

SPIVA[®] MENA Scorecard

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Summary

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.

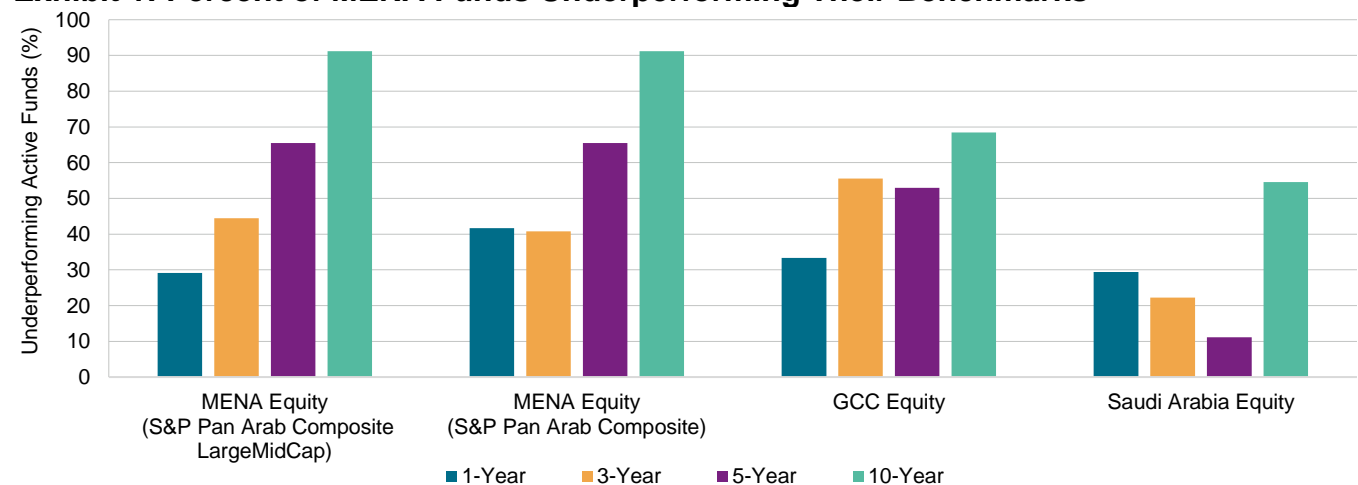
The SPIVA MENA Scorecard measures the performance of actively managed MENA equity funds against their respective benchmarks over various time horizons, providing statistics on outperformance rates, survivorship rates and fund performance dispersion.

Year-End 2023 Highlights

2023 seemed not to be a challenging year for active equity managers. Despite strong market performance, a majority of funds across all categories outperformed their respective benchmarks over the one-year horizon. MENA Equity funds heavily outperformed, with 71% of funds surpassing the [S&P Pan Arab Composite LargeMidCap Index](#) (see Exhibit 1).

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

Exhibit 1: Percent of MENA Funds Underperforming Their Benchmarks



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. 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

- Underperformance rates were low over the one- and three-year periods, with 29% and 44% of active funds, respectively, trailing the S&P Pan Arab Composite LargeMidCap Index. When compared to the [S&P Pan Arab Composite](#), 42% of MENA Equity Funds underperformed in 2023.
- As time horizons extended, fund managers lost the ability to outperform in this category, with 91% of MENA Equity funds underperforming both benchmarks over the 10-year period ending in 2023 (see Report 1a).
- Over the 10-year period, 62% of MENA Equity funds merged or were liquidated, higher than the average across all categories (see Report 2).

GCC

- The [S&P GCC Composite](#) finished 2023 up 10.0%, and 33% of equity funds focused on the Gulf Cooperation Council (GCC) region underperformed over the one-year period. Underperformance rates rose to 56%, 53%, and 68% over the 3-, 5- and 10-year horizons, respectively.
- Survival rates for active GCC Equity funds were moderate, with 79% of funds surviving over the 10-year period (see Report 2).

