

SPIVA[®] New Zealand Focus

Contributor

Sue Lee
APAC Head of
Index Investment Strategy
sue.lee@spglobal.com

Mid-Year 2024 Highlights

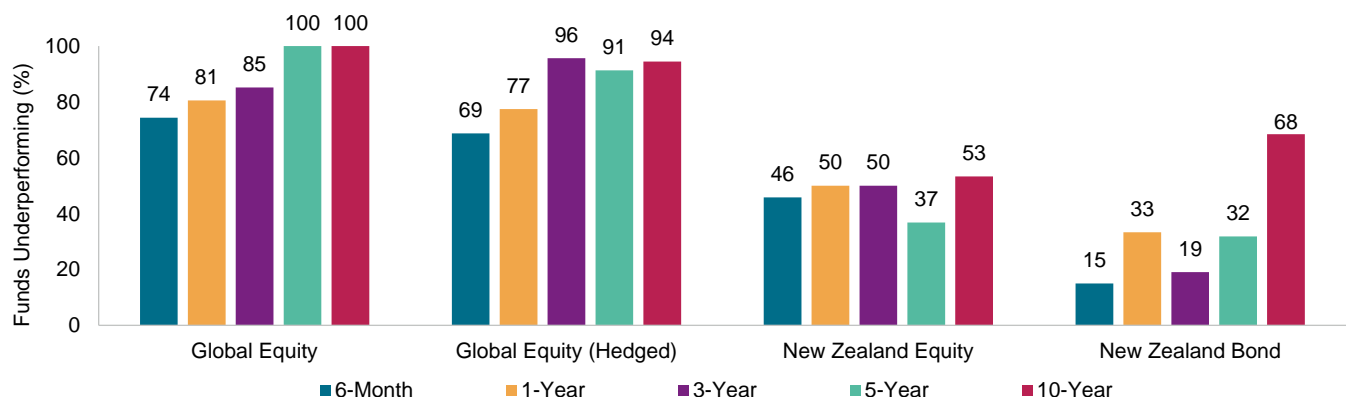
Over the six-month period ending June 2024, a large majority (71%) of funds across all our reported New Zealand fund categories underperformed their assigned benchmarks.

As highlighted in the [SPIVA Global Scorecard](#), the first half of 2024 proved to be a particularly challenging market environment for active managers across developed equity markets, as the outperformance of the very largest companies resulted in a high proportion of index constituents underperforming their benchmarks. A significant majority of actively managed global equity funds domiciled in New Zealand lagged the [S&P World Index](#), including 74% of funds in the Global Equity category and 69% of funds in the Global Equity (Hedged) category (see Exhibit 1).

New Zealand domestic equity funds had relatively better results, as the country's equity market set the bar significantly lower, with a -0.5% total return (-0.1% with imputation credits) for the [S&P/NZX 50 Index](#). A slim minority (46%) of New Zealand Equity funds underperformed, posting an asset-weighted average return of 1% (see Report 1).

With tailwinds for style bias in duration and credit, many active managers in the New Zealand Bond category performed well. Only 15% of funds underperformed, with an asset-weighted average return of 1.4% versus a 0.8% return of the [S&P/NZX Composite Investment Grade Bond Index](#) in H1 2024.

