

SPIVA[®] U.K. Focus

Mid-Year 2024 Highlights

Contributor

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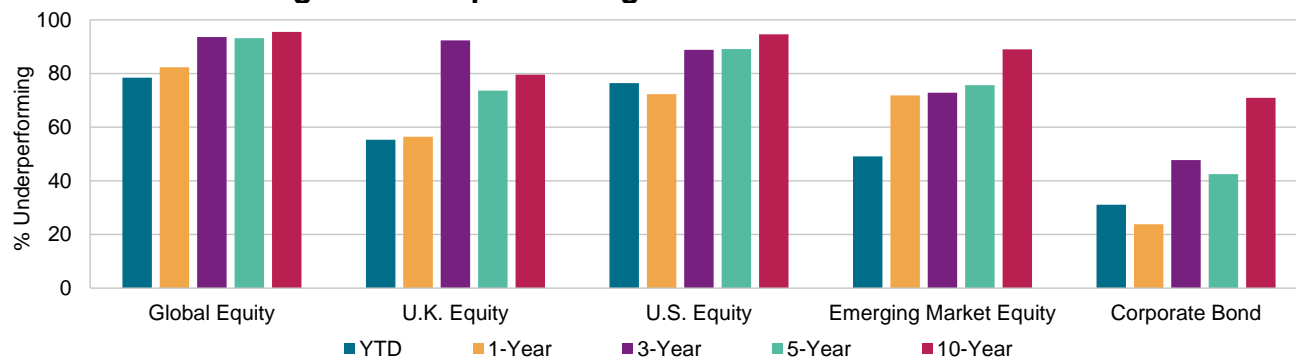
Over the six-month period ending June 2024, among GBP-denominated actively managed funds, **active equity funds struggled, but many bond managers shone.**

As highlighted in the [SPIVA Global Scorecard](#), the first half of 2024 proved to be a particularly challenging market environment for active managers across major developed equity markets, with leadership by the very largest companies resulting in a high proportion of stocks underperforming capitalization-weighted benchmarks. Among GBP-denominated international active equity funds, 78% of Global Equity funds underperformed the [S&P World Index](#), 76% of U.S. Equity funds underperformed the [S&P 500[®]](#) and 78% of European Equity funds underperformed the [S&P Europe 350[®]](#).

In domestic U.K. equities, size played a crucial role. With larger names generally outperforming their smaller counterparts, it proved harder for large-cap focused funds to beat large-cap benchmarks than small-cap funds to beat their respective benchmarks; the latter category registering 93% of funds *outperforming*. Overall, a slight majority—55%—of all domestic active funds underperformed the [S&P United Kingdom BMI](#) in the first half of 2024.

Conversely, the bond markets offered easier pickings. With tailwinds for style bias in duration and credit, many active fixed income managers posted benchmark-beating returns in H1 2024. Exhibit 1 summarizes the reported underperformance rates over a range of time horizons for the largest fund categories.

Exhibit 1: Percentage of Underperforming GBP-Denominated Active Funds



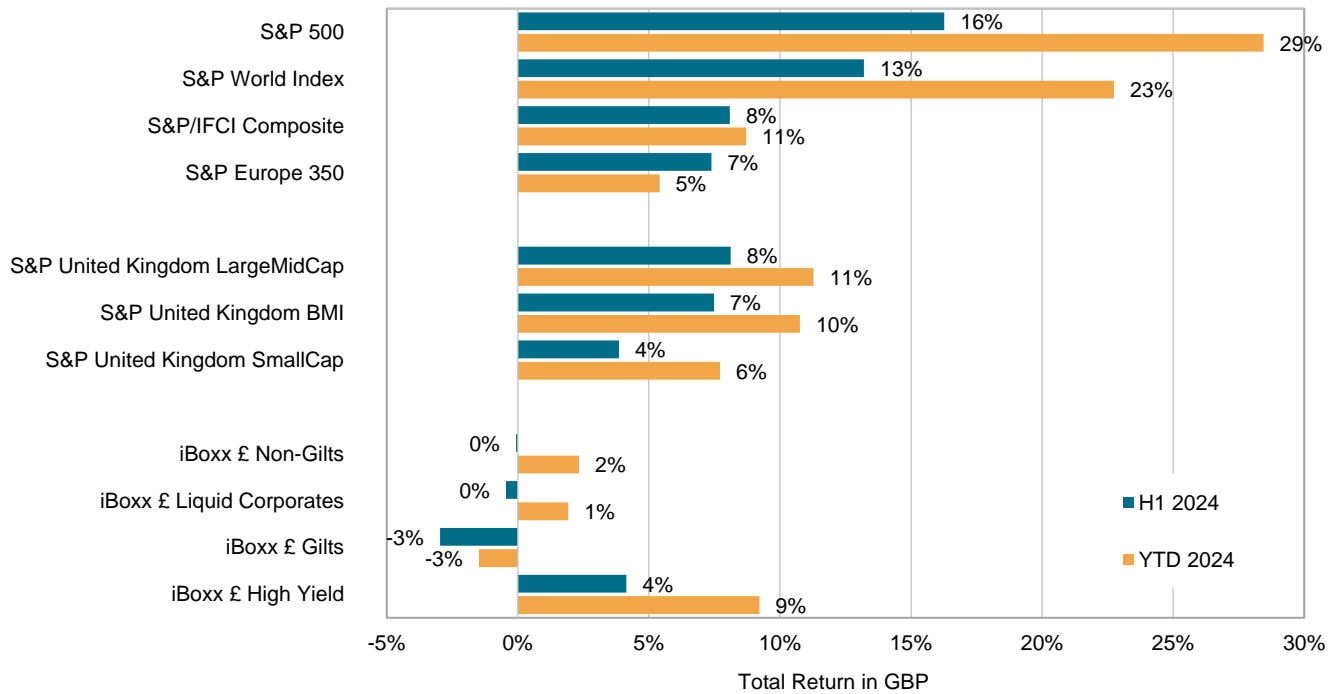
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. The S&P World (GBP) Index was launched on May 28, 2020. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects fund comparisons to hypothetical historical performance of the S&P World Index (GBP) for periods prior to May 2020. 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