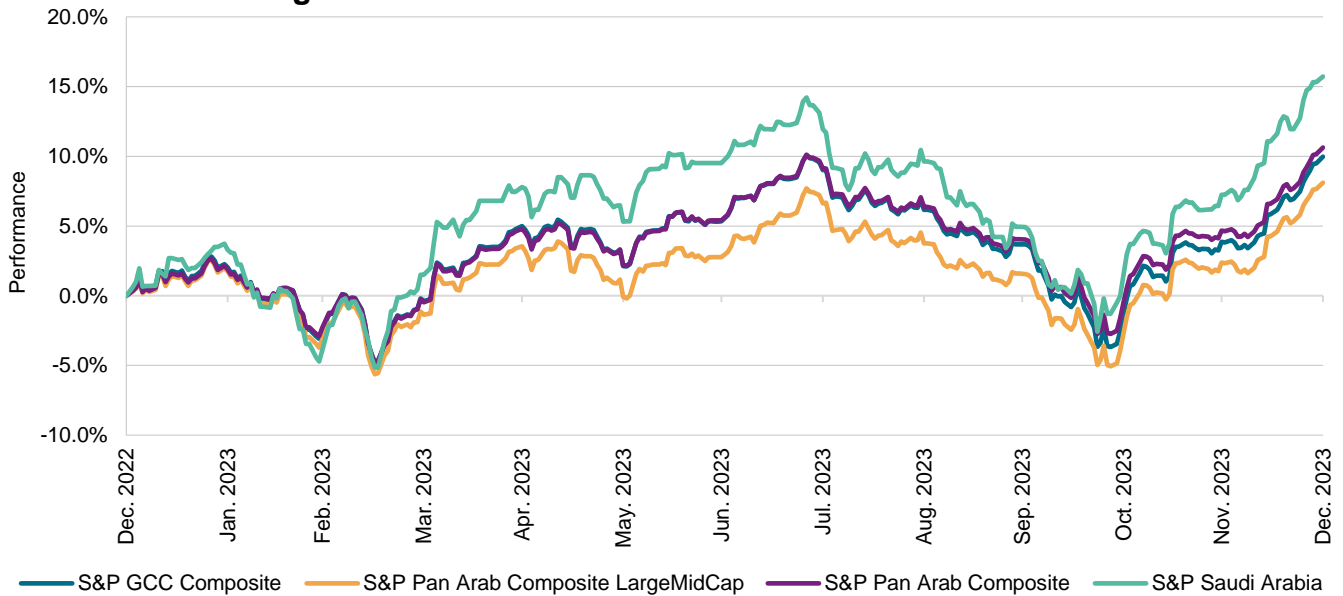
Saudi Arabia

- The [S&P Saudi Arabia](#) gained 15.7% in 2023, and 29% of funds underperformed the index. The category underperformance rate was among the smallest within all MENA categories over the one-year period (see Report 1a).
- Over a longer time horizon, the majority of Saudi Arabia Equity funds trailed the benchmark, with an underperformance rate of 55% over 10-year period.
- The survival rate of active Saudi Arabia Equity funds was the second highest among all MENA categories, with 73% of funds surviving over the 10-year period.

Market Context

In 2023, the global economic landscape presented a daunting picture. High interest rates implemented by central banks to combat inflation threatened to stifle economic growth. Inflation itself, driven by supply chain disruptions and the war in Ukraine, was squeezing household budgets and eroding consumer confidence. However, sentiment improved notably in the fourth quarter, particularly in the Information Technology sector, which experienced significant growth. Despite these economic challenges, the four Middle East and North Africa (MENA) region indices in Exhibit 2 exhibited positive performance ranging from 8.1% to 15.7% for the year.

