-9.04	-6.56	292	96.23
Brazil Large-Cap Funds	S&P Brazil LargeCap	88.89	-2.31	-10.29	-7.73	-7.97	-6.69	153	98.69
Brazil Mid-/Small-Cap Funds	S&P Brazil MidSmallCap	60.56	-8.47	-13.11	-9.96	-10.21	-6.08	142	95.77
<b>Global Equities</b>									
Global Equity (BRL)	S&P World Index	92.31	28.36	14.10	20.97	19.13	25.63	65	95.38
<b>U.S. Equities</b>									
U.S. Equity (BRL)	S&P 500	79.41	32.38	15.92	22.95	22.60	31.46	34	97.06
<b>Brazil Fixed Income</b>									
Brazil Corporate Bond Funds	ANBIMA Debentures Index (IDA)	29.03	5.12	5.13	5.91	6.34	6.80	155	96.13
Brazil Government Bond Funds	ANBIMA Market Index (IMA)	29.20	2.42	1.86	4.39	4.43	5.19	548	99.09

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes. S&P World Index benchmark total returns were translated at prevailing exchange rates into BRL through back-testing. 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.

## Report 2: Fund Underperformance Rates – Brazil Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
<b>Brazil Equities</b>						
Brazil Equity Funds	S&P Brazil BMI	88.01	89.46	80.28	80.82	91.71
Brazil Large-Cap Funds	S&P Brazil LargeCap	88.89	89.87	85.00	85.05	80.90
Brazil Mid-/Small-Cap Funds	S&P Brazil MidSmallCap	60.56	64.29	65.14	67.65	88.37
<b>Global Equities</b>						
Global Equity (BRL)	S&P World Index	92.31	91.94	92.98	90.91	100.00
<b>U.S. Equities</b>						
U.S. Equity (BRL)	S&P 500	79.41	80.00	72.97	90.48	91.67
<b>Brazil Fixed Income</b>						
Brazil Corporate Bond Funds	ANBIMA Debentures Index (IDA)	29.03	38.19	43.12	64.22	94.50
Brazil Government Bond Funds	ANBIMA Market Index (IMA)	29.20	39.49	51.79	67.48	90.26

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes. S&P World Index benchmark total returns were translated at prevailing exchange rates into BRL through back-testing. 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.

# 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 SPIVA Scorecard 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](#)

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## Performance Disclosure/Back-Tested Data

The S&P World Index in BRL was launched on Sept. 30, 2024. 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](http://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.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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