

SPIVA[®] MENA Scorecard

Summary

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Experience the active vs. passive debate on a global scale.

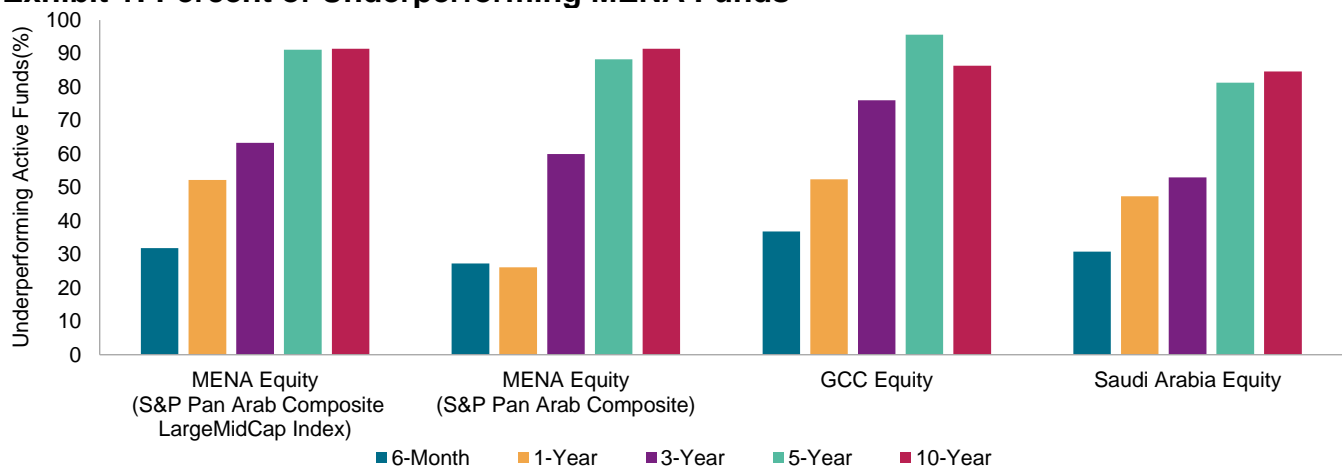
Since the first publication of the S&P Indices Versus Active Funds (SPIVA) U.S. Scorecard in 2002, S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate.

The SPIVA MENA Scorecard measures the performance of actively managed MENA equity funds against their respective benchmarks over various time horizons, providing statistics on outperformance rates, survivorship rates and fund performance dispersion.

Mid-Year 2022 Highlights

MENA equities plummeted in Q2, but managed to post slight YTD gains thanks to a stellar Q1, led in particular by the [S&P Pan Arab Composite LargeMidCap Index](#). The majority of funds across all categories outperformed their respective benchmarks, with just 27% of MENA Equity funds underperforming the broad [S&P Pan Arab Composite](#) (see Exhibit 1).

Exhibit 1: Percent of Underperforming MENA Funds



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2022. Outperformance is based on equal-weighted fund counts. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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MENA

- For MENA Equity funds, 32% underperformed the S&P Pan Arab Composite LargeMidCap Index during the first half of 2022, while 27% underperformed the broader S&P Pan Arab Composite.
- Fewer funds were able to maintain their record of outperformance over the 10-year period, with 91% of funds underperforming both benchmarks.
- Funds in this category gained 6.76% and 8.33% on an equal- and asset-weighted bases, respectively, over a 10-year period, implying that larger funds performed relatively better than smaller funds on average.
- Only 40% of the funds analyzed within the MENA Equity fund category survived the 10-year period.

GCC

- Equity funds focused on the Gulf Cooperation Council (GCC) region fared similarly, with 37% underperforming the [S&P GCC Composite](#) over the six-month period.
- Underperformance rates peaked over the five-year period, at 96%.
- Smaller funds performed relatively better than larger funds over the 1-, 3-, 5-, and 10-year periods.

