

# SPIVA<sup>®</sup> India Focus

## Mid-Year 2024 Highlights

### Contributor

**Benedek Vörös, CFA, CQF**  
Director  
Index Investment Strategy  
[benedek.voros@spglobal.com](mailto:benedek.voros@spglobal.com)

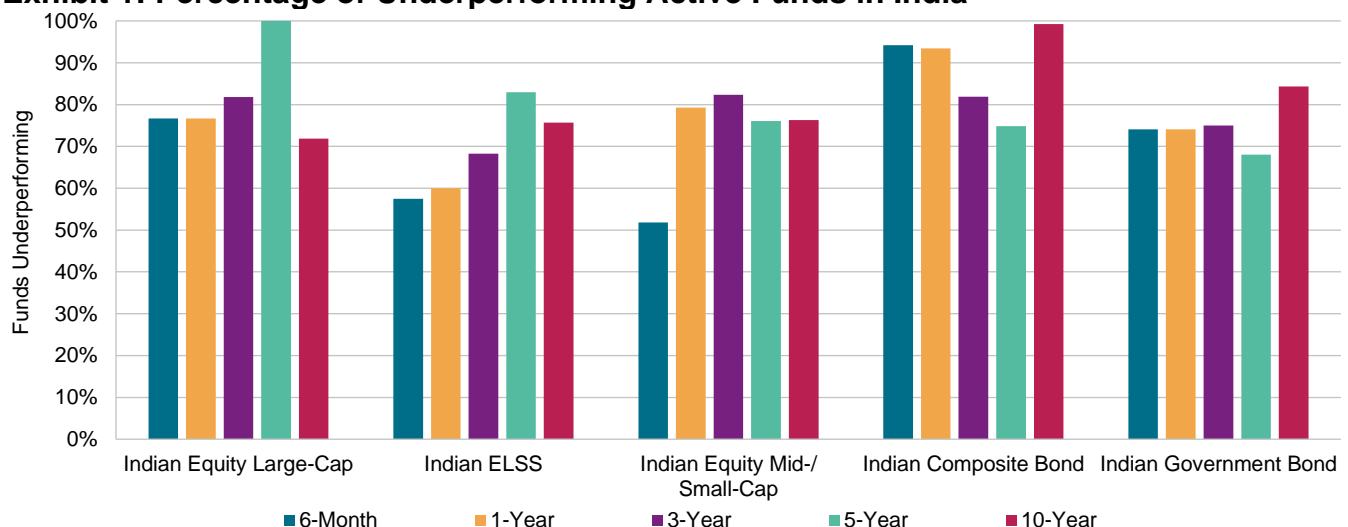
Over the six-month period ending June 2024, a cross-category weighted average of 77% of funds across all Indian active fund categories underperformed their assigned benchmarks.

As highlighted in the [SPIVA Global Mid-Year 2024 Scorecard](#), the first half of 2024 proved to be a particularly challenging market environment for active managers across global equity markets, as the outperformance of the very largest companies resulted in a high proportion of index constituents underperforming the benchmark return. In India, 77% of actively managed Indian Equity Large-Cap funds trailed the [S&P India LargeMidCap](#)'s total return of 17.4%, posting an asset weighted average return of 14.5%, both measured in INR (see Report 1).

Indian ELSS and Indian Equity Mid-/Small-Cap funds had relatively better results: just 58% of Indian ELSS managers underperformed the [S&P India BMI](#), and a slim majority (52%) of the Indian Equity Mid-/Small-Cap funds underperformed the S&P India SmallCap's total return of 22.3%.

Fixed income active managers found it particularly challenging to add value: 94% of Indian Composite Bond funds and 74% of Indian Government Bond funds lagged the 5.3% return of the iBoxx ALBI India.

