

SPIVA[®] South Africa Scorecard

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

S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate since the first publication of the S&P Indices Versus Active (SPIVA) U.S. Scorecard in 2002. The SPIVA South Africa Scorecard measures the performance of actively managed South African equity and fixed income funds denominated in South African rands (ZAR) against their respective benchmark indices over six-month and 1-, 3-, 5-, and 10-year investment horizons.

YEAR-END 2021 HIGHLIGHTS

South African Equity

During 2021, South African equities, as represented by the [S&P South Africa Domestic Shareholder Weighted \(DSW\) Capped Index](#), posted a solid return of 26.2%. However, this was once again surpassed by S&P DJI's large-cap benchmark for the country, the [S&P South Africa 50](#), which was up 30.5% for the year. The performance of this large-cap index continued to be a yardstick that relatively few active managers could beat.

- Over the one-year period, 74% of funds were beaten by the S&P South Africa 50. The dominance of the large-cap benchmark is further highlighted by the 5- and 10-year periods, in which 95% of funds underperformed.
- Versus the broader S&P South Africa DSW Capped Index, 47% of funds underperformed in the one-year period. This increases over time to 73% underperforming over the 10-year period.

The story is similar for fund managers when comparing performance on a risk-adjusted basis. Over the 10-year period, 89% and 66% of South African Equity funds underperformed the S&P South Africa 50 and S&P South Africa DSW Capped Index, respectively, on a risk-adjusted basis.

On an asset-weighted basis, South African Equity funds underperformed the S&P South Africa 50 by 1.7% over the one-year period, rising to 2.7% annualized underperformance over the 10-year period. Compared with the broader S&P South Africa DSW Capped Index, fund managers fared better, collectively beating the benchmark by 2.6% and 1.2% over the one- and five-year periods, respectively. Over the 10-year period, the same funds underperformed the benchmark by 0.3% annually.

Global Equity

Over the one-year period, 89% of Global Equity funds in South Africa were outperformed by the [S&P Global 1200](#); this figure rises to 97% over the 10-year period. On a risk-adjusted basis, the strong level of fund outperformance persisted. Over the 1-, 3-, 5-, and 10-year periods, 82%, 86%, 92%, and 100% of Global Equity funds, respectively, failed to beat the S&P Global 1200 on a risk-adjusted basis.

The notable performance of the S&P Global 1200 over Global Equity funds is best summarized by the fact that the 75th percentile fund in each of the 1-, 3-, 5-, and 10-year periods failed to outperform the benchmark. In each of these periods, the funds underperformed by an annualized 3.0%, 1.8%, 1.9%, and 2.6%, respectively.

Fixed Income

Short-Term Bond fund managers maintained their success over the STeFI Composite, with fewer than 14% of funds failing to beat the benchmark over the one-year period. Over the 10-year period, a similar observation was evident, with less than one in four funds beaten by the benchmark. This level of outperformance can largely be attributed to the risk that Short-Term Bond fund managers take when compared with the benchmark. Over the 10-year period, on a risk-adjusted basis, the STeFI Composite generated a higher return than 98% of funds for each unit of risk that it employed.

Diversified/Aggregate Bond funds were not as successful as their Short-Term Bond fund counterparts; 67% failed to beat the [S&P South Africa Sovereign Bond 1+ Year Index](#) over the one-year period. Similarly, over the 3-, 5-, and 10-year periods, 78%, 76%, and 70% failed to beat the benchmark, respectively. On a risk-adjusted basis, however, these funds fared far better, with only 12% failing to beat the benchmark. The funds' lower risk profile is further highlighted in Report 4, where their asset-weighted return-to-volatility ratios are consistently higher than those of the benchmark.

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.

Over the years, we have built on two decades of experience publishing the report by expanding coverage into Canada, India, Japan, Australia, Latin America, South Africa, and the Middle East & North Africa. While the report will not end the debate on active versus passive investing, we hope to make a meaningful contribution by examining market segments in which one strategy might work better than the other.

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 less frequently discussed but are often more fascinating. These data sets are rooted in the fundamental principles of the SPIVA Scorecard that regular readers will be familiar with, including the following.