Driven by gains among the biggest companies and further flattered by a strengthening U.S. dollar, U.S. equity markets continued to dominate international peers in both the first half of 2024 and the second half YTD. European markets lagged the rest of the world on both sides of the year’s midway point, particularly after the results of the 2024 U.S. presidential election heralded a potential return of tightening cross-Atlantic trade conditions. Meanwhile, the U.K.’s stock markets delivered decent returns in absolute terms, but those returns were less impressive in comparison to broader developed equities.

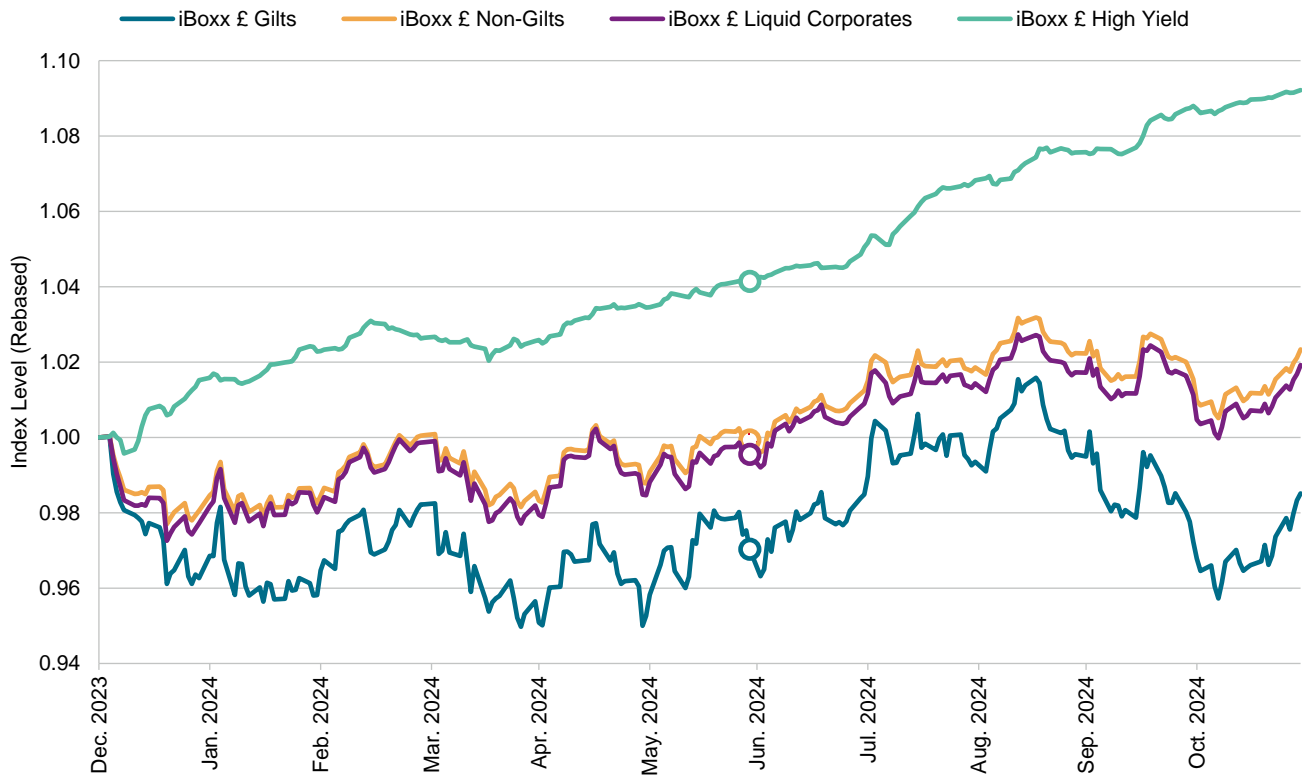
Exhibit 2: GBP Total Returns among Selected Equity & Bond Indices