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



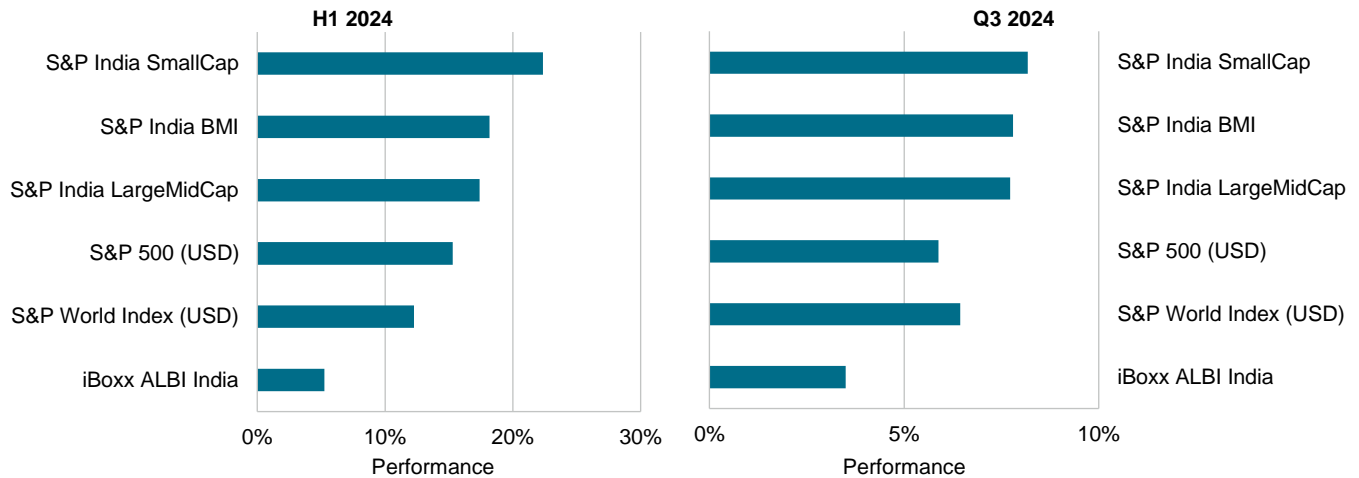
Source: S&P Dow Jones Indices LLC, Morningstar, Association of Mutual Funds in India. Data as of June 30, 2024. Outperformance is based on equal-weighted fund counts. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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# Market Context: H1 2024 and Beyond

The S&P India LargeMidCap ended the first half of 2024 up 17.4% and rallied a further 7.7% in Q3 2024 to extend its YTD gain to 26.5% as of Sept. 30, 2024 (see Exhibit 2). In local currency, Indian large-cap equity performance trailed domestic small-cap issues, but significantly outperformed the global flagship S&P World Index and the U.S.-focused S&P 500.

## Exhibit 2: Indian and International Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. Index performance based on total return in INR, except the S&P 500 and S&P World Index, which are in USD. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Among S&P India LargeMidCap constituents, slightly more than one-half (52%) outperformed the index in H1 2024. As the [SPIVA Global Mid-Year 2024 Scorecard](#) highlights, **despite nearly even odds of picking a winning stock in the first half of the year, over three-quarters of Indian Equity Large-Cap funds (77%) underperformed the benchmark.**

Given the significant dispersion of individual stock returns, stock picking may have played a significant role in active fund performance in H1 2024: from a contribution perspective, the top 20 stocks (out of 237) combined accounted for over one-half of the S&P India LargeMidCap’s 17.4% total return in the first six months of 2024.

As the months keep rolling past, time will tell how well India’s active equity managers navigate the challenges and opportunities remaining in 2024.