Exhibit 1: Percentage of Underperforming Active Funds in New Zealand



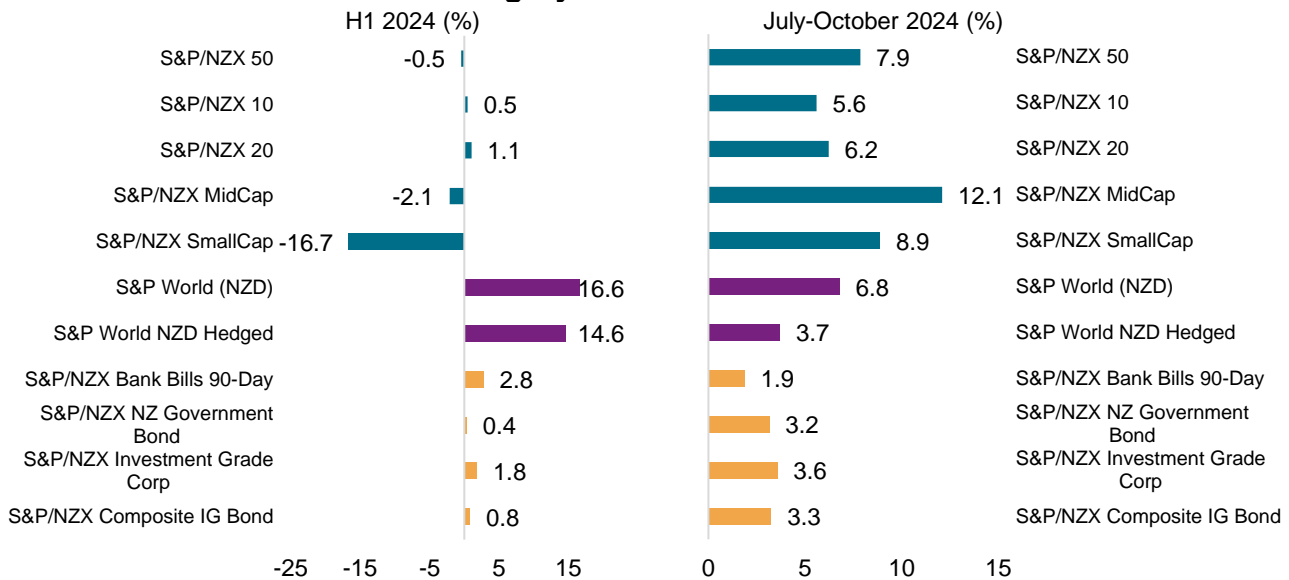
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World Index (NZD) and the S&P World NZD Hedged Index were launched October 25, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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Market Context: H1 2024 and Beyond

New Zealand equities remained sluggish in the first half of the year, decoupling from other developed markets, but they turned around in the second half, with the S&P/NZX 50 posting a 7.4% YTD gain through October 2024. The largest companies had a relatively better start but lost their leadership, with the [S&P/NZX 10](#) versus the [S&P/NZX MidCap](#) spread return turning from 2.6% in H1 2024 to -7.5% in July-October 2024 (see Exhibit 2).

Exhibit 2: New Zealand Fund Category Benchmarks and Select Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. Index performance based on total return in NZD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Given that 64% of constituents underperformed the S&P/NZX 50 in H1 2024, the odds for stock picking were not that great. Given this environment, the 46% underperformance rate of the New Zealand Equity funds was a relatively modest result. For historical context, the annual underperformance rate of New Zealand Equity funds averaged at 59% for the past 10 years. With market leadership rotating amid a broad rally in the third quarter, we will continue to observe how New Zealand Equity managers navigate the changing market dynamics in 2024.

In line with the global fixed income market, the New Zealand fixed income market provided favorable grounds for active managers in H1 2024. With the term structure being inverted, bond managers were able to pick up additional yields with less duration risk, as shown in the returns of the [S&P/NZX Bank Bills 90-Day Index](#) versus the [S&P/NZX NZ Government Bond Index](#). More importantly, credit spreads tightened by a larger margin in corporate bonds than government bonds, suggesting that bond managers would have been rewarded for their conventional strategy of taking more credit risk than the benchmark. With the credit spreads of corporate bonds tightening further in the second half, we will see if active bond managers maintain their strong performance.

Report 1: H1 2024 Statistics – All New Zealand 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 (%)
Global Equity	S&P World Index (NZD)	74.36	16.64	9.35	13.47	12.96	16.62	39	100.00
Global Equity (Hedged)	S&P World NZD Hedged Index	68.75	14.61	11.30	12.12	13.70	15.41	32	100.00
New Zealand Equity	S&P/NZX 50 Index	45.83	-0.10	-0.90	0.97	0.62	1.43	24	95.83
New Zealand Bond	S&P/NZX Composite Investment Grade Bond Index	15.00	0.82	0.95	1.37	1.26	1.67	20	100.00