Saudi Arabia

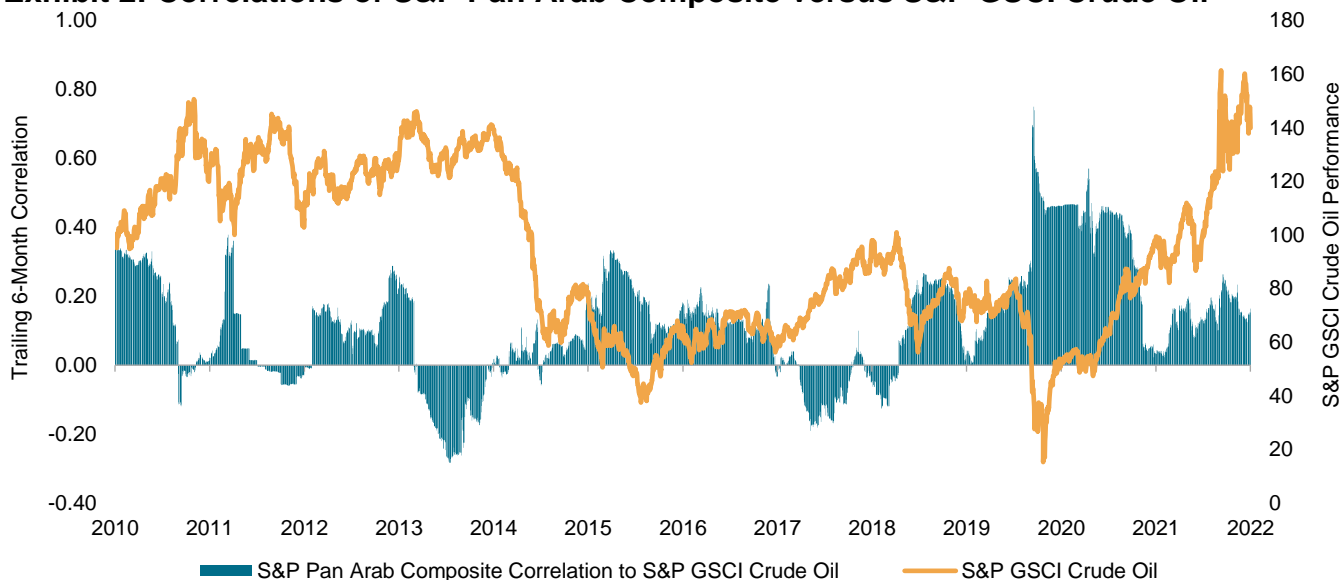
- For the six-month period, 31% of Saudi Arabia Equity funds underperformed the [S&P Saudi Arabia](#).
- Some funds will always do better than average, and others worse, but fund selection risk was particularly heightened among Saudi funds, with an interquartile range of 12% among one-year fund performances.
- The survival rates of active funds in Saudi Arabia were the highest among all categories, with 85% of funds surviving over the 10-year period.

Market Context

Despite a turbulent second quarter that gave up nearly all of the gains from the first quarter, MENA equities managed to close the first half of the year on a positive note, with the S&P Pan Arab Composite up 0.4% and the S&P Pan Arab Composite LargeMidCap up 1.9% in USD terms.

Key macro headwinds included geopolitical concerns as well as the rise in rates in the U.S., but a surge in crude oil prices offered a much-needed tailwind for the region, with the [S&P GSCI Crude Oil](#) up 41% YTD. Exhibit 2 shows the strong recovery in the S&P GSCI Crude Oil since April 2020, overlaid with the oil index's trailing six-month correlation to S&P Pan Arab Composite, which remained positive YTD and provided an added buffer during the first quarter in particular.