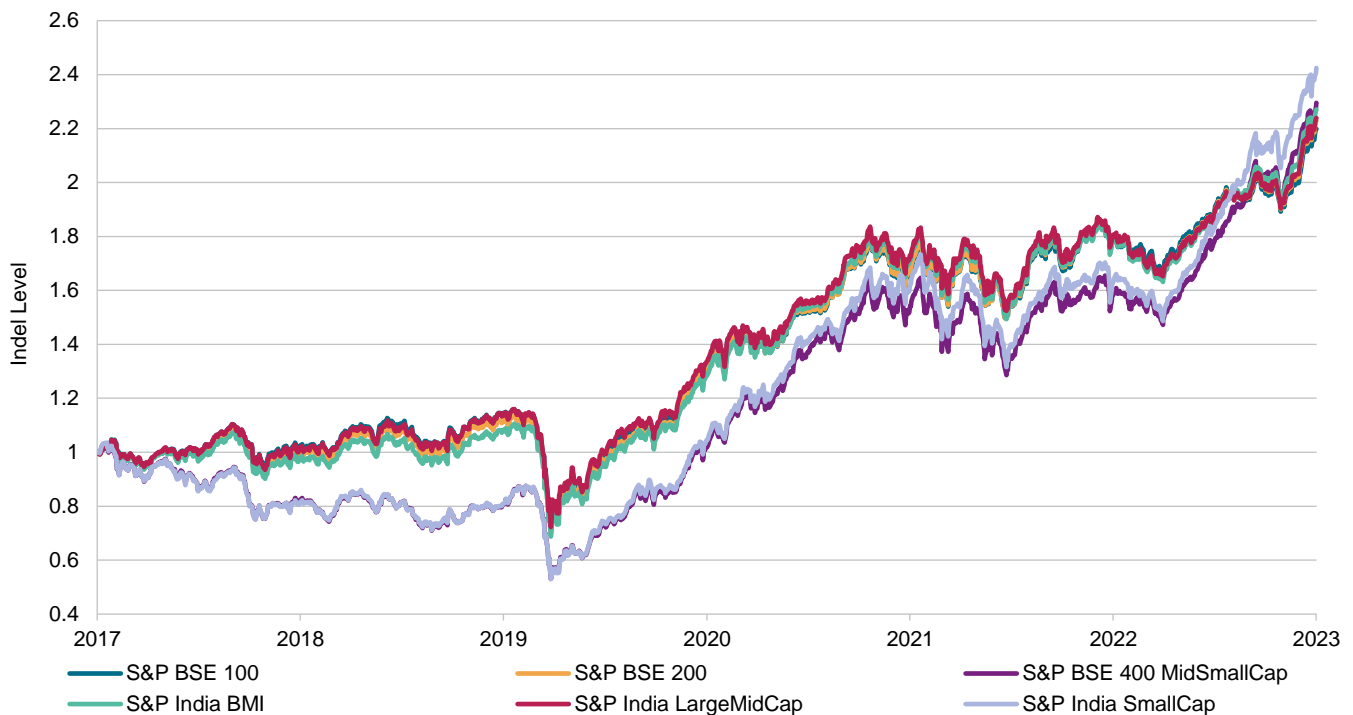
# Changes to SPIVA India Benchmark Indices

The SPIVA India Focus Mid-Year 2024 Scorecard includes new comparison indices for all categories included in the report. The changes were necessitated by the recent decision<sup>1</sup> by S&P Dow Jones Indices to divest its entire equity stake in Asia Index Private Limited, its joint venture with the BSE. As a result of the divestment, S&P Dow Jones Indices discontinued its calculation and administration services related to the comparison indices used in previous SPIVA India Scorecards.

An extensive analysis was carried out to find a new set of comparison indices with a historical risk/return profile that closely resembled those of the comparison indices used in previous editions of the SPIVA India Scorecard in order to ensure the continued integrity and fairness of the reports.

Exhibits 3 and 4 illustrate the total returns of the old and new comparison indices for the equity and fixed income fund categories, respectively, for the six years between Dec. 29, 2017, to Dec. 31, 2023 (the start of the time period was selected because it is the earliest year-end period at which each of the old and the new comparison indices had live data).