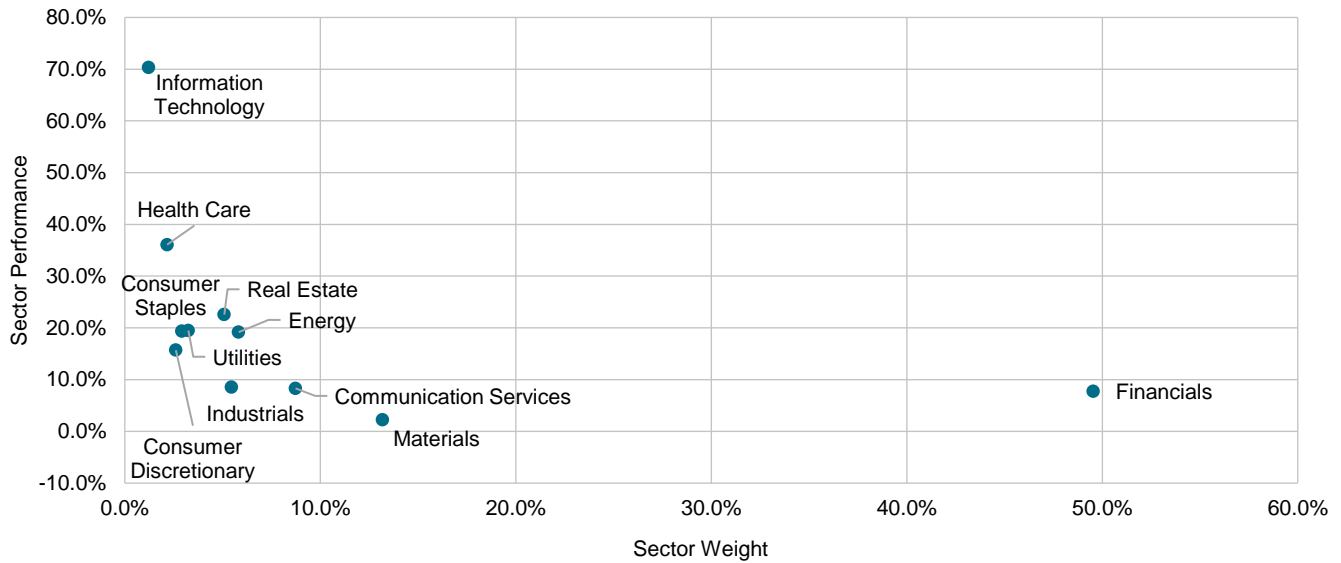
Exhibit 2: MENA Region Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

When assessing opportunities for active managers to outperform their benchmarks, dissecting the underlying components of the index provides valuable insights into where alpha may be generated. Exhibit 3 shows the weight and performance of each sector in the S&P Pan Arab Composite. Although Financials was by far the largest sector, with nearly one-half of the total index weight, it was among the lowest performers, increasing 7.7% in 2023. At the other end of the spectrum, **Information Technology and Health Care stood out**, increasing 70.3% and 36.1%, respectively, offering active managers an opportunity for outperformance by shifting capital toward high-performing sectors.

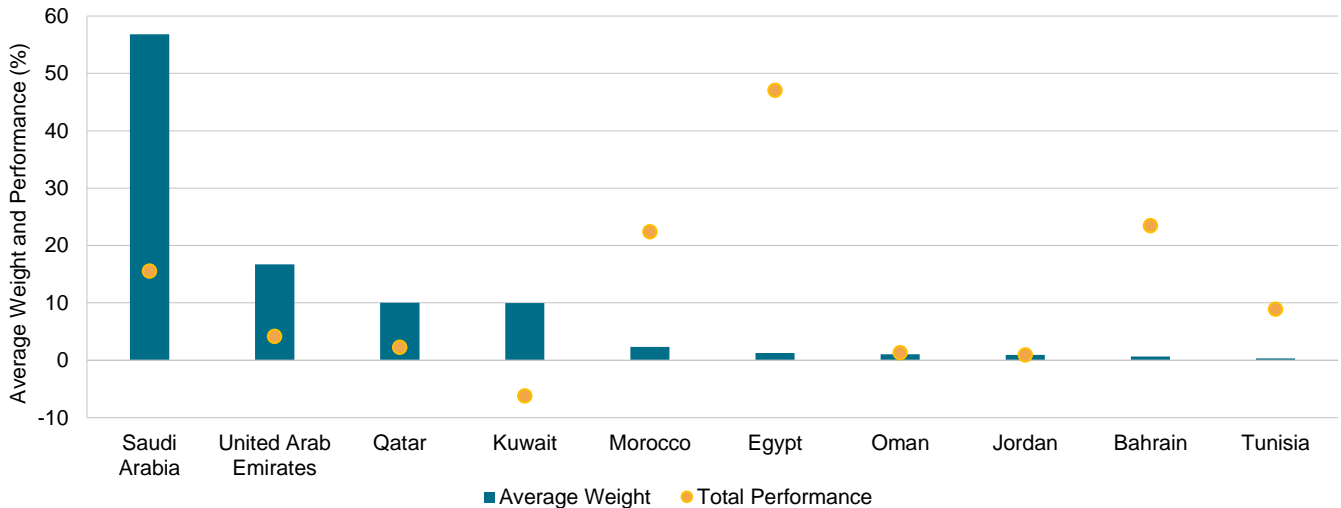
Exhibit 3: S&P Pan Arab Composite Sector Weight and Performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Among countries in the S&P Pan Arab Composite, Egypt stole the spotlight. As inflation soared and the Egyptian pound weakened, the stock market became an attractive hedge against eroding purchasing power. In this environment, Egyptian stocks in the benchmark collectively generated an impressive 47% gain in 2023 yet added up to less than 1.5% index weight (see Exhibit 4). In addition to Egypt, Bahrain and Morocco emerged as the star performers, boasting impressive returns, while Kuwait faced headwinds and delivered negative performance. Fund managers could have capitalized on this differential by adjusting their country allocation to overweight positions in high-performing countries.

