

SPIVA[®] South Africa Scorecard

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active vs. passive debate
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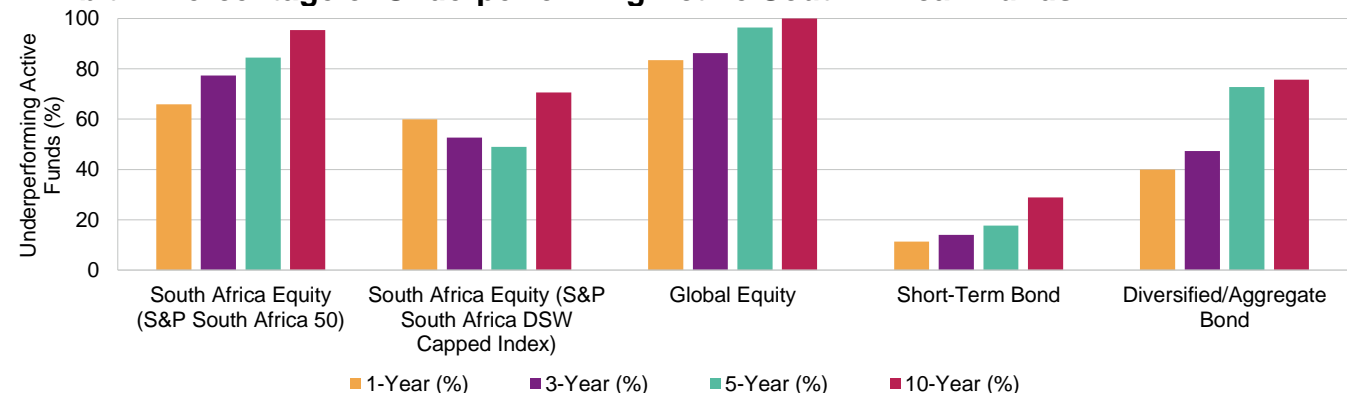
S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate since the first publication of the S&P Indices Versus Active (SPIVA) U.S. Scorecard in 2002.

The SPIVA South Africa Scorecard measures the performance of actively managed South African equity, global equity and fixed income funds denominated in South African rand (ZAR) against their respective benchmark indices over various time horizons.

Year-End 2023 Highlights

2023 was a challenging year for active equity managers in South Africa, and particularly those with a global mandate, with 84% of Global Equity managers underperforming the S&P Global 1200. Meanwhile, fixed income managers fared relatively better, as only 11% of Short-Term Bond managers trailed the STeFI Composite (see Exhibit 1 and Report 1). Underperformance rates generally increased with measurement horizons, with a cross-category average of 74% of active funds underperforming over the past 10 years.