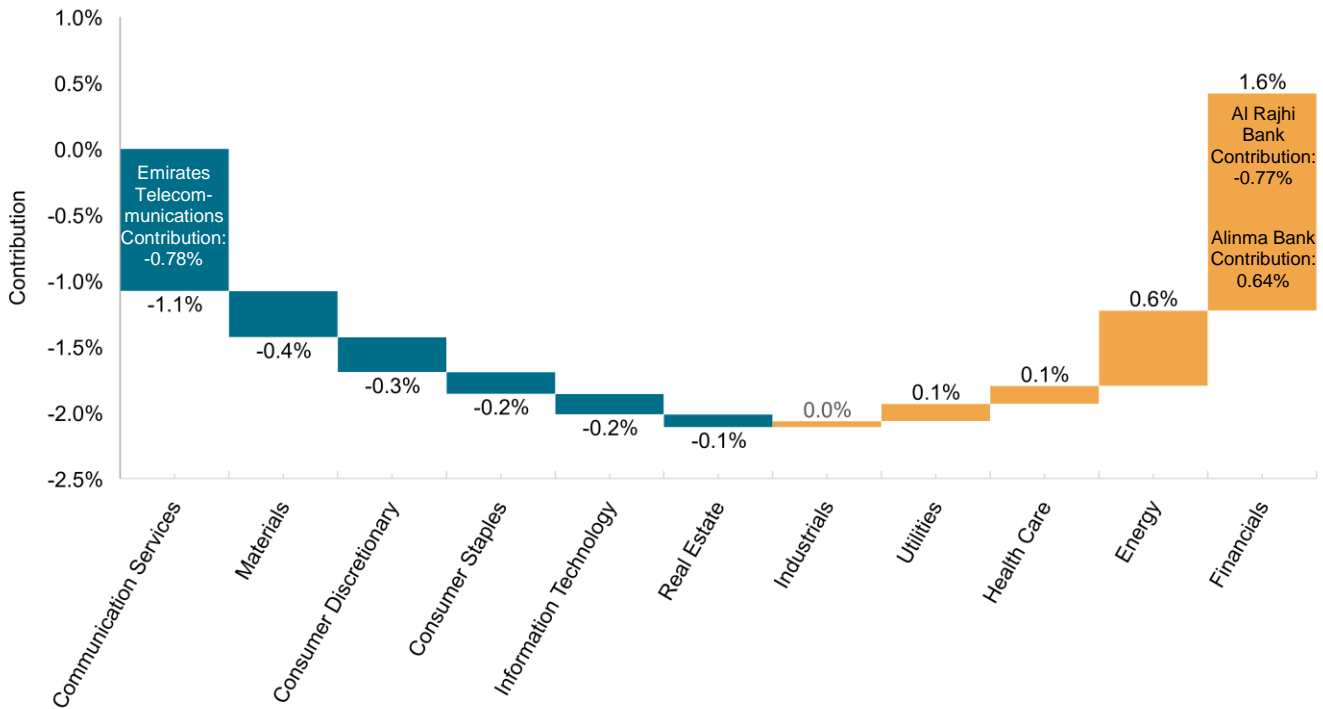
Exhibit 2: Correlations of S&P Pan Arab Composite versus S&P GSCI Crude Oil



Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2022. Index performance for S&P Pan Arab Composite based on total return in USD and S&P GSCI Crude Oil based on spot returns in USD. The S&P GSCI Crude Oil was rebased to 100 on June 30, 2010. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

A combination of exposure to and avoidance of certain sectors and names was key to success. As shown in Exhibit 3, Financials was the top sectoral contributor to the S&P Pan Arab Composite. However, *stock selection within the sector mattered*, as Al Rajhi Bank, the largest index constituent, was a significant detractor, while Alinma Bank, one of the 10 largest constituents, was a significant contributor. Meanwhile, Emirates Telecommunications Group Company PJSC within Communication Services, also one of the top 10 names, was the single biggest detractor from performance.

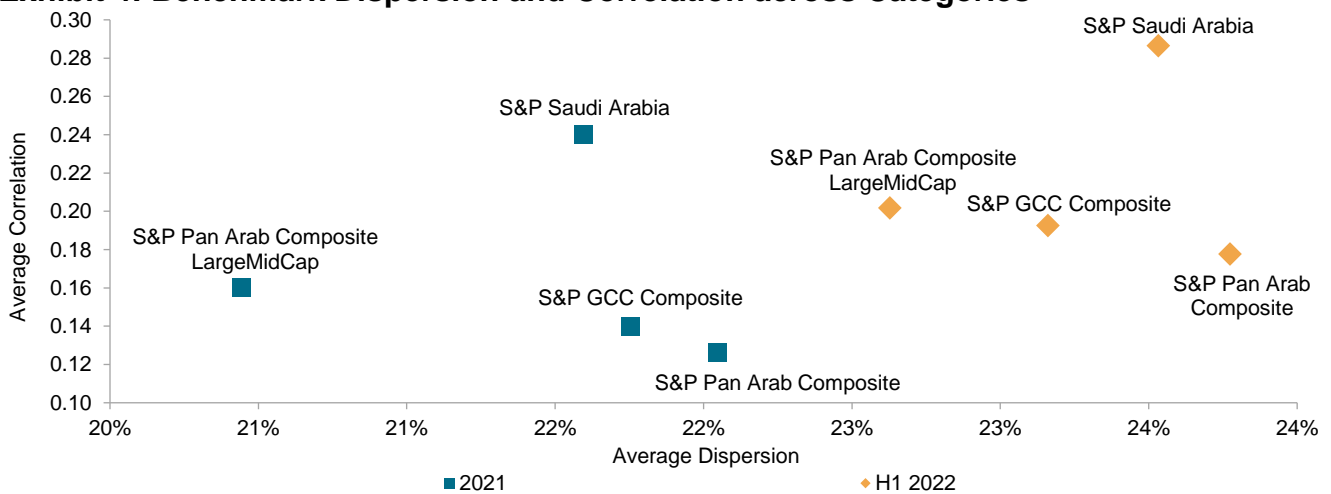
Exhibit 3: S&P Pan Arab Composite YTD Contribution by GICS® Sector



Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The higher dispersion, or cross-sectional volatility, that we observed within sectors like Financials created greater opportunity to add value from stock selection. In addition, we saw higher correlations compared to 2021, which means giving up less of a diversification benefit compared to indexing¹ (see Exhibit 4).

Exhibit 4: Benchmark Dispersion and Correlation across Categories



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

¹ Ganti, Anu, "Opportunity to Outperform," Indexology Blog, June 2022.

A Unique Scorecard for the Active versus Passive Debate

Since its first publication 20 years ago, the SPIVA Scorecard has served as the de facto scorekeeper of the active versus passive debate. For two decades, we have heard passionate arguments from believers in both camps when headline numbers have deviated from their beliefs.

Beyond the SPIVA Scorecard's widely cited headline numbers is a rich data set that addresses issues related to measurement techniques, universe composition and fund survivorship that are far less frequently discussed but are often much more fascinating. These data sets are rooted in the following fundamental principles of the SPIVA Scorecard, with which regular readers will be familiar.

- **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.
- **Asset-Weighted Returns:** Average returns for a fund group are often calculated using only equal weighting, which means the returns of a USD 10 billion fund affect the average in the same manner as the returns of a USD 10 million fund. An accurate representation of how market participants fared in a particular period can be ascertained by calculating weighted average returns, where each fund's return is weighted by net assets. SPIVA Scorecards show both equal- and asset-weighted averages.
- **Data Cleaning:** SPIVA Scorecards avoid double-counting multiple share classes in all count-based calculations by using only the share class with greater assets. Index, leveraged, and inverse funds, along with other index-linked products, are excluded because this is meant to be a scorecard for active managers.

Reports

Report 1a: Percentage of MENA Equity Funds Outperformed by Benchmarks (Based on Absolute Returns)

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	31.82	52.17	63.33	91.18	91.43
MENA Equity	S&P Pan Arab Composite	27.27	26.09	60.00	88.24	91.43
GCC Equity	S&P GCC Composite	36.84	52.38	76.00	95.65	86.36
Saudi Arabia Equity	S&P Saudi Arabia	30.77	47.37	52.94	81.25	84.62

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. Outperformance is based on equal-weighted fund counts. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 1b: Percentage of MENA Equity Funds Outperformed by Benchmarks (Based on Risk-Adjusted Returns)

Fund Category	Comparison Index	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	73.33	91.18	91.43
MENA Equity	S&P Pan Arab Composite	63.33	88.24	91.43
GCC Equity	S&P GCC Composite	76.00	95.65	81.82
Saudi Arabia Equity	S&P Saudi Arabia	52.94	68.75	76.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. Risk-adjusted return is computed as annualized average monthly return divided by annualized standard deviation of the monthly return for the measured periods. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship Consistency of MENA Equity Funds

Fund Category	Number of Funds at Start	Survivorship (%)
YTD		
MENA Equity	22	95.45
GCC Equity	19	100.00
Saudi Arabia Equity	26	100.00
1-Year		
MENA Equity	23	91.30
GCC Equity	21	100.00
Saudi Arabia Equity	19	100.00
3-Year		
MENA Equity	30	83.33
GCC Equity	25	96.00
Saudi Arabia Equity	17	94.12

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship of MENA Equity Funds (cont.)