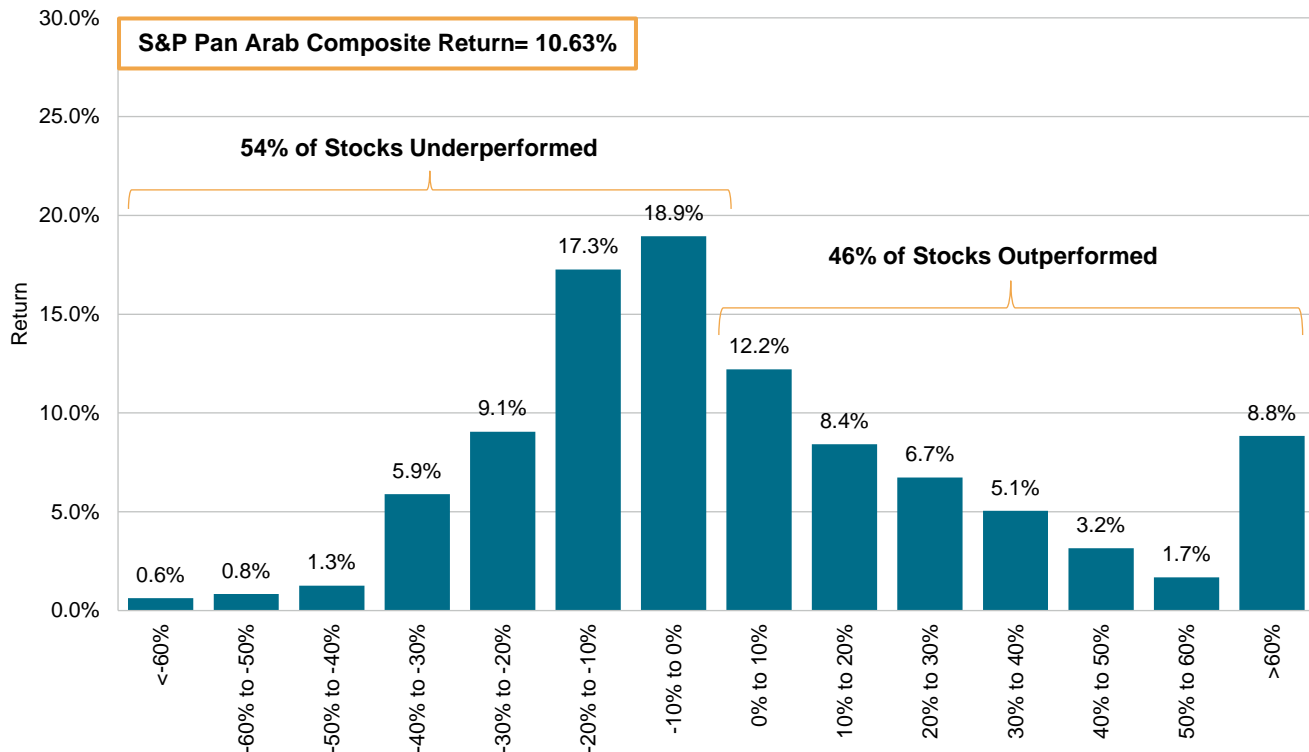
Exhibit 4: S&P Pan Arab Composite Country Weights and Performance



Source: S&P Dow Jones Indices LLC, Capital IQ. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Despite the dominant performance of certain countries and sectors, the small number of stocks in these segments relative to the rest of the benchmark contributed to slightly positive skewness of constituent performance. In 2023, 54% of stocks in the S&P Pan Arab Composite underperformed the benchmark (see Exhibit 5). Although the odds of randomly selecting an outperforming stock were below 50%, the margin between picking winners and losers was slim. Compared to recent years, 2023 presented a relatively less challenging environment for active managers, as the percent of stocks underperforming the benchmark in each of the previous five calendar years averaged 64%.