Exhibit 1: Percentage of Underperforming Active South African Funds



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

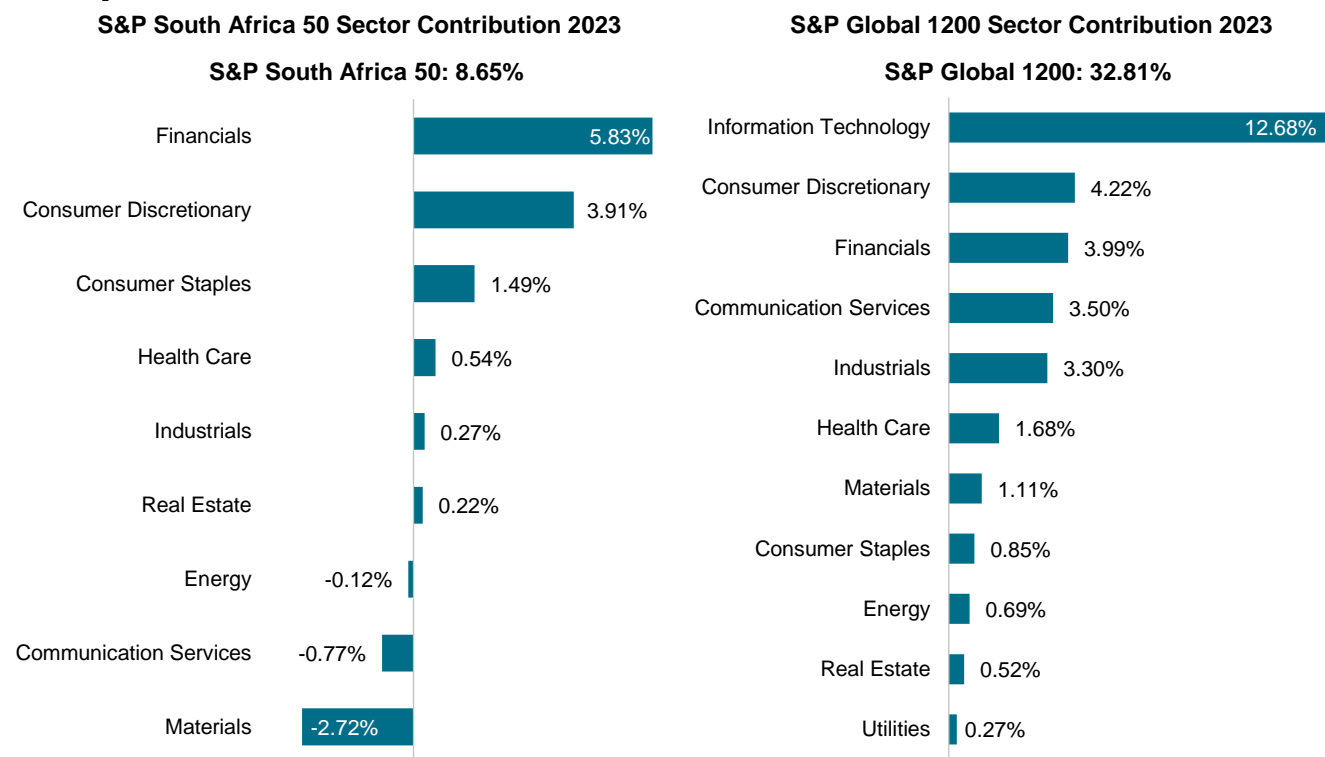
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- **South Africa Equity Funds:** The [S&P South Africa 50](#) finished 2023 up 8.7%, while South Africa Equity funds posted gains of 8% and 14.4% on equal- and asset-weighted bases, respectively, and 66% of funds underperformed the benchmark. Underperformance rates rose to 77%, 85% and 95% over the 3-, 5- and 10-year horizons, respectively. Compared with the [S&P South Africa Domestic Shareholder Weighted \(DSW\) Capped Index](#), which rose 8.1% in 2023, 60% of South Africa Equity funds underperformed. Over the 3-, 5- and 10-year horizons, underperformance rates reached 53%, 49% and 71%, respectively.
- **Global Equity Funds:** The [S&P Global 1200](#) gained 32.8% during 2023, and Global Equity funds gained 27.8% and 30.6% on equal- and asset-weighted bases, respectively. Over this period, 84% of funds in the category underperformed the benchmark. Over the 3-, 5- and 10-year periods, 86%, 96% and 100% of funds underperformed, respectively.
- **Short-Term Bond Funds:** The STeFI Composite increased 8% in 2023, and only 11% of Short-Term Bond funds finished the period underperforming the index. Over 2023, bond funds in this category gained 9% and 9.4% on equal- and asset-weighted bases, respectively. Over the 3-, 5- and 10-year periods, 14%, 18% and 29% of funds underperformed, respectively. On a risk-adjusted basis, however, underperformance rates rose to 65%, 80% and 96% over the 3-, 5- and 10-year periods, respectively.
- **Diversified/Aggregate Bond Funds:** The [S&P South Africa Sovereign Bond 1+ Year Index](#) posted a gain of 9.6% in 2023, and 40% of Diversified/Aggregate Bond funds underperformed the index. Over the longer term, 47%, 73% and 76% of funds underperformed over the 3-, 5- and 10-year horizons, respectively.
- **Fund Survivorship:** Liquidation rates for all categories were in single digits for the one-year period ending Dec. 29, 2023. The Short-Term Bond fund category had the highest attrition rate at 6.5%. Over the 10-year period, 40% of South Africa Equity funds merged or were liquidated, and 27% of funds disappeared across all categories (see Report 2).

Market Context

Driven by gains in Financials and Consumer Discretionary, the S&P South Africa 50 rose 9% in 2023, outperforming its broad-market and domestic shareholder-weighted counterpart, the S&P South Africa DSW Capped Index, by a slight margin. Overseas equities performed significantly better, with the S&P Global 1200 up 33%, propelled by U.S. mega-cap strength, particularly in Information Technology (see Exhibit 2).