- **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 ZAR 100 billion fund affect the average in the same manner as the returns of a ZAR 100 million fund. An accurate representation of how market participants fared in a particular period can be ascertained by calculating weighted average returns in which 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 1: Percentage of South African Funds Outperformed by Benchmarks

FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
South African Equity	S&P South Africa DSW Capped Index	46.89	44.28	55.88	73.28
	S&P South Africa 50 Index	73.68	81.09	94.61	95.42
Global Equity	S&P Global 1200	89.47	87.93	88.24	96.67
Short-Term Bond	STeFI Composite	13.79	11.54	14.00	23.26
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	66.92	77.98	75.76	69.64

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. Outperformance is based on equal-weighted fund counts. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 1b: Percentage of South African Funds Outperformed by Benchmarks (Risk-Adjusted Returns)

FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
South African Equity	S&P South Africa DSW Capped Index	54.07	42.79	50.98	66.41
	S&P South Africa 50 Index	43.54	75.62	92.65	89.31
Global Equity	S&P Global 1200	81.58	86.21	92.16	100.00
Short-Term Bond	STeFI Composite	98.28	78.85	80.00	97.67
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	12.31	30.28	40.40	35.71

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. 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 ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship of South African Funds

FUND CATEGORY	NO. OF FUNDS AT START	SURVIVORSHIP (%)
1-YEAR		
South African Equity	209	94.74
Global Equity	76	100.00
Short-Term Bond	58	94.83
Diversified/Aggregate Bond	130	97.69
3-YEAR		
South African Equity	201	84.08
Global Equity	58	91.38
Short-Term Bond	52	94.23
Diversified/Aggregate Bond	109	91.74
5-YEAR		
South African Equity	204	69.61
Global Equity	51	84.31
Short-Term Bond	50	92.00
Diversified/Aggregate Bond	99	78.79
10-YEAR		
South African Equity	131	63.36
Global Equity	30	73.33
Short-Term Bond	43	81.40
Diversified/Aggregate Bond	56	73.21

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3a: Average South African Fund Performance (Equal Weighted)

CATEGORY	1-YEAR (%)	3-YEAR (ANNUALIZED %)	5-YEAR (ANNUALIZED %)	10-YEAR (ANNUALIZED %)
S&P South Africa DSW Capped Index	26.16	10.90	7.07	10.42
S&P South Africa 50 Index	30.49	15.74	12.08	12.82
South African Equity	27.78	11.90	7.31	9.30
S&P Global 1200	32.06	25.99	19.02	21.07
Global Equity	23.85	21.18	14.65	16.37
STeFI Composite	3.82	5.49	6.25	6.17
Short-Term Bond	5.12	6.52	7.26	6.96
S&P South Africa Sovereign Bond 1+ Year Index	8.44	9.11	9.04	8.22
Diversified/Aggregate Bond	7.77	7.55	7.81	7.57

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. Index performance based on total return in ZAR. 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 South African Fund Performance (Asset Weighted)

CATEGORY	1-YEAR (%)	3-YEAR (ANNUALIZED %)	5-YEAR (ANNUALIZED %)	10-YEAR (ANNUALIZED %)
S&P South Africa DSW Capped Index	26.16	10.90	7.07	10.42
S&P South Africa 50 Index	30.49	15.74	12.08	12.82
South African Equity	28.77	12.99	8.24	10.12
S&P Global 1200	32.06	25.99	19.02	21.07
Global Equity	25.80	22.62	15.94	18.72
STeFI Composite	3.82	5.49	6.25	6.17
Short-Term Bond	5.31	6.56	7.32	7.19
S&P South Africa Sovereign Bond 1+ Year Index	8.44	9.11	9.04	8.22
Diversified/Aggregate Bond	7.99	8.22	8.55	8.10

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Return/Volatility Ratio of South African 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
South African Equity	S&P South Africa DSW Capped Index	0.61	0.52	0.84	0.74	0.55	0.81	0.72	0.52	0.79
	S&P South Africa 50 Index	0.61	0.52	0.84	0.74	0.55	0.81	0.72	0.52	0.79
Global Equity	S&P Global 1200	1.87	1.26	1.50	1.75	1.10	1.29	1.65	1.03	1.17
Short-Term Bond	STeFI Composite	12.37	14.55	17.99	7.18	9.52	9.79	8.62	10.92	9.70
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	1.03	1.12	1.02	1.87	2.21	2.01	1.67	2.07	2.18