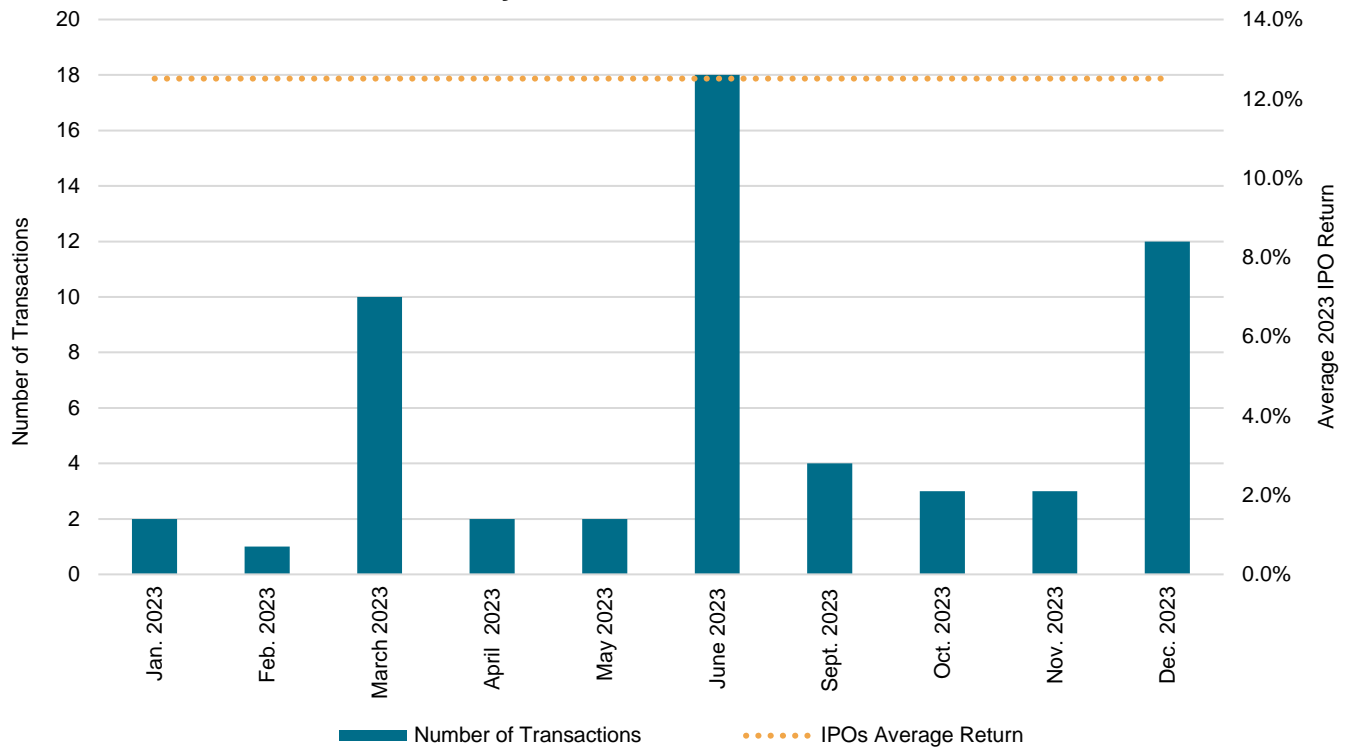
Exhibit 5: 2023 S&P Pan Arab Composite Constituent Excess Performance



Source: S&P Dow Jones Indices LLC. Based on month end data up to Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Lastly, in our discussion of potential sources of active manager outperformance, we explore the impact of initial public offerings (IPOs) in the MENA landscape. The region witnessed a fluctuating yet significant number of IPOs over the past decade, offering both challenges and opportunities for active managers. On one hand, they can introduce market volatility and present information asymmetry due to the lack of extensive data on newly listed companies. However, these challenges are balanced by potential to access returns from outperforming stocks prior to their inclusion in benchmark indexes. In 2023, there were 57 IPOs across MENA, with an average return of 12.5% (see Exhibit 6). Active managers able to access IPO stocks prior to benchmark inclusion may have found an additional source of excess return in their pursuit of outperformance.