Source: S&P Dow Jones Indices LLC. Data as of Nov. 29, 2024. Index performance based on total return in GBP. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The initial conditions and subsequent performance of the bond markets were unusually supportive for active managers following stereotypical strategies to generate higher returns. First, the U.S. dollar, euro and pound sterling sovereign curves began the year inverted, with the shortest-dated bonds offering the highest yields at naturally lower duration risk. Second, managers that took advantage of the potential risk reduction and yield enhancement for tilting into short maturities should have been rewarded, as longer-dated sovereign yields rose even as shorter-dated yields fell. Third and finally, both investment grade and, to a greater degree, high yield credit spreads narrowed to near-record low levels by November’s end, heartily rewarding managers who sought higher returns by taking on more-than-benchmark credit risk in either government or investment grade categories. **Exhibit 3 evidences the result of all of these trends for sterling-denominated bonds in particular, with the H1 endpoint identified for emphasis.**

Exhibit 3: 2024 Index Performance, Selected GBP Bond Indices



Source: S&P Dow Jones Indices LLC. Data as of Nov. 29, 2024. Index performance based on total return in GBP. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 3 shows clearly that not only did high yield sterling bonds navigate both the first half of the year and the months since with outperformance, but they also displayed lower volatility than gilts or investment grade bonds. Similarly, broader investment grade sterling bonds outperformed gilts with less volatility. **This environment provided fertile ground for outperformance in the main government and broader investment grade bond fund categories, as evidenced in the H1 2024 statistics.**

Turning to the question of how active funds look set to perform in total this year—presuming that active funds in either equity or bond categories did not fundamentally change their approach in the second half of the year—the market environment since the year’s midpoint would suggest that **the full year performance statistics may prove to be somewhat similar to the mid-year’s**, with outperformance continuing to be rare in the major equity categories, but more common in the fixed income markets.

Report 1: H1 2024 Statistics – All U.K. Fund 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 (%)
U.K. Equity	S&P United Kingdom BMI	55.33	7.48	5.47	7.02	7.34	8.83	291	95.19
U.K. Large-/Mid-Cap Equity	S&P United Kingdom LargeMidCap	75.21	8.12	5.22	6.66	6.88	8.15	121	95.87
U.K. Small-Cap Equity	S&P United Kingdom SmallCap	6.94	3.86	7.06	8.64	8.47	10.67	72	97.22
Global Equity	S&P World Index	78.44	13.21	6.36	10.26	9.43	12.76	603	97.35
Europe Equity	S&P Europe 350	77.67	7.39	1.78	5.11	5.12	7.15	103	97.09
U.S. Equity	S&P 500	76.43	16.27	6.12	13.05	11.47	16.07	263	97.34
Emerging Markets Equity	S&P/IFCI Composite	49.12	8.09	4.94	8.00	8.43	10.76	226	97.35
Corporate Bond	iBoxx £ Non-Gilts	31.07	-0.07	-0.13	0.60	0.40	0.93	103	95.15
Government Bond	iBoxx £ Gilts	25.00	-2.97	-2.56	-1.83	-2.27	-1.91	36	88.89

Sources: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Fund categories limited to GBP share classes only. All index performances are total returns in GBP. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Underperformance Rates over All Horizons – All U.K. Fund Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
U.K. Equity	S&P United Kingdom BMI	55.33	56.42	92.35	73.61	79.56
U.K. Large-/Mid-Cap Equity	S&P United Kingdom LargeMidCap	75.21	58.20	95.52	79.86	83.95
U.K. Small-Cap Equity	S&P United Kingdom SmallCap	6.94	41.67	84.21	44.87	59.49
Global Equity	S&P World Index	78.44	82.35	93.59	93.20	95.52
Europe Equity	S&P Europe 350	77.67	77.88	88.35	83.84	83.70
U.S. Equity	S&P 500	76.43	72.33	88.84	89.15	94.62
Emerging Markets Equity	S&P/IFCI Composite	49.12	71.83	72.86	75.66	89.03
Corporate Bond	iBoxx GBP Non-Gilts	31.07	23.81	47.75	42.48	70.94
Government Bond	iBoxx GBP Gilts	25.00	35.29	50.00	59.57	94.55

Sources: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2024. Fund categories limited to GBP share classes only. All index performances are total returns in GBP. The S&P World (GBP) Index was launched on May 28, 2020. 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](#)

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Performance Disclosure/Back-Tested Data

The S&P World Index (GBP) was launched on May 28, 2020. 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.

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