Exhibit 2: Information Technology Dominated Globally, While Financials Was Key Locally



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2023. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Parallel to the dominance of U.S. equities versus their South African counterparts, U.S. dollar strength continued, despite a pullback in the second half of the year, with the U.S. dollar up 8% versus the South African rand in 2023. This may have created a headwind for global equity funds domiciled in South Africa—especially those that chose to add currency hedges to their portfolios.

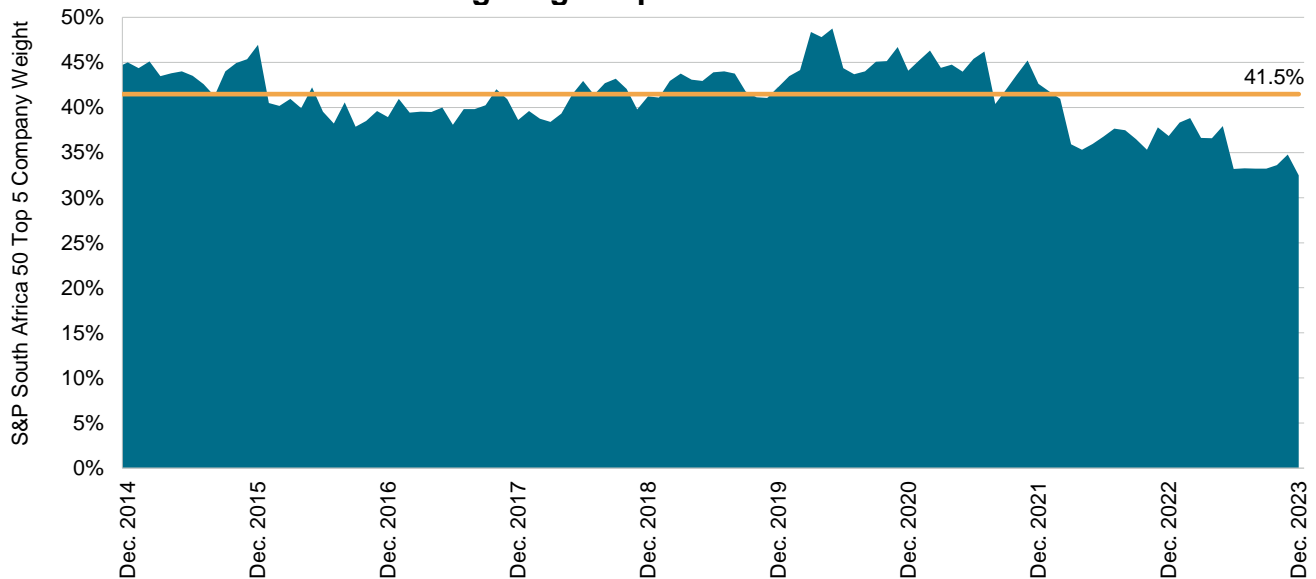
Exhibit 3: U.S. Dollar Strength Continued versus the South African Rand



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

In a reversal from the first half of the year, the underperformance of a few local mega caps in the second half may have made it a bit easier for South African equity funds to keep pace with the capitalization-weighted S&P South Africa 50 and might potentially explain the slightly lower 66% underperformance rate versus the benchmark compared to the 75% underperformance rate in the first half of the year. Heavyweights Compagnie Financiere Richemont SA and Naspers Ltd N went from being the top contributors in H1 2023 to being the second- and third-most negative performance contributors in H2 2023 after Anglo American Plc [SA Cross-Listed], which was a consistent detractor throughout the year. As a result, concentration among large caps decreased, with the weight of the top five companies in the South Africa 50 decreasing from 36.8% as of December 2022 to 32.5% in December 2023.