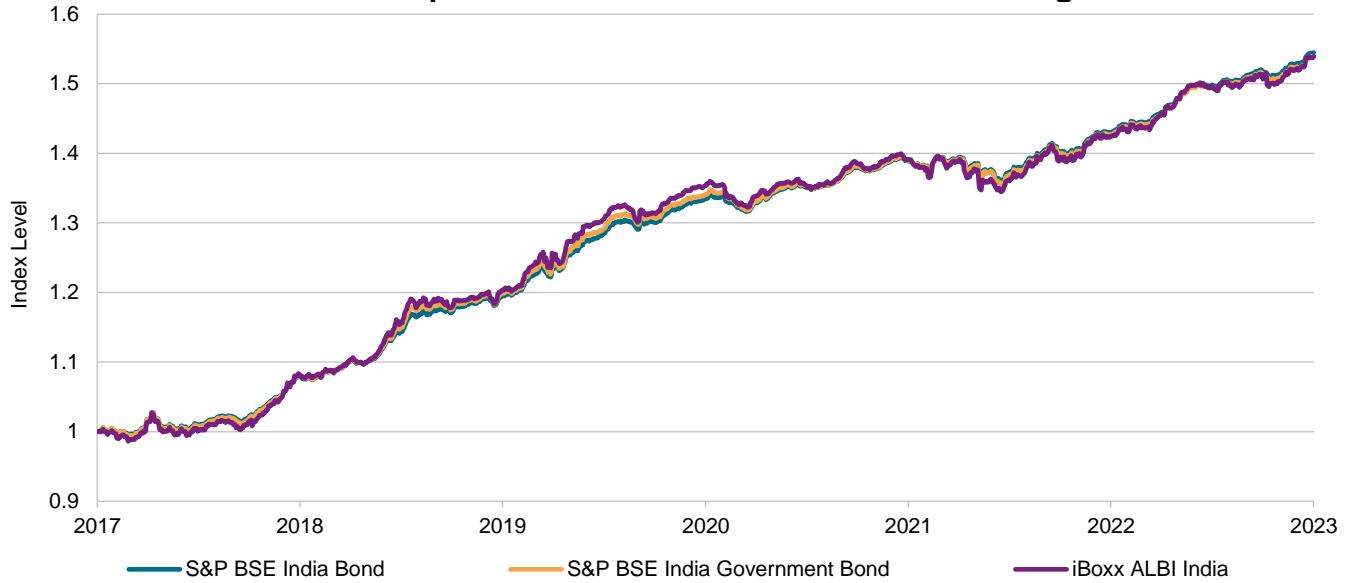
## Exhibit 3: Old and New Comparison Indices for India Equity Fund Categories



Source: S&P Dow Jones Indices LLC. Data from Dec. 29, 2017, to Dec. 31, 2023. Index levels rebased to 1 on Dec. 29, 2017. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

<sup>1</sup> [S&P Dow Jones Indices Issues Update on the Joint Venture with BSE Limited](#)

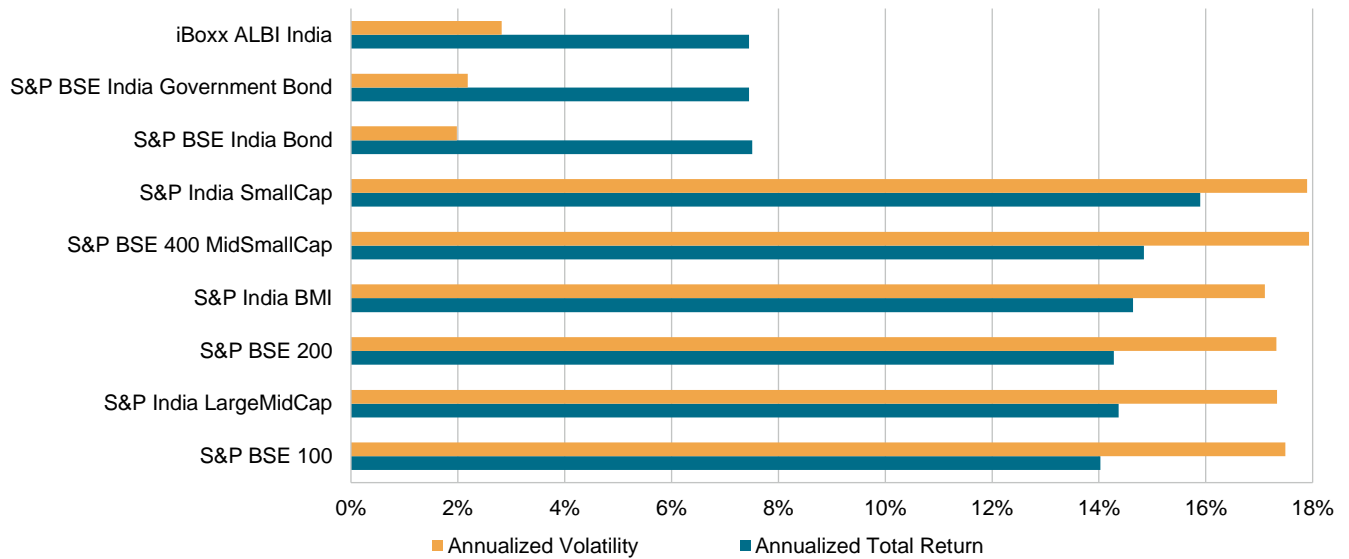
### Exhibit 4: Old and New Comparison Indices for India Bond Fund Categories



