

SPIVA[®] Canada Scorecard

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[Experience](#) the active vs. passive debate on a global scale.

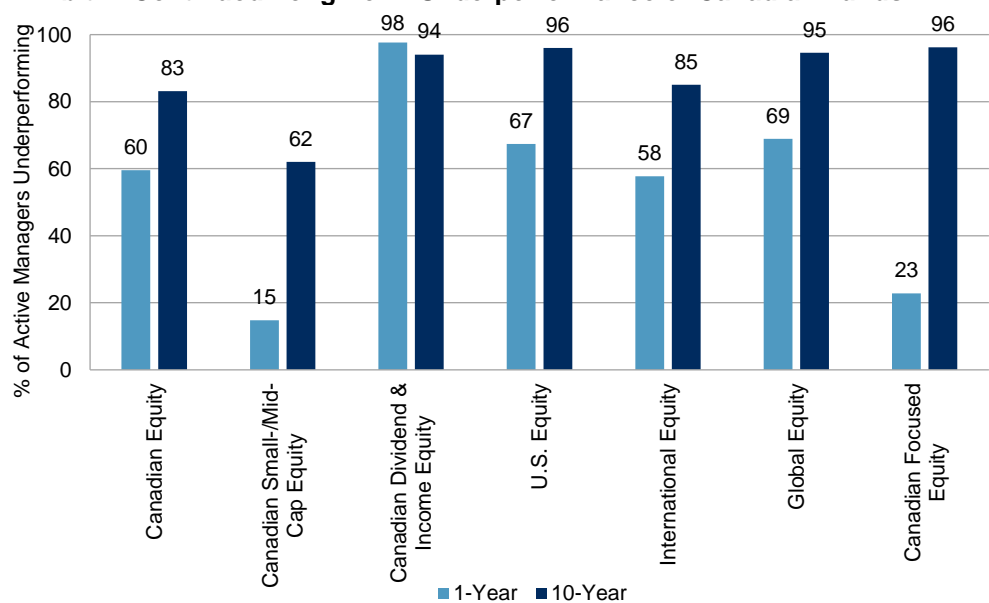
SUMMARY

The Canadian market, like many of its counterparts around the world, soared upward during the past year despite the COVID-19 pandemic. The [S&P/TSX Composite](#) gained 33.9% for the 12-month period ending on June 30, 2021, and the smaller-cap names of the [S&P/TSX Completion](#) did slightly better, with a 35.3% gain.

Unlike many previous reports, where the performance of active funds has been similar across categories, at mid-year 2021 there was a wide spread of outcomes. For example, **60% of Canadian Equity funds and 98% of Canadian Dividend & Income Equity funds fell short of their respective benchmarks over the past 12 months.** However, just 15% of Canadian Small-/Mid-Cap Equity and 23% of Canadian Focused Equity funds underperformed over the same timeframe (see Report 1).

Even for the most recent outperformers, however, the longer-term picture remains unfavorable. Canadian Focused Equity funds were the *worst*-performing category over the past 10 years, with 96% of funds failing to clear their hurdle rate. **Canadian Small-/Mid-Cap Equity funds—technically the *best*-performing category over the past 10 years—had 62% of funds trailing the benchmark.**

Exhibit 1: Continued Long-Term Underperformance of Canadian Funds



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The level of out- and underperformance also showed wide spreads over the past year. On an equal-weighted basis, Canadian Small-/Mid-Cap Equity funds beat the S&P/TSX Completion by 10.7%. Larger funds tended to do a little worse than smaller funds, as the asset-weighted difference between these active funds and the benchmark narrowed down to 9.0%. On the other hand, Canadian Dividend & Income Equity funds trailed the [S&P/TSX Canadian Dividend Aristocrats® Index](#) by 12.9%, with little difference by size (see Reports 3 and 4).

Larger Canadian Equity funds (benchmarked against the S&P/TSX Composite) did better than their smaller counterparts. On an equal-weighted basis, these funds lagged by 1.7%, but on an asset-weighted basis, they actually surpassed the benchmark by 3.8%. Unfortunately, looking back over the past 10 years, these funds trailed the index by roughly 1% per year, regardless of weighting (see Reports 3 and 4).

