

# SPIVA<sup>®</sup> Germany & Switzerland Focus

## Mid-Year 2024 Highlights

### Contributor

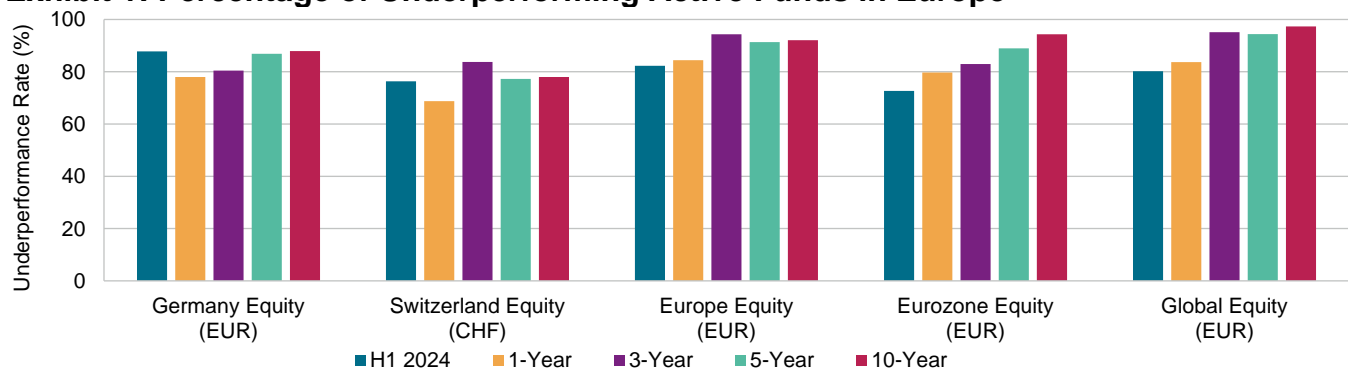
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As highlighted in the [SPIVA Global Scorecard](#), the first half of 2024 proved to be a challenging market environment for active managers across developed equity markets. The performance of European-based actively managed funds evidenced this trend, with 82.3% of Europe Equity funds and 72.7% of Eurozone Equity funds underperforming the [S&P Europe 350<sup>®</sup>](#) and [S&P Eurozone BMI](#), respectively.

Managers of Germany Equity funds faced a particularly difficult six months, with 87.8% failing to beat the [S&P Germany BMI](#)'s total return of 7.9%. Meanwhile, those in the Switzerland Equity fund category fared slightly better, with an underperformance rate of 76.4% versus the [S&P Switzerland BMI](#)'s total return of 9.4%. Although this is a comparatively better result within the European region, this outcome is notably worse than expected when compared to the 48.5% underperformance rate observed in 2023.<sup>1</sup>

Over H1 2024, European active bond managers did well to capture generally favorable tailwinds from drivers of credit, liquidity and term. In all three EUR-denominated fixed income categories, managers posted outperformance rates, at 66.5%, 64.8% and 73.1% for Government, Corporate and High Yield Bond categories, respectively.