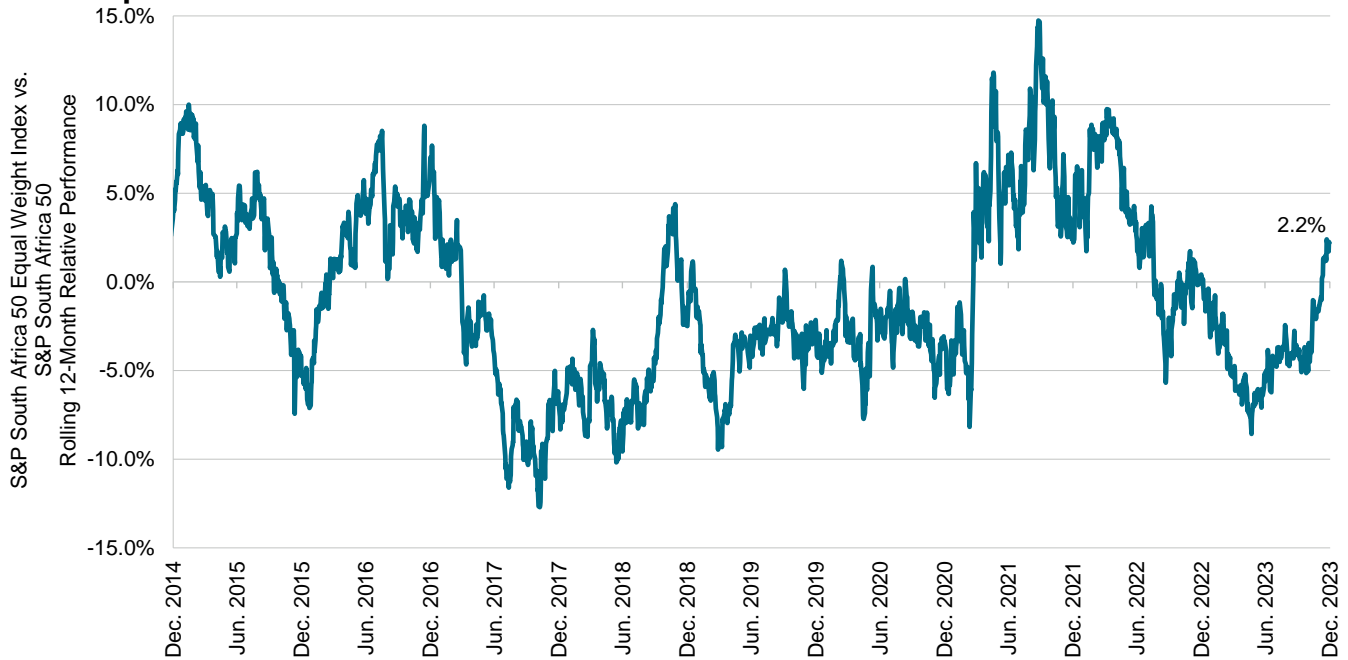
Exhibit 4: Concentration Among Large Caps Decreased



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.

Concurrent to the underperformance of larger stocks relative to smaller ones, Exhibit 5 shows that the [S&P South Africa 50 Equal Weight Index](#) outperformed its cap-weighted counterpart by 2% over the past 12 months through December 2023.

