

SPIVA[®] South Africa Focus

Mid-Year 2024 Highlights

Contributor

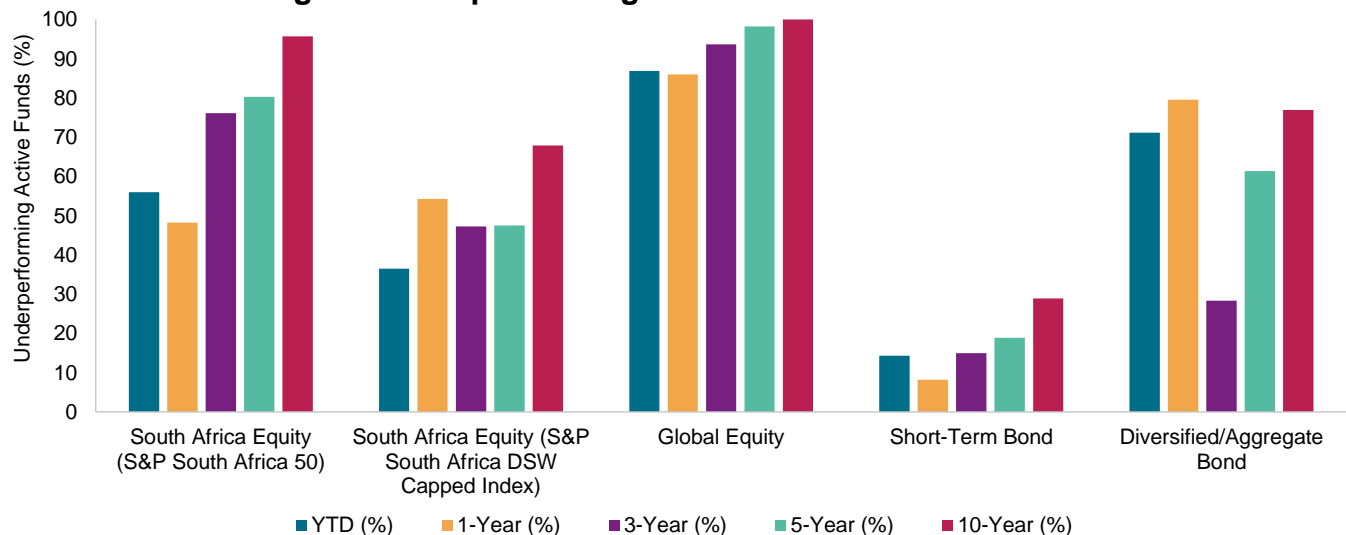
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Our [SPIVA Global Scorecard](#) highlighted the challenging market conditions for active equity managers around the world in the first half of 2024. South Africa was no exception—out of 519 total active funds across all South African fund categories, a majority (56%) underperformed their assigned benchmarks.

Rising equity markets accompanied by the outperformance of the very largest companies provided difficult stock-picking grounds for South African equity managers in H1 2024. Over half (56%) of all South Africa Equity funds failed to keep up with the [S&P South Africa 50](#)'s total return of 6.2%.

Non-domestic equity funds domiciled in South Africa struggled even more, with the underperformance rate as high as 87% in the Global Equity category in H1 2024. This is in line with the long-term trend of relatively higher underperformance rates; over a 10-year period, 100% of funds in the Global Equity category underperformed the [S&P World Index](#) (see Exhibit 1).

Exhibit 1: Percentage of Underperforming Active Funds in South Africa



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World Index (ZAR) was launched Sept. 30, 2024. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart 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.

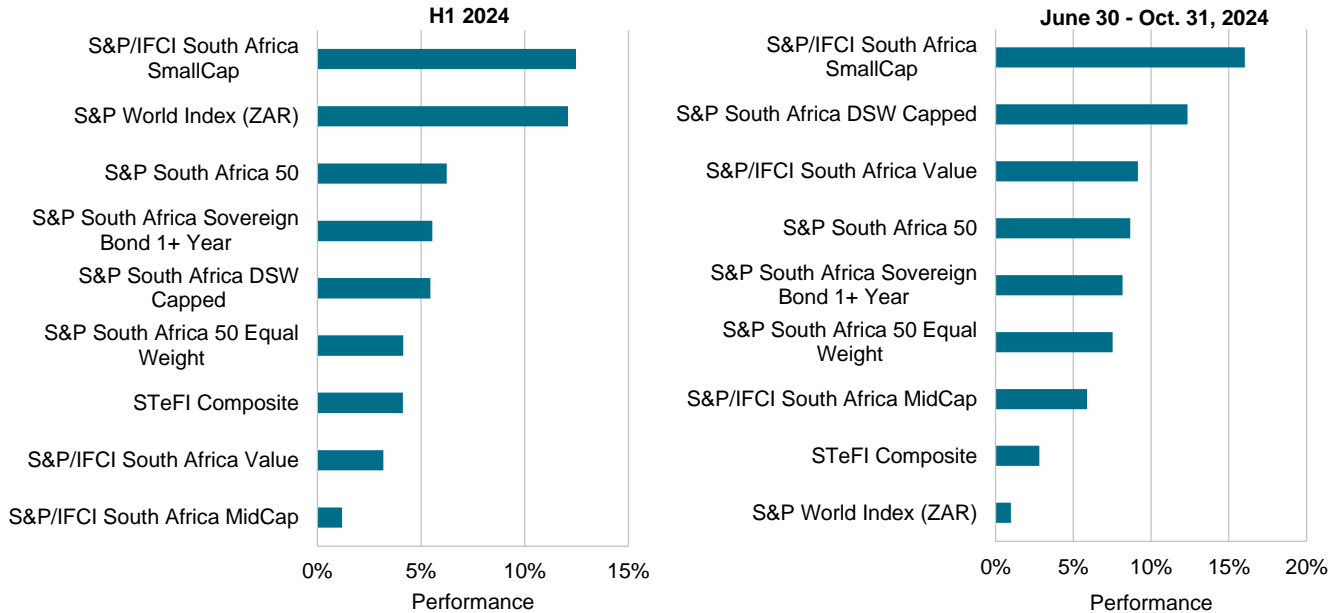
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Market Context: H1 2024 and Beyond