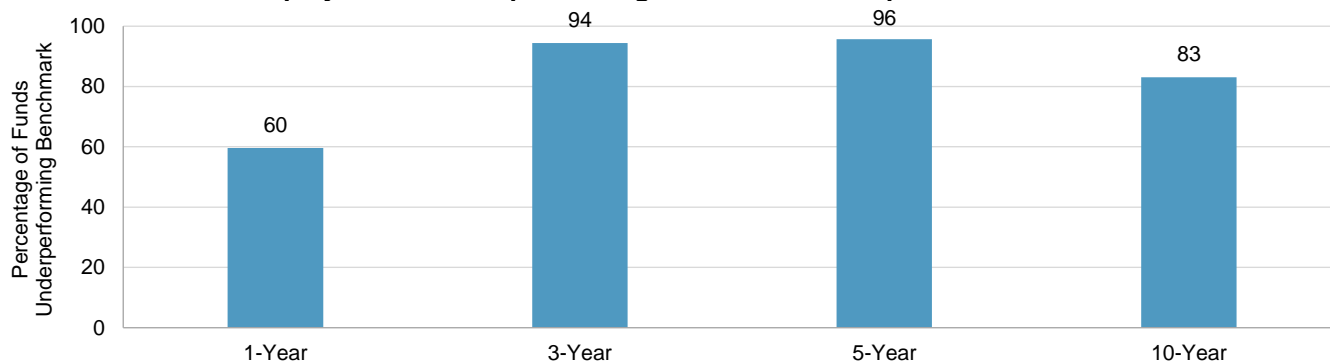
Funds looking outside of Canada posted solid absolute returns, though they lagged their domestic-oriented peers and broadly failed to add value through active management. U.S. Equity, International Equity, and Global Equity funds posted similar annual returns on an asset-weighted basis of 24.4%, 22.3%, and 22.8%, respectively. However, the majority of these active managers (67%, 58% and 69%, respectively) still trailed their corresponding benchmarks over the past year (see Reports 1 and 4).

The SPIVA Scorecards’ accounting for survivorship bias continues to provide a valuable caution for asset allocators. While more than 90% of funds stayed alive over the past year, **54% of all funds in the eligible universe 10 years ago have since been liquidated or merged.** Global Equity funds were the most likely to survive after 10 years, with 65% still in business. Canadian Focused Equity funds were the least likely to survive, as just 38% managed to do so (see Report 2).

SPIVA SCORES IN SELECTED CATEGORIES

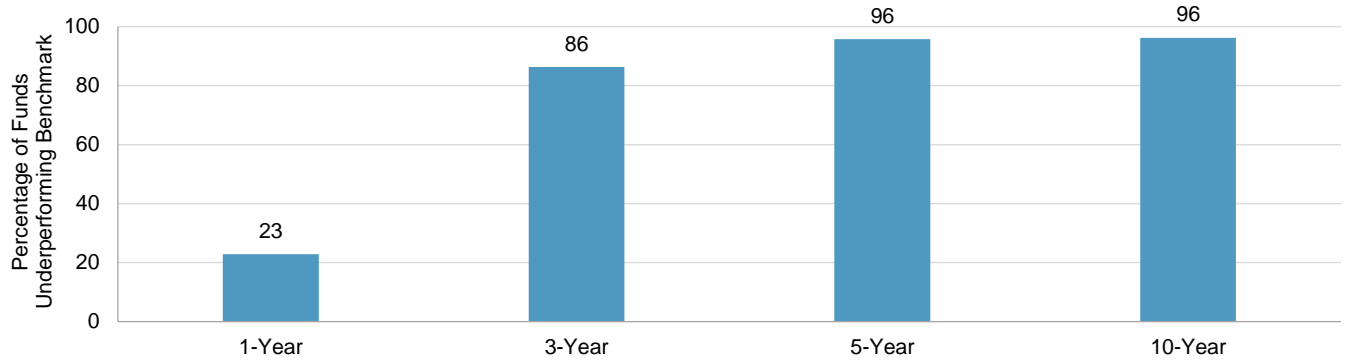
Exhibits 2 through 4 highlight SPIVA scores in selected investment categories.

Exhibit 2: Canadian Equity Funds Underperforming the S&P/TSX Composite



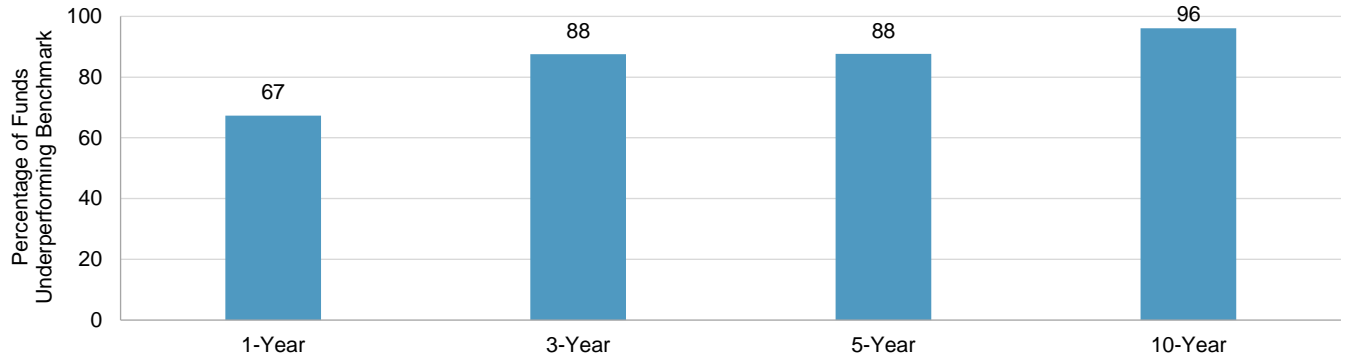
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 3: Canadian Focused Equity Funds Underperforming the Blended Benchmark – 50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 4: U.S. Equity Funds Underperforming the S&P 500 (CAD)