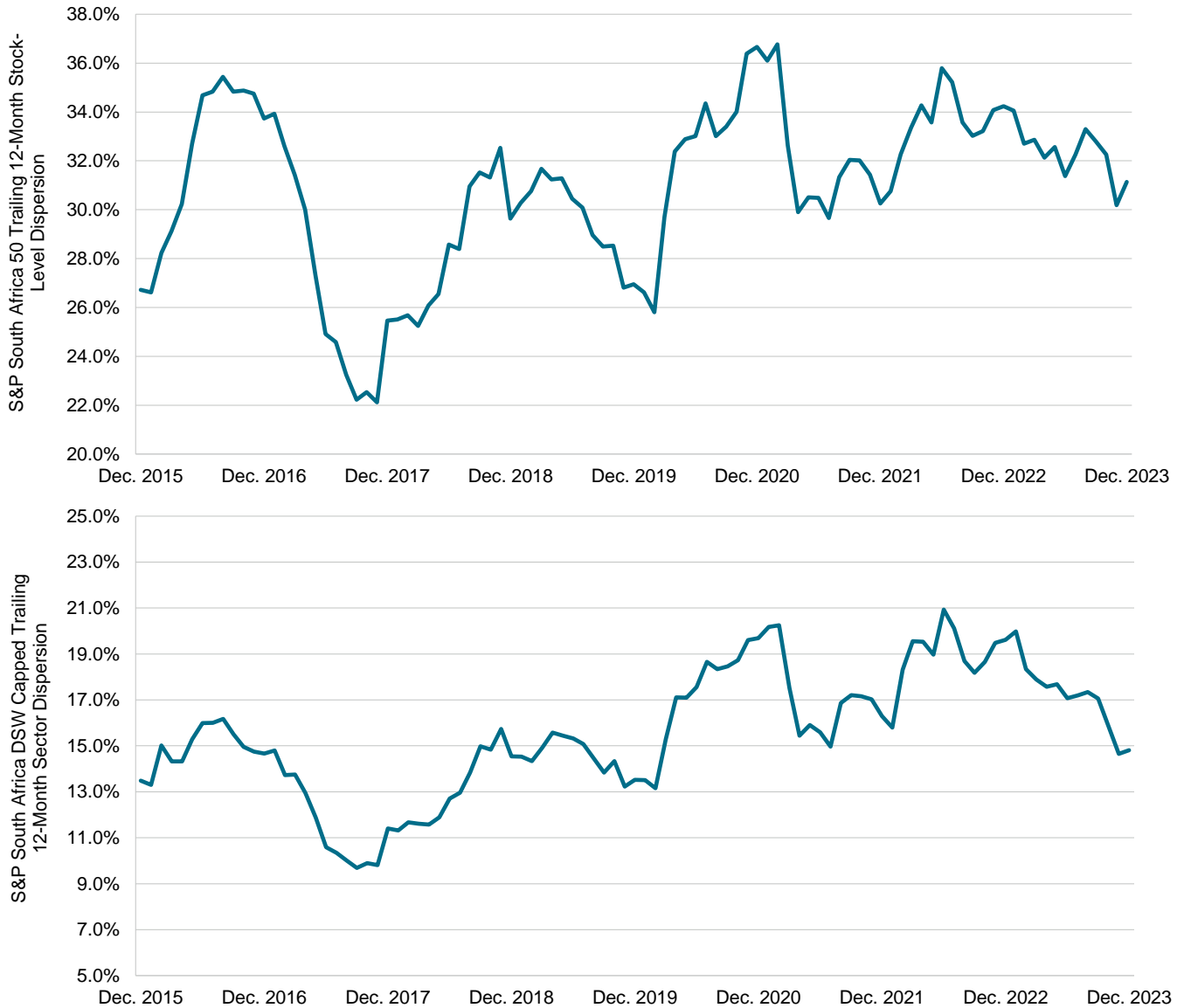
Exhibit 5: S&P South Africa 50 Equal Weight Index Outperformed Its Cap-Weighted Counterpart



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

Meanwhile, volatility trends were not as favorable, with stock-level dispersion (or cross-sectional volatility) within the S&P South Africa 50 declining in 2023, as Exhibit 6 illustrates. Lower dispersion indicates relatively fewer opportunities for local managers to demonstrate their stock selection skill. Lower sector dispersion within the broader S&P South Africa DSW Capped Index also meant reduced opportunities for sector allocators.

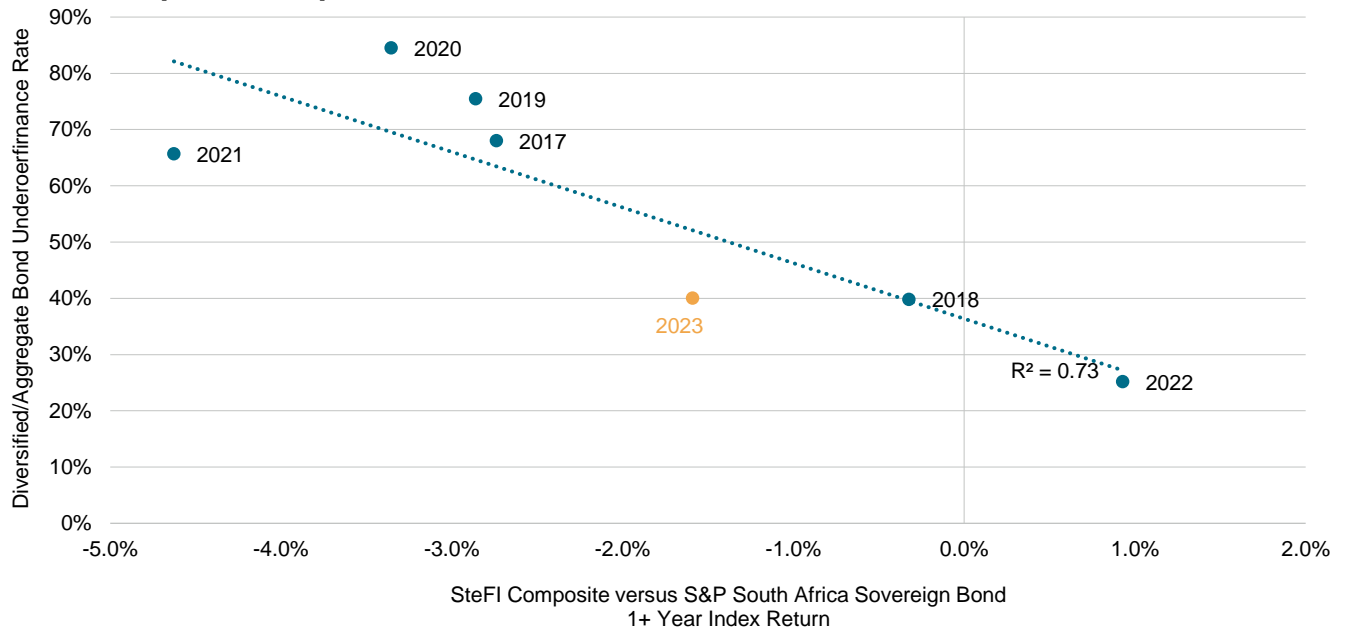
Exhibit 6: Stock-Level and Sector Dispersion Dipped