Fund Category	Number of Funds at Start	Survivorship (%)
5-Year		
MENA Equity	34	64.71
GCC Equity	23	95.65
Saudi Arabia Equity	16	87.50
10-Year		
MENA Equity	35	40.00
GCC Equity	22	72.73
Saudi Arabia Equity	13	84.62

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3a: Average MENA Equity Fund Performance (Equal Weighted)

Index/Fund Category	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	2.13	11.16	8.60	7.53	6.76
S&P Pan Arab Composite LargeMidCap Index	1.88	12.95	10.73	11.83	8.55
S&P Pan Arab Composite	0.42	8.76	10.48	10.97	7.95
GCC Equity	4.06	13.21	9.78	7.94	7.84
S&P GCC Composite	1.62	10.07	11.77	12.15	8.68
Saudi Arabia Equity	7.85	13.61	21.40	16.37	12.28
S&P Saudi Arabia	0.39	6.12	12.79	13.79	8.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. Returns shown are annualized for periods greater than one year. Funds are equal weighted, but indices are not. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3b: Average MENA Equity Fund Performance (Asset Weighted)

Index/Fund Category	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	2.56	11.70	9.11	8.05	8.33
S&P Pan Arab Composite LargeMidCap Index	1.88	12.95	10.73	11.83	8.55
S&P Pan Arab Composite	0.42	8.76	10.48	10.97	7.95
GCC Equity	4.24	9.26	8.65	7.55	7.32
S&P GCC Composite	1.62	10.07	11.77	12.15	8.68
Saudi Arabia Equity	11.56	20.87	20.87	15.75	11.49
S&P Saudi Arabia	0.39	6.12	12.79	13.79	8.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. Returns shown are annualized for periods greater than one year. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Return/Volatility Ratio of MENA Equity Funds and Benchmarks

Category	Benchmark	Benchmark			Asset-Weighted			Equal-Weighted		
		3-Year	5-Year	10-Year	3-Year	5-Year	10-Year	3-Year	5-Year	10-Year
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	0.60	0.77	0.57	0.51	0.53	0.59	0.49	0.51	0.49
	S&P Pan Arab Composite	0.58	0.72	0.53	0.51	0.53	0.59	0.49	0.51	0.49
GCC Equity	S&P GCC Composite	0.63	0.77	0.55	0.52	0.55	0.53	0.60	0.58	0.56
Saudi Arabia Equity	S&P Saudi Arabia	0.61	0.74	0.45	1.18	0.96	0.62	1.21	1.02	0.68

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. The return/volatility ratio is computed as annualized average monthly return divided by annualized standard deviation of the monthly return for the measured periods. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 5: Quartile Breakpoints of Fund Performance

Fund Category	Third Quartile	Second Quartile	First Quartile
YTD			
MENA Equity	1.81	3.65	5.37
GCC Equity	2.75	5.78	9.39
Saudi Arabia Equity	5.98	9.77	12.00
1-Year			
MENA Equity	10.61	13.37	14.70
GCC Equity	12.19	15.89	16.90
Saudi Arabia Equity	6.56	15.62	18.67
3-Year			
MENA Equity	9.01	11.06	13.29
GCC Equity	9.62	12.39	15.50
Saudi Arabia Equity	16.08	17.88	21.53
5-Year			
MENA Equity	8.32	10.17	10.95
GCC Equity	5.25	9.13	11.47
Saudi Arabia Equity	12.66	15.07	17.93
10-Year			
MENA Equity	7.11	7.55	11.78
GCC Equity	8.08	8.37	11.29
Saudi Arabia Equity	11.84	15.01	15.84

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2022. Returns shown are annualized for periods greater than one year. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Funds are equal weighted, but indices are not. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Appendix A: SPIVA Styles and Morningstar Fund Classifications

Data are obtained from Morningstar for all managed funds for which month-end data are available during the performance period. The data include funds domiciled in MENA markets. Offshore MENA equity funds are excluded. Funds are classified based on the Morningstar fund classification system, and the SPIVA Scorecard covers MENA equity categories.