Along with most other emerging markets, South African equities had a good start to the year, with the S&P South Africa 50 and the [S&P South Africa DSW Capped Index](#) up 6.2% and 5.4%, respectively, in H1 2024. Gains in the following four months were even stronger, and the S&P South Africa 50 and the S&P South Africa DSW Capped Index were up 13.3% and 18.6%, respectively, YTD as of Oct. 31, 2024 (see Exhibit 2).

Exhibit 2: South Africa Fund Category Benchmark and Select Index Performance



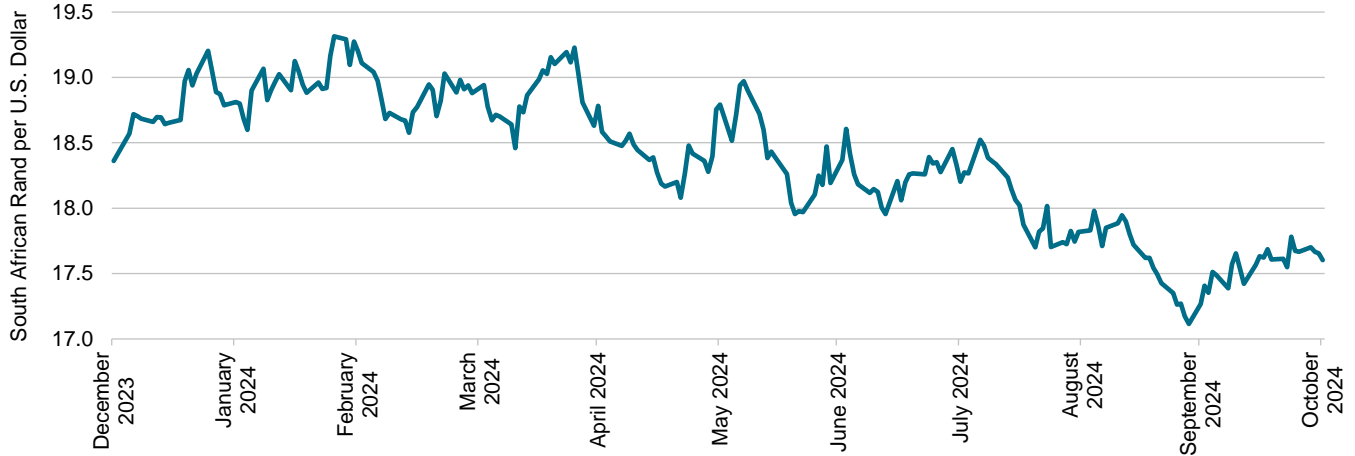
Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. The S&P World Index (ZAR) was launched Sept. 30, 2024. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical 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.

As noted in the SPIVA Global Mid-Year 2024 Scorecard, the first half of the year was characterized by increased concentration (and the associated challenges for actively managed funds) within both the S&P South Africa 50 and the S&P South Africa DSW Capped Index. The [S&P South Africa 50 Equal Weight Index](#) accordingly lagged the S&P South Africa 50 by 2.1% in H1 2024, following three straight calendar years of outperformance. The fortune of the S&P South Africa 50 Equal Weight Index seemed to have turned in Q3 2024, as it modestly outperformed the S&P South Africa 50. As market conditions evolve, we will continue to observe how South African equity managers navigate the potential challenges and opportunities remaining in 2024.

The heightened volatility of the South African rand means that currency hedging may be an important factor in determining the relative performance of non-domestic equity funds: having weakened over 5% against the U.S. dollar between the start of the year and the end of April, the South African currency staged a vigorous recovery of over 10% by the end of September, as shown in Exhibit 3. With the rand reversing its course in the third quarter, it remains to be

seen how Global Equity fund managers navigate potential challenges in managing currency exposure as well as stock picking.