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.

Silver linings were found for active managers within fixed income categories, with only 11% of Short-Term Bond funds and 40% of Diversified/Aggregate Bond funds underperforming their respective benchmarks. Looking at Diversified/Aggregate Bond funds historically, we see that underperformance rates tended to decline when the shorter-dated SteFI Composite’s performance relative to the benchmark S&P South Africa Sovereign Bond 1+Year Index improved, perhaps a potential sign of managers’ ability to take on lower duration tilts when it was advantageous to do so.

Exhibit 7: Diversified/Aggregate Bond Underperformance Rates Tended to Improve with SteFI Composite Outperformance



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Overall, headwinds of U.S. dollar strength and reduced opportunities to showcase stock and sector selection skill combined with the tailwind of large-cap underperformance in H2 2023 led to a mixed set of results for local and global equity fund managers in South Africa, although fixed income managers performed relatively better.

A Unique Scorecard for the Active Versus Passive Debate

Since its first publication 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.
- **Apples-to-Apples Comparison:** Fund returns are often compared with a popular benchmark regardless of their investment category. The SPIVA South Africa Scorecard makes an appropriate comparison by measuring a fund's returns against the returns of a benchmark that reflects the fund's investment category.
- **Asset-Weighted Returns:** Average returns for a fund group are often calculated using only equal weighting, which means the returns of a ZAR 10 billion fund affect the average in the same manner as the returns of a ZAR 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 Underperforming Their Benchmarks (Based on Absolute Return)

Fund Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
South Africa Equity	S&P South Africa 50	65.84	77.29	84.50	95.42
	S&P South Africa DSW Capped Index	59.90	52.66	49.00	70.59
Global Equity	S&P Global 1200	83.51	86.30	96.36	100.00
Short-Term Bond	SteFI Composite	11.29	14.04	17.65	28.89
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	40.00	47.33	72.73	75.71

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. 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 Funds Underperforming Their Benchmarks (Based on Risk-Adjusted Return)

Fund Category	Comparison Index	3-Year (%)	5-Year (%)	10-Year (%)
South Africa Equity	S&P South Africa 50	54.59	75.00	92.81
	S&P South Africa DSW Capped Index	50.24	43.50	66.67
Global Equity	S&P Global 1200	82.19	94.55	100.00
Short-Term Bond	STeFI Composite	64.91	80.39	95.56
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	25.19	37.27	42.86

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Outperformance is based on equal-weighted fund counts. Index performance based on total return in ZAR. Results shown for all time horizons over which the comparison index total return was positive. Risk-adjusted return is computed as the annualized average monthly return divided by the annualized standard deviation of the monthly return for the measured periods. 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		
South Africa Equity	202	95.05
Global Equity	97	98.97
Short-Term Bond	62	93.55
Diversified/Aggregate Bond	145	98.62
All Categories	506	96.55
3-Year		
South Africa Equity	207	86.47
Global Equity	73	95.89
Short-Term Bond	57	89.47
Diversified/Aggregate Bond	131	93.89
All Categories	468	91.43
5-Year		
South Africa Equity	200	77.00
Global Equity	55	87.27
Short-Term Bond	51	86.27
Diversified/Aggregate Bond	110	88.18
All Categories	416	84.68
10-Year		
South Africa Equity	153	60.13
Global Equity	29	86.21
Short-Term Bond	45	75.56
Diversified/Aggregate Bond	70	70.00
All Categories	297	72.97