### Exhibit 1: Percentage of Underperforming Active Funds in Europe



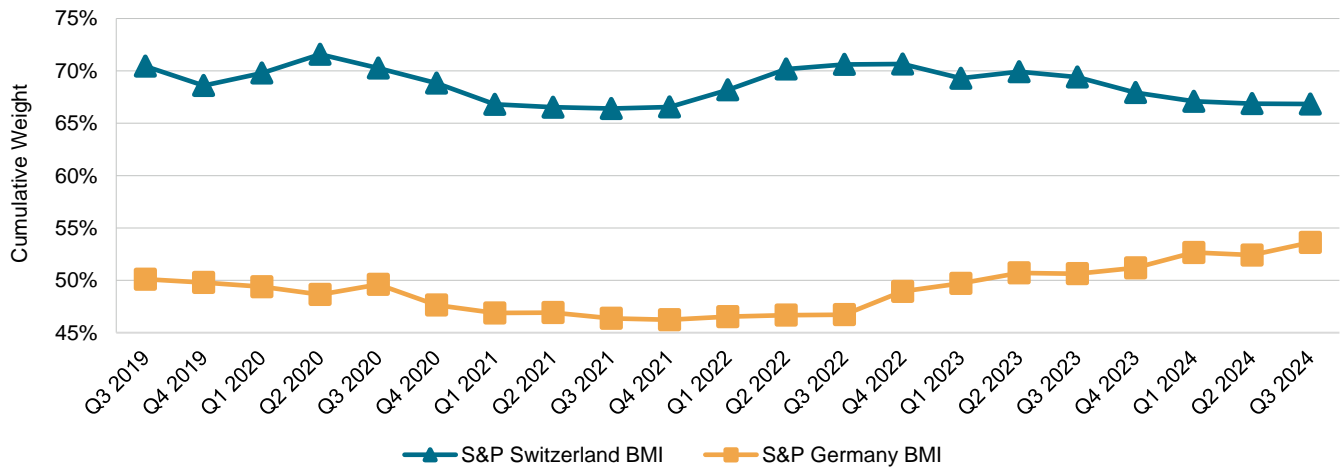
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World Index (EUR) was launched on Oct. 16, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-test performance.

<sup>1</sup> ["SPIVA Europe Year-End 2023 Scorecard,"](#) S&P Dow Jones Indices, April 2024.

# Market Context: H1 2024 and Beyond

European equity markets in the first half of 2024 demonstrated that the widely discussed trend of mega-cap dominance was not unique to U.S. equities. Outperformance of the very largest names led to increased concentration in most major markets, particularly in Germany, which saw a nearly 5% increase in the weight of its 10 largest constituents between Dec. 31, 2023, and June 30, 2024. Switzerland was an exception, seeing instead a decrease of 0.3%. The latter trend looks set to continue in the second half of the year, having fallen nearly 2% as of the end of Q3 2024. Exhibit 2 provides the average cumulative weights of the 10 largest constituents across previous quarters for both the S&P Switzerland BMI and S&P Germany BMI.

**Exhibit 2: Concentration Changes in the S&P Switzerland BMI & S&P Germany BMI**



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.

European equities started the year generally slow compared to global markets and lost further momentum entering the second half of the year, with the S&P Europe 350 and S&P Eurozone BMI returning 2.4% and 3.2% in Q3 2024, versus 9.8% and 8.2% in H1 2024, respectively. From a constituent perspective, the odds for active managers of Switzerland Equity funds appeared to have improved, with only 54.9% of the category’s benchmark constituents underperforming its total return over the quarter (versus 68.6% in H1 2024). However, the environment for German “stock pickers” remained challenging, with 67.3% of S&P Germany BMI constituents underperforming in Q3 2024, compared to 69.1% in the first half of the year.

In European fixed income, the year began somewhat unusually, with both the U.S. and German sovereign yields inverted, thus providing active bond managers in the euro market the opportunity to achieve higher yields through shorter-dated maturities. However, as key segments of the German yield curve normalized toward the end of Q3 2024, we will continue to observe how managers navigate this change in dynamic over the remainder of the year.