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. 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 ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 5: Quartile Breakpoints of South African Funds			
FUND CATEGORY	THIRD QUARTILE (ANNUALIZED %)	SECOND QUARTILE (ANNUALIZED %)	FIRST QUARTILE (ANNUALIZED %)
1-YEAR			
South African Equity	23.69	27.02	31.49
Global Equity	20.42	23.68	29.06
Short-Term Bond	4.47	4.88	5.50
Diversified/Aggregate Bond	6.25	7.39	9.35
3-YEAR			
South African Equity	10.16	12.79	15.52
Global Equity	19.00	22.15	24.22
Short-Term Bond	6.28	6.62	6.89
Diversified/Aggregate Bond	6.92	7.91	9.05
5-YEAR			
South African Equity	5.96	8.30	9.90
Global Equity	13.03	15.65	17.09
Short-Term Bond	7.10	7.40	7.75
Diversified/Aggregate Bond	7.56	8.32	9.19
3-YEAR			
South African Equity	8.57	10.08	11.63
Global Equity	16.24	17.70	18.51
Short-Term Bond	6.67	6.94	7.12
Diversified/Aggregate Bond	7.56	8.02	8.51

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2021. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

APPENDIX A: SPIVA STYLES AND MORNINGSTAR FUND CLASSIFICATIONS

Data from Morningstar are obtained for all managed funds domiciled in South Africa for which month-end data are available during the performance period. The data include the most comprehensive South African 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 South Africa Scorecard covers South African and international equity and fixed income categories.

International and South African Funds

The SPIVA South Africa Scorecard covers both domestic and international funds that are denominated in South African rands, and they have been mapped to the relevant Morningstar fund categories as indicated in Exhibit 1. The Morningstar classification system produces narrow, style-based classifications for funds, particularly in relation to international equities. 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 a five-year period.

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

MORNINGSTAR CATEGORY	SPIVA CATEGORY	COMPARISON INDEX
EAA Fund South Africa & Namibia Equity	South African Equity	S&P South Africa DSW Capped Index Gross Total Return (ZAR)
EAA Fund South Africa & Namibia Small-Cap Equity		S&P South Africa 50 Gross TR ZAR
EAA Fund Global Large-Cap Blend Equity	Global Equity	S&P Global 1200 Gross Total Return (ZAR)
EAA Fund Global Large-Cap Growth Equity		
EAA Fund Global Large-Cap Value Equity		
EAA Fund Global Flex-Cap Equity	Short-Term Bond	South Africa Short Term Fixed Interest (STeFI) Composite Total Return (ZAR)
EAA Fund ZAR/NAD–Short Term Bonds		
EAA Fund ZAR/NAD–Ultra Short Term Bonds	Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Total Return Index (ZAR)
EAA Fund ZAR/NAD–Diversified Bonds		
EAA Fund ZAR/NAD–Flexible Bonds		

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

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 are 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 vehicle against which fund performance can be measured.

S&P SOUTH AFRICA DOMESTIC SHAREHOLDER WEIGHTED (DSW) CAPPED INDEX

The S&P South Africa Domestic Shareholder Weighted (DSW) Capped Index modifies the S&P South Africa Domestic Shareholder Weighted (DSW) Index to ensure that no single stock weighs more than 10% of the index at each rebalancing. The S&P South Africa Domestic Shareholder Weighted (DSW) Index adjusts the weights of companies in the [S&P South Africa Composite](#) in order to reflect the level of ownership by South African investors. The S&P South Africa Composite is a float-adjusted, market-cap-weighted index that measures the performance of large-, mid-, and small-cap companies listed on the Johannesburg Stock Exchange.

S&P SOUTH AFRICA 50

The S&P South Africa 50 comprises the largest 50 companies by float-adjusted market cap from the S&P South Africa Composite. Eligibility includes all companies listed on the Johannesburg Stock Exchange, including both South African and foreign-domiciled companies as defined by S&P Dow Jones Indices.

S&P GLOBAL 1200

Capturing approximately 70% of the world's capital markets, the S&P Global 1200 is a composite of seven headline indices, many of which are accepted leaders in their regions. It includes the [S&P 500[®]](#) (U.S.), [S&P Europe 350[®]](#) (Europe), [S&P/TOPIX 150](#) (Japan), [S&P/TSX 60](#) (Canada), [S&P/ASX All Australian 50](#) (Australia), [S&P Asia 50](#) (Asia Ex-Japan), and [S&P Latin America 40](#) (Latin America).

SOUTH AFRICA SHORT TERM FIXED INTEREST (STEFI) COMPOSITE

The South Africa Short Term Fixed Interest (STeFI) Composite Index approximates the performance of money market instruments in the market. Instruments such as call deposits and negotiable certificates of deposits (NCDs) represent common, liquid instruments and provide a good proxy of short-term markets.

S&P SOUTH AFRICA SOVEREIGN BOND 1+ YEAR INDEX

The S&P South Africa Sovereign Bond 1+ Year Index seeks to track the performance of local-currency-denominated sovereign debt publicly issued by the government of South Africa in its domestic market, with maturities of one year or more.

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