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

Report 3: Average Fund Performance (Equal-Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
S&P South Africa 50	8.65	14.19	12.09	9.38
South Africa Equity	7.98	12.63	9.41	6.42
S&P South Africa DSW Capped Index	8.07	12.21	8.83	6.97
South Africa Equity	7.98	12.63	9.41	6.42
S&P Global 1200	32.81	15.82	18.66	15.37
Global Equity	27.80	10.89	14.55	11.13
STeFI Composite	8.06	5.68	5.94	6.42
Short-Term Bond	8.97	6.64	6.87	7.16
S&P South Africa Sovereign Bond 1+ Year Index	9.62	7.42	8.22	7.97
Diversified/Aggregate Bond	9.87	7.54	7.50	7.46

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Returns for periods greater than one year are annualized. 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 4: Average Fund Performance (Asset-Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
S&P South Africa 50	8.65	14.19	12.09	9.38
South Africa Equity	8.01	13.65	10.47	7.38
S&P South Africa DSW Capped Index	8.07	12.21	8.83	6.97
South Africa Equity	8.01	13.65	10.47	7.38
S&P Global 1200	32.81	15.82	18.66	15.37
Global Equity	30.58	12.49	15.87	12.58
STeFI Composite	8.06	5.68	5.94	6.42
Short-Term Bond	9.42	6.85	6.98	7.35
S&P South Africa Sovereign Bond 1+ Year Index	9.62	7.42	8.22	7.97
Diversified/Aggregate Bond	9.98	7.76	8.03	8.07

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Returns for periods greater than one year are annualized. 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 Fund Performance

Fund Category	Third Quartile (%)	Second Quartile (%)	First Quartile (%)
1-Year			
South Africa Equity	5.23	7.32	9.75
Global Equity	24.40	28.68	31.67
Short-Term Bond	8.79	9.35	9.66
Diversified/Aggregate Bond	9.23	9.88	10.41
3-Year			
South Africa Equity	10.88	12.44	14.29
Global Equity	9.91	11.65	13.50
Short-Term Bond	6.43	6.70	7.01
Diversified/Aggregate Bond	7.11	7.55	8.14
5-Year			
South Africa Equity	8.18	10.09	11.43
Global Equity	13.74	15.54	16.49
Short-Term Bond	6.75	6.95	7.27
Diversified/Aggregate Bond	7.19	7.72	8.49
10-Year			
South Africa Equity	6.04	6.89	8.19
Global Equity	10.42	11.50	12.54
Short-Term Bond	6.97	7.20	7.51
Diversified/Aggregate Bond	7.26	7.71	8.21

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

Data

Data from Morningstar are obtained for all managed funds¹ 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.

Benchmarks

The chosen benchmarks are shown in Exhibit 8. All index returns are total returns (i.e., include dividend reinvestment) in South African rand (ZAR). There has been no deduction from index returns to account for fund investment expenses. It is important to note that active fund returns are after expenses, but they do not include loads and entry fees. To ensure the study is robust and fair, representative benchmarks were selected for each fund category, but not all funds adopt the benchmarks stipulated. However, a vast majority do set their performance hurdle based on either the assigned benchmarks in this report or a similar alternative.

Exhibit 8: SPIVA Categories and Their Benchmarks

Morningstar Category	SPIVA Category	Comparison Index
EAA Fund South Africa & Namibia Equity	South Africa Equity	S&P South Africa DSW Capped Total Return Index (ZAR)
EAA Fund South Africa & Namibia Small-Cap Equity		S&P South Africa 50 Gross Total Return (ZAR)
EAA Fund Global Large-Cap Blend Equity	Global Equity	S&P Global 1200 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.

¹ Includes open-ended managed funds and ETFs

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 percentage of funds that did not survive and beat the index.

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 and time horizon are determined by compounding the simple average of the monthly returns of all active funds that were available at the start of the period.

Asset-Weighted Fund Performance

Asset-weighted returns for a particular style category are calculated similarly, except based on a weighted average return of fund returns each month, with each fund's return weighted by its total net assets. Asset-weighted returns can be a better indicator of category performances because they reflect the returns of the total money invested across the sample of funds.

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 vehicle against which fund performance can be measured.

S&P South Africa Domestic Shareholder Weighted (DSW) Capped Index

The S&P South Africa DSW Capped Index modifies the S&P South Africa DSW Index to ensure that no single stock weighs more than 10% of the index at each rebalancing. The S&P South Africa 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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