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Fund and benchmark returns are all in NZD. The S&P/NZX 50 index return includes imputation credits. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Fund Underperformance Rate – All New Zealand Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Global Equity	S&P World Index (NZD)	74.36	80.56	85.19	100.00	100.00
Global Equity (Hedged)	S&P World NZD Hedged Index	68.75	77.42	95.65	91.30	94.44
New Zealand Equity	S&P/NZX 50 Index	45.83	50.00	50.00	36.84	53.33
New Zealand Bond	S&P/NZX Composite Investment Grade Bond Index	15.00	33.33	19.05	31.82	68.42

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World Index (NZD) and the S&P World NZD Hedged Index were launched Oct. 25, 2024. The S&P/NZX 50 Index return includes imputation credits. 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: 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 as well as more data on fund performances around the world, may be found below:

[SPIVA Global Mid-Year 2024 Scorecard](#)

[Learn More about SPIVA](#)

[SPIVA Around the World: Equity](#)

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

[SPIVA Scorecards: An Overview](#)

[SPIVA on Indexology® Blog](#)

Appendix B

SPIVA Styles and Morningstar Fund Classifications

Data from Morningstar is obtained for all managed funds domiciled in New Zealand for which month-end data is available during the performance period. The data includes the most comprehensive fund data on active and finalized (merged or liquidated) funds over the chosen period. Funds are classified based on the Morningstar fund classification system, and the SPIVA New Zealand Scorecard covers New Zealand-domiciled funds in the Global Equity, Global Equity (Hedged), New Zealand Equity and New Zealand Bond categories. Morningstar categories have been mapped to SPIVA peer groups in the following manner.

Exhibit 3: New Zealand Funds – SPIVA and Morningstar Categories

SPIVA Category	Morningstar Category
Global Equity	New Zealand Open-Ended Equity Region – World
Global Equity (Hedged)	New Zealand Open-Ended Equity Region – World Hedged
New Zealand Equity	New Zealand Open-Ended Equity Region – New Zealand
New Zealand Bond	New Zealand Open-Ended – New Zealand Bond

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

Benchmark

The chosen benchmarks are shown below. Index returns are total returns (i.e., include dividend reinvestment) in New Zealand dollars, except for the S&P/NZX 50 Index (Gross with Imputation) whose returns include imputation credits as well as reinvestment of dividends. No deductions were made from index returns to account for fund investment expenses. It is important to note that active fund returns are reported after expenses, but they do not include loads and entry fees. To ensure that the study is robust and fair, representative benchmarks were selected for each fund category, but not all funds adopt the benchmarks stipulated. However, many funds do set their performance hurdle based on either the assigned benchmarks in this report, or a similar alternative.

Exhibit 4: SPIVA Categories and Their Benchmarks

SPIVA Category	Benchmark Index
Global Equity	S&P World Index (NZD)
Global Equity (Hedged)	S&P World NZD Hedged Index
New Zealand Equity	S&P/NZX 50 Index
New Zealand Bond	S&P/NZX Composite Investment Grade Bond

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

Indices

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

S&P World Index

The S&P World Index tracks the performance of large and mid-cap stocks from 24 developed markets. With data extending over several economic cycles, the index provides a consistent universe for historical market analysis and back-testing investing strategies. Subindices are broken down by GICS® sector, style and currency, allowing market participants to track the developed market opportunity set from more targeted perspectives.

S&P/NZX 50 Index (Gross with Imputation)

The S&P/NZX 50 Index is designed to measure the performance of the 50 largest, eligible stocks listed on the Main Board of the NZX by float-adjusted market capitalization. The index covers approximately 90% of New Zealand equity market capitalization. The gross with imputation version reinvests the regular dividends, as reported on the ex-dividend date, along with any associated imputation credits, as declared by the respective company.

S&P/NZX Composite Investment Grade Bond Index

The S&P/NZX Composite Investment Grade Bond Index is a composite index combining the S&P/NZX investment-grade corporate and government bond indices.

Performance Disclosure/Back-Tested Data

The S&P World Index (NZD) and the S&P World NZD Hedged Index were launched October 25, 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. 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.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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