

SPIVA[®] Middle East Focus

Mid-Year 2024 Highlights

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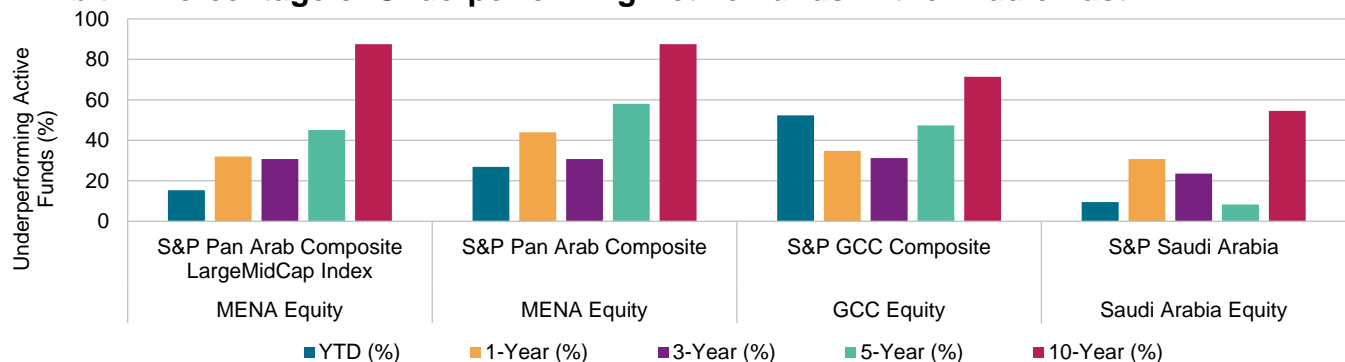
Our [SPIVA Global Scorecard](#) highlighted the challenging market conditions for active equity managers around the world in the first half of 2024. The Middle East bucked the trend as active equity funds built on their 2023 domestic record with another set of strong beat rates in three out of four categories.

In the Middle East, equity markets finished the first half of 2024 in negative territory, standing in stark contrast to 2023 when all benchmarks posted positive total returns between 8%-16%. The [S&P Pan Arab Composite LargeMidCap Index](#) and the [S&P Pan Arab Composite](#) performed similarly, shedding 3.1% and 1.8%, respectively. Actively managed MENA Equity funds held up better, on average, with a median return of 0.1%. Saudi Arabia Equity funds did even better, with even bottom quartile funds beating the [S&P Saudi Arabia](#) by 8.4%.

The only category in which a slim majority of actively managed funds underperformed the relevant benchmark was GCC Equity, where 52.4% of funds underperformed the [S&P GCC Composite](#).

Over the 10-year horizon, the majority of actively managed funds underperformed across all categories, with the percentage of underperforming funds ranging from 55% in the Saudi Arabia Equity category to 88% for MENA Equity funds.

Exhibit 1: Percentage of Underperforming Active Funds in the Middle East



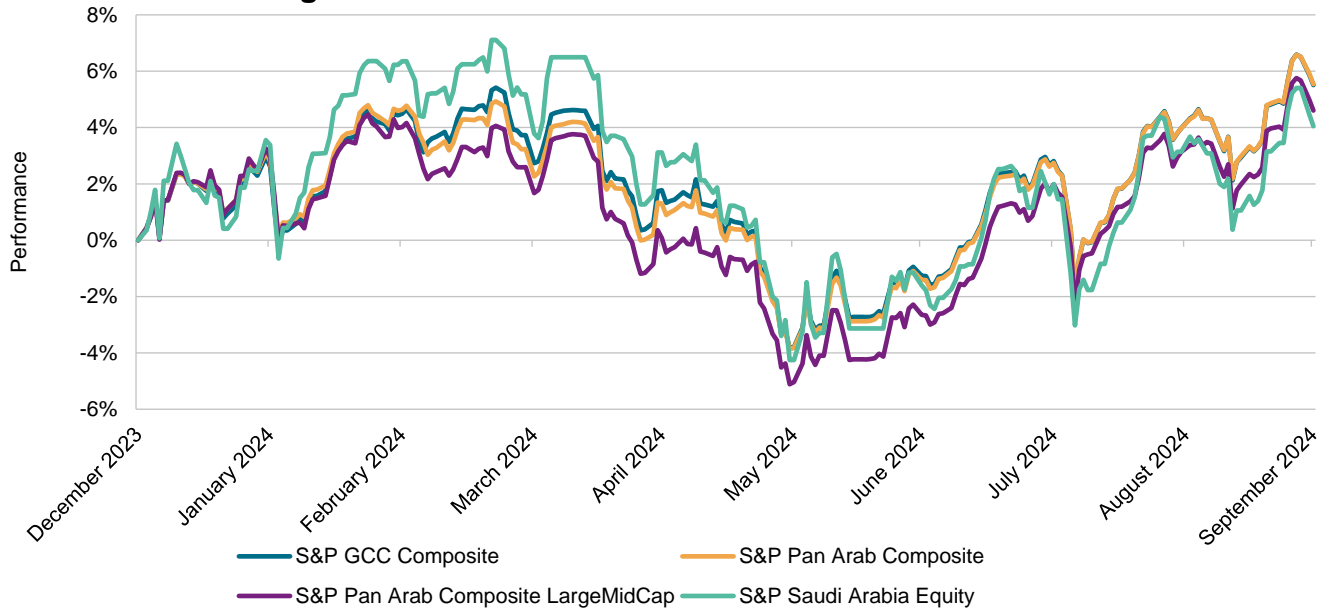
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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Market Context: H1 2024 and Beyond

While most global equity markets had a good start to the year, the four MENA indices started the year on the back foot, with each index closing H1 with a loss. The regional indices' performance improved markedly in Q3, with returns ranging from 5.7% for the S&P Saudi Arabia to 7.5% for the S&P Pan Arab Composite LargeMidCap Index. As a result, all four MENA indices were in the black YTD at the end of Q3 (see Exhibit 2).