MENA Funds Denominated in U.S. Dollars and Saudi Arabian Riyals

The SPIVA MENA Scorecard covers both regional and country-specific funds that are denominated in U.S. dollars (USD) (or a currency pegged to U.S. dollars) or Saudi Arabian riyals (SAR), and they have been mapped to the relevant Morningstar fund categories as indicated in Exhibit 5. To increase the available fund count, funds that are denominated in a currency pegged to the U.S. dollar have been converted to USD using the peg ratio. The Morningstar classification system produces narrow, style-based classifications for funds. S&P Dow Jones Indices has consolidated the style-based categories in order to generate a larger sample size and develop a broad-market comparison to market-based benchmarks. A narrow, style-based comparison would yield a limited sample size, given that value and growth style segments are not consistently discernible over the past five years.

Morningstar categories have been mapped to SPIVA peer groups in the following manner.

Exhibit 5: Morningstar Categories and SPIVA Peer Groups for MENA Equity Funds

Morningstar Category	SPIVA Category
USD-Denominated Funds	
EAA Fund Africa & Middle East Equity	MENA Equity
Middle East Fund MENA Equity	
Middle East Fund GCC Equity	GCC Equity
Middle East Fund GCC Islamic Equity	
SAR-Denominated Funds	
Middle East Fund Saudi Equity	Saudi Arabia Equity
Middle East Fund Saudi Islamic Equity	

Source: S&P Dow Jones Indices LLC, Morningstar. Table is provided for illustrative purposes only.

Appendix B: Glossary

Percentage of Funds Outperformed by the Index

To correct for survivorship bias, we use the opportunity set available at the beginning of the period as the denominator. We determine the count of funds that have survived and beat the index. We then report the index outperformance percentage.

Survivorship (%)

The survivorship measure represents the percentage of funds in existence at the beginning of the time period that are still active at the end of the time period.

Equal-Weighted Fund Performance

Equal-weighted returns for a particular style category are determined by calculating a simple average return of all active funds in that category in a particular month.

Asset-Weighted Fund Performance

Asset-weighted returns for a particular style category are determined by calculating a weighted average return of all funds in that category in a particular month, with each fund's return weighted by its total net assets. Asset-weighted returns are a better indicator of fund category performance because they reflect the returns of the total money invested in that particular style category with more accuracy.

Quartile Breakpoints

The p th percentile for a set of data is the value that is greater than or equal to $p\%$ of the data but is less than or equal to $(100-p)\%$ of the data. In other words, it is a value that divides the data into two parts: the lower $p\%$ of the values and the upper $(100-p)\%$ of the values. The first quartile is the 75th percentile, which is the value separating the elements of a population into the lower 75% and the upper 25%. The second quartile is the 50th percentile, and the third quartile is the 25th percentile. For fund category quartiles in a particular time horizon, the data used is the return of the largest surviving share class of the fund net of fees, excluding loads.

Survivorship Bias

Many funds might liquidate or merge during a period of study. This usually occurs due to continued poor performance by the fund. Therefore, if index returns were compared to fund returns using only surviving funds, the comparison would be biased in favor of the fund category. The SPIVA reports remove this bias in three ways. The first method to remove the bias is to use the entire investment opportunity set, made up of all funds in that particular category at the outset of the period, as the denominator for outperformance calculations. The second is explicitly to show the survivorship rate in each category. The final way is to construct a peer average return series for each category based on all available funds at the outset of the period.

Fees

The fund returns used are net of fees, excluding loads.

Indices

A benchmark index provides an investment reference against which fund performance can be measured.

S&P GCC Composite

The S&P GCC Composite is a comprehensive benchmark covering stocks from the six Gulf Cooperation Council (GCC) markets. The index reflects the float defined by foreign investment limits applicable to GCC residents.

S&P Pan Arab Composite

The S&P Pan Arab Composite includes stocks from 11 Pan Arab markets. The index reflects the float available to GCC residents, which is typically larger than that available to investors based outside the region.

S&P Pan Arab Composite LargeMidCap Index

The S&P Pan Arab Composite LargeMidCap Index is designed to track the performance of large- and mid-cap stocks from 11 Pan Arab equity markets.

S&P Saudi Arabia

The S&P Saudi Arabia is a comprehensive benchmark that defines and is designed to measure the investable universe of publicly traded companies domiciled in Saudi Arabia and uses float factors relevant for GCC residents.

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