## Report 1: H1 2024 Statistics – Major European Categories

Fund Category	Comparison Index	% Under-performing (H1 2024)	Comparison Index Return (%)	Bottom Quartile Return	Asset-Weighted Average Return	Median Return	Top Quartile Return	Sample Size	Survivorship (%)
<b>EUR-Denominated Equity Funds</b>									
Germany Equity	S&P Germany BMI	<b>87.78</b>	7.88	-0.23	3.86	3.16	6.26	90	100.00
Europe Equity	S&P Europe 350	<b>82.27</b>	9.80	3.90	7.26	6.63	9.04	987	98.38
Eurozone Equity	S&P Eurozone BMI	<b>72.69</b>	8.20	3.00	6.46	6.25	8.45	509	97.45
Global Equity	S&P World Index	<b>80.21</b>	15.70	8.09	13.67	11.68	14.86	1612	98.64
<b>CHF-Denominated Equity Funds</b>									
Switzerland Equity	S&P Switzerland BMI	<b>76.35</b>	9.40	5.36	7.60	7.85	9.37	241	97.93
<b>EUR-Denominated Fixed Income</b>									
Government Bond	iBoxx EUR Sovereigns	<b>33.54</b>	-2.13	-2.24	-1.84	-1.85	-1.21	164	97.56
Corporate Bond	iBoxx EUR Corporates	<b>35.24</b>	0.44	0.26	0.80	0.63	1.07	349	97.99
High Yield Bond	iBoxx EUR Liquid High Yield Index	<b>26.92</b>	2.03	1.95	2.71	2.63	3.21	182	99.45
<b>USD-Denominated Fixed Income</b>									
Government Bond	iBoxx Global Government United States	<b>61.11</b>	-0.41	-0.96	-0.29	-0.67	-0.05	18	100.00
Corporate Bond	iBoxx USD Corporates	<b>40.00</b>	-0.05	-0.21	0.41	0.33	0.80	60	98.33
High Yield Bond	iBoxx \$ Liquid High Yield Index	<b>36.78</b>	2.28	1.97	2.72	2.56	2.96	87	98.85
Global Bond	Bloomberg Global Aggregate	<b>49.38</b>	-3.17	-4.04	-1.99	-3.08	-0.18	81	100.00
Global Corporate Bond	Bloomberg Global Aggregate Corporate	<b>19.35</b>	-0.92	-0.86	0.30	-0.40	0.69	31	100.00

Source: S&P Dow Jones Indices LLC, Morningstar, Bloomberg. Data as of June 30, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Comparison index total returns in the relevant fund category currency were used.

**Report 2: Fund Underperformance Rates – Major European Categories**

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
<b>EUR-Denominated Equity Funds</b>						
Germany Equity	S&P Germany BMI	87.78	78.02	80.43	86.87	87.88
Europe Equity	S&P Europe 350	82.27	84.41	94.36	91.36	92.07
Eurozone Equity	S&P Eurozone BMI	72.69	79.73	82.97	88.93	94.36
Global Equity	S&P World Index	80.21	83.70	95.15	94.41	97.34
<b>CHF-Denominated Equity Funds</b>						
Switzerland Equity	S&P Switzerland BMI	76.35	68.78	83.77	77.25	77.97
<b>EUR-Denominated Fixed Income</b>						
Government Bond	iBoxx EUR Sovereigns	33.54	43.45	48.17	60.59	90.00
Corporate Bond	iBoxx EUR Corporates	35.24	44.13	47.56	53.82	81.74
High Yield Bond	iBoxx EUR Liquid High Yield Index	26.92	38.67	72.97	72.09	73.97
<b>USD-Denominated Fixed Income</b>						
Government Bond	iBoxx Global Government United States	61.11	57.14	73.91	84.00	95.24
Corporate Bond	iBoxx USD Corporates	40.00	44.07	61.67	67.21	78.38
High Yield Bond	iBoxx \$ Liquid High Yield Index	36.78	61.90	61.36	63.53	84.38
Global Bond	Bloomberg Global Aggregate	49.38	44.05	65.48	65.06	82.89
Global Corporate Bond	Bloomberg Global Aggregate Corporate	19.35	40.63	66.67	64.00	68.42

Source: S&P Dow Jones Indices LLC, Morningstar, Bloomberg. Data as of June 30, 2024. The S&P World Index (EUR) was launched on Oct. 16, 2024. 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.

# 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](#)

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[SPIVA Scorecards: An Overview](#)

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## Performance Disclosure/Back-Tested Data

The S&P World Index (EUR) was launched October 16, 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.

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