Exhibit 2: MENA Regional Index Performance

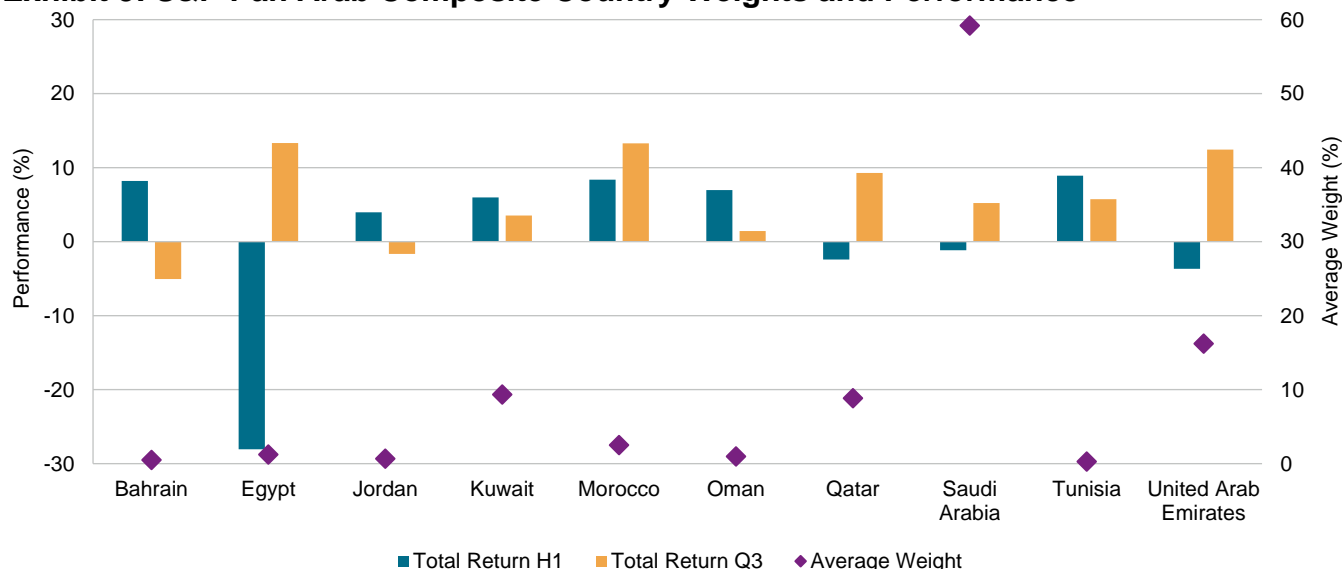


Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

As noted in the SPIVA Global Scorecard Mid-Year 2024, the first half of the year was characterized by wide dispersion among sector returns within the S&P Pan Arab Composite, with the three largest sectors by weight either underperforming or matching the benchmark, while Real Estate and Utilities offered opportunities for outperformance.

In addition to sector dispersion, there was also significant divergence among countries in the S&P Pan Arab Composite. Having plunged by almost 30% in H1, Egypt staged an impressive turnaround and became the best-performing country in the index with a total return of 13%. The trajectory of Bahrain was the polar opposite: after sharply outperforming in H1 with a return of 8%, the country's equities gave up 5% in Q3. Fund managers could have capitalized on these differentials by adjusting their country allocation to overweight positions in high-performing countries in each time period.

Exhibit 3: S&P Pan Arab Composite Country Weights and Performance



Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. 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.

As the year goes on, only time will tell how well active equity managers in the Middle East and North Africa will navigate the challenges and opportunities remaining in 2024.

Report 1: H1 2024 Statistics – All MENA 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 (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	15.38	3.06	1.55	1.32	0.12	3.47	26	96.15
MENA Equity	S&P Pan Arab Composite	26.92	1.83	1.55	1.32	0.12	3.47	26	96.15
GCC Equity	S&P GCC Composite	52.38	1.71	3.83	1.72	1.76	2.05	21	100.00
Saudi Arabia Equity	S&P Saudi Arabia	9.52	1.95	6.49	10.69	9.56	14.92	21	100.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2024. 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: Fund Underperformance Rates – All MENA Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	15.38	32.00	30.77	45.16	87.50
MENA Equity	S&P Pan Arab Composite	26.92	44.00	30.77	58.06	87.50
GCC Equity	S&P GCC Composite	52.38	34.78	31.25	47.37	71.43
Saudi Arabia Equity	S&P Saudi Arabia	9.52	30.77	23.53	8.33	54.55

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2024. 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.

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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