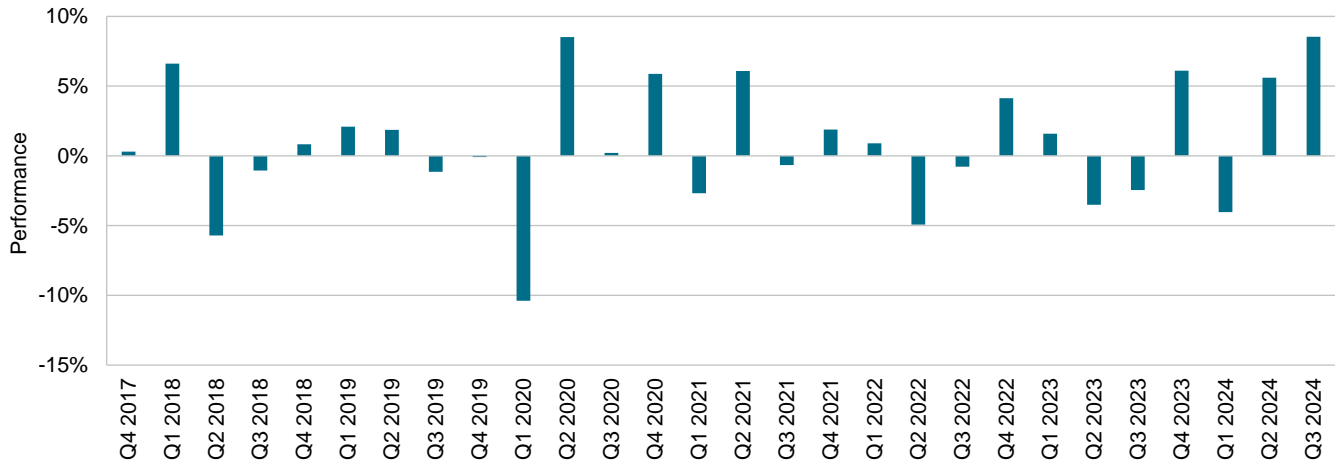
Exhibit 3: The South African Rand Rallied Strongly against the U.S. Dollar in the Third Quarter



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

The best-performing fund category in H1 2024 was Short-Term Bond; just 14% of active managers lagged the STeFI Composite, a potential signal that managers may have taken advantage of taking on a higher duration tilt, as the return of the benchmark [S&P South Africa Sovereign Bond 1+Year Index](#) significantly exceeded that of the short-duration STeFI Composite. The outperformance of longer-duration bonds continued in Q3, with the S&P South Africa Sovereign Bond 1+Year Index producing its best quarter vs. the STeFI Composite since its launch in Q3 2017 (see Exhibit 4). Accordingly, maintaining a bias toward longer duration may remain a key strategy used by short-term bond managers to outperform beyond H1 2024.

Exhibit 4: Quarterly S&P South Africa Sovereign Bond 1+ Year versus STeFI Performance since Launch



Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2024. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Report 1: H1 2024 Statistics – All South Africa Categories

Fund Category	Comparison Index	% Underperforming (H1 2024)	Comparison Index Return (%)	Bottom Quartile Return	Asset Weighted Average Return (%)	Median Return	Top Quartile Return	Sample Size	Survivorship (%)
South Africa Equity	S&P South Africa 50	56.00	6.23	4.63	6.26	6.00	7.47	200	97.50
	S&P South Africa DSW Capped Index	36.50	5.44	4.63	6.26	6.00	7.47	200	97.50
Global Equity	S&P World	86.92	12.09	5.47	7.67	8.11	10.52	107	97.20
Short-Term Bond	STeFI Composite	14.29	4.12	4.46	4.62	4.67	4.85	63	95.24
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	71.14	5.54	4.61	4.94	5.00	5.64	149	99.33

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Index and fund performance based in ZAR. The S&P World Index (ZAR) was launched Sept. 30, 2024. All data prior to such date is back-tested hypothetical data. 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.

Report 2: Fund Underperformance Rates – All South Africa Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
South Africa Equity	S&P South Africa 50	56.00	48.22	76.12	80.30	95.68
	S&P South Africa DSW Capped Index	36.50	54.31	47.26	47.47	67.90
Global Equity	S&P World	86.92	86.00	93.67	98.25	100.00
Short-Term Bond	STeFI Composite	14.29	8.20	15.00	18.87	28.89
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	71.14	79.59	28.36	61.40	76.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World Index (ZAR) was launched Sept. 30, 2024. All data prior to such date is back-tested hypothetical data. 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 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](#)

[Learn More about SPIVA](#)

[SPIVA Around the World: Equity](#)

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

[SPIVA Scorecards: An Overview](#)

[SPIVA on Indexology® Blog](#)

Performance Disclosure/Back-Tested Data

The S&P World Index (ZAR) was launched September 30, 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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