Exhibit 6: 2023 MENA IPO Activity and Performance



Source: S&P Dow Jones Indices LLC, Capital IQ. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

A Unique Scorecard for the Active versus Passive Debate

Since the publication of the first U.S. Scorecard over 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 Funds Outperformed by Benchmarks (Based on Absolute Returns)

Fund Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	29.17	44.44	65.52	91.18
MENA Equity	S&P Pan Arab Composite	41.67	40.74	65.52	91.18
GCC Equity	S&P GCC Composite	33.33	55.56	52.94	68.42
Saudi Arabia Equity	S&P Saudi Arabia	29.41	22.22	11.11	54.55

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. 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 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	37.04	62.07	91.18
MENA Equity	S&P Pan Arab Composite	37.04	68.97	88.24
GCC Equity	S&P GCC Composite	44.44	52.94	68.42
Saudi Arabia Equity	S&P Saudi Arabia	22.22	11.11	54.55

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. 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 of Funds

Fund Category	Number of Funds at Start	Survivorship (%)
1-Year		
MENA Equity	24	91.67
GCC Equity	18	100.00
Saudi Arabia Equity	17	100.00
3-Year		
MENA Equity	27	81.48
GCC Equity	18	94.44
Saudi Arabia Equity	9	100.00
5-Year		
MENA Equity	29	72.41
GCC Equity	17	94.12
Saudi Arabia Equity	9	88.89
10-Year		
MENA Equity	34	38.24
GCC Equity	19	78.95
Saudi Arabia Equity	11	72.73

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3a: Average Fund Performance (Equal Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	16.17	13.49	9.66	4.61
S&P Pan Arab Composite LargeMidCap Index	8.10	12.00	9.34	5.89
S&P Pan Arab Composite	10.63	11.47	9.53	5.51
GCC Equity	14.48	14.73	10.52	5.79
S&P GCC Composite	9.98	12.29	10.21	5.85
Saudi Arabia Equity	30.57	18.14	22.74	11.27
S&P Saudi Arabia	15.72	14.07	12.29	6.74

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Returns shown are annualized for periods greater than one year. Funds are equal weighted, but indices are not. 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 3b: Average Fund Performance (Asset Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	17.03	13.58	10.02	5.57
S&P Pan Arab Composite LargeMidCap Index	8.10	12.00	9.34	5.89
S&P Pan Arab Composite	10.63	11.47	9.53	5.51
GCC Equity	19.30	15.29	11.88	6.13
S&P GCC Composite	9.98	12.29	10.21	5.85
Saudi Arabia Equity	38.24	23.57	22.33	11.04
S&P Saudi Arabia	15.72	14.07	12.29	6.74

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. 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. 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	0.80	0.56	0.38	1.06	0.62	0.39	1.06	0.62	0.32
MENA Equity	S&P Pan Arab Composite	0.79	0.58	0.35	1.06	0.62	0.39	1.06	0.62	0.32
GCC Equity	S&P GCC Composite	0.80	0.60	0.35	1.24	0.80	0.44	1.26	0.74	0.42
Saudi Arabia Equity	S&P Saudi Arabia	0.76	0.62	0.33	1.51	1.34	0.61	1.25	1.35	0.61

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. 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 (%)
1-Year			
MENA Equity	10.15	16.62	23.75
GCC Equity	9.43	19.06	29.90
Saudi Arabia Equity	25.30	33.62	39.03
3-Year			
MENA Equity	12.08	12.95	18.34
GCC Equity	12.14	15.23	22.33
Saudi Arabia Equity	18.83	21.74	24.22
5-Year			
MENA Equity	8.74	10.57	14.60
GCC Equity	8.75	13.48	15.64
Saudi Arabia Equity	17.61	21.72	23.27
10-Year			
MENA Equity	3.94	5.11	5.99
GCC Equity	3.73	7.49	9.16
Saudi Arabia Equity	11.42	11.81	13.50

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Returns shown are annualized for periods greater than one year. Index performance based on total return in USD for MENA Equity and GCC Equity and SAR for Saudi Arabia Equity. 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 7. 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 7: 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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