Source: S&P Dow Jones Indices LLC. Data from Dec. 29, 2017, to Dec. 31, 2023. Index levels rebased to 1 on Dec. 29, 2017. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Historical statistics of the old and new comparison indices, as illustrated in Exhibit 5, confirm that their respective return and risk profiles have historically closely resembled each other, which helps to ensure that the new set of comparison indices are appropriate for their respective categories going forward.

### Exhibit 5: Risk/Return Statistics for Old and New Comparison Indices across India Active Fund Categories



Source: S&P Dow Jones Indices LLC. Data from Dec. 29, 2017, to Dec. 31, 2023. Index levels rebased to 1 on Dec. 29, 2017. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Report 1: 1H 2024 Statistics – All India 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 (%) |
|------------------------------|-----------------------|-----------------------------|-----------------------------|----------------------------|--------------------------------|-------------------|-------------------------|-------------|------------------|
| Indian Equity Large-Cap      | S&P India LargeMidCap | 76.67                       | 17.40                       | 14.43                      | 14.48                          | 15.57             | 17.32                   | 30          | 100.00           |
| Indian ELSS                  | S&P India BMI         | 57.50                       | 18.17                       | 14.58                      | 18.49                          | 17.64             | 19.66                   | 40          | 100.00           |
| Indian Equity Mid-/Small-Cap | S&P India SmallCap    | 51.79                       | 22.35                       | 19.19                      | 21.85                          | 22.31             | 25.86                   | 56          | 100.00           |
| Indian Composite Bond        | iBoxx ALBI India      | 94.16                       | 5.27                        | 3.71                       | 4.04                           | 3.96              | 4.25                    | 137         | 99.27            |
| Indian Government Bond       | iBoxx ALBI India      | 74.07                       | 5.27                        | 4.41                       | 4.83                           | 4.74              | 5.26                    | 27          | 100.00           |

Source: S&P Dow Jones Indices LLC, Morningstar, Association of Mutual Funds in India. Data as of June 30, 2024. Fund and benchmark returns are all in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Report 2: Fund Underperformance Rate – All India Categories**

| Fund Category                | Comparison Index      | YTD (%) | 1-Year (%) | 3-Year (%) | 5-Year (%) | 10-Year (%) |
|------------------------------|-----------------------|---------|------------|------------|------------|-------------|
| Indian Equity Large-Cap      | S&P India LargeMidCap | 66.67   | 73.33      | 72.73      | 86.67      | 75.45       |
| Indian ELSS                  | S&P India BMI         | 60.00   | 62.50      | 56.10      | 75.61      | 81.08       |
| Indian Equity Mid-/Small-Cap | S&P India SmallCap    | 12.50   | 30.19      | 31.37      | 43.48      | 40.68       |
| Indian Composite Bond        | iBoxx ALBI India      | 22.63   | 20.44      | 26.81      | 39.86      | 62.70       |
| Indian Government Bond       | iBoxx ALBI India      | 77.78   | 70.37      | 25.00      | 48.00      | 90.20       |

Source: S&P Dow Jones Indices LLC, Morningstar, Association of Mutual Funds in India. Data as of June 30, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

# 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 Around the World: Equity](#)

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

[SPIVA Scorecards: An Overview](#)

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