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

The S&P Indices Versus Active (SPIVA) Scorecard measures the performance of actively managed funds against their relevant S&P DJI benchmark indices. The SPIVA Canada Scorecard provides a semiannual update on the active versus passive debate in Canada and shows the performance of actively managed Canadian mutual funds compared with S&P DJI indices in their respective categories. Although many such reports are available, the SPIVA Canada Scorecard is unique in that it offers the following characteristics:

- **Survivorship Bias Correction:** Many funds might be liquidated or merged during a period of study. However, for a market participant making a 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:** A fund's returns are often compared with a popular benchmark regardless of its investment category. SPIVA Canada Scorecards make 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 results in the returns of a CAD 10 billion fund affecting the average in the same manner as the returns of a CAD 10 million fund. The SPIVA Canada Scorecard shows both equal- and asset-weighted averages. Equal-weighted returns are a measure of average fund performance. Asset-weighted returns are a measure of the performance of the average invested Canadian dollar.

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REPORTS

Report 1: Percent of Active Funds Underperforming the Index

This report shows the percentage of funds that have underperformed their comparable benchmarks over 1-, 3-, 5-, and 10-year periods. The comparison starts with the funds in a category at the beginning of the period. At the end of the period, the report shows what percentage of funds have underperformed their benchmark. The fund's category at the end of the period is not considered because the category at the beginning of the holding period is of interest.

Most reports that purport to show the percent of active funds underperforming an index work with the funds in a category at the end of the period and then compare their historical returns to the benchmark. The SPIVA Canada Scorecard corrects for this survivorship bias by starting with the funds at the beginning of the period.

Report 1: Percentage of Funds Underperforming Their Benchmarks					
FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
Canadian Equity	S&P/TSX Composite	59.57	94.44	95.71	83.10
Canadian Small-/Mid-Cap Equity	S&P/TSX Completion	14.81	51.52	64.71	62.00
Canadian Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index	97.62	98.04	86.79	94.03
U.S. Equity	S&P 500 (CAD)	67.37	87.50	87.61	96.04
International Equity	S&P EPAC LargeMidCap (CAD)	57.78	67.35	84.38	85.00
Global Equity	S&P Developed LargeMidCap (CAD)	68.89	82.35	89.66	94.55
Canadian Focused Equity	50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	22.81	86.30	95.79	96.24

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2021. CIFSC categorizations are used. Financial information provided by Fundata Canada Inc. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship

This report shows the number of funds that existed in a particular category at the beginning of the 1-, 3-, 5-, and 10-year periods, and how many survived at the end of those periods. The fund's category at the end of the period is not considered because the category at the beginning of the holding period is of interest.

Report 2: Survivorship			
FUND CATEGORY	NO. OF FUNDS AT START	SURVIVORSHIP (%)	STYLE CONSISTENCY (%)
1-YEAR			
Canadian Equity	47	95.74	100.00
Canadian Small-/Mid-Cap Equity	27	100.00	92.59
Canadian Dividend & Income Equity	42	95.24	100.00
U.S. Equity	95	95.79	100.00
International Equity	45	91.11	100.00
Global Equity	135	96.30	100.00
Canadian Focused Equity	57	98.25	96.49
3-YEAR			
Canadian Equity	54	81.48	96.30
Canadian Small-/Mid-Cap Equity	33	84.85	90.91
Canadian Dividend & Income Equity	51	78.43	100.00
U.S. Equity	104	82.69	100.00
International Equity	49	85.71	93.88
Global Equity	153	84.97	97.39
Canadian Focused Equity	73	76.71	93.15
5-YEAR			
Canadian Equity	70	62.86	94.29
Canadian Small-/Mid-Cap Equity	34	79.41	94.12
Canadian Dividend & Income Equity	53	75.47	90.57
U.S. Equity	113	73.45	99.12
International Equity	64	64.06	95.31
Global Equity	174	75.29	91.95
Canadian Focused Equity	95	52.63	94.74
10-YEAR			
Canadian Equity	71	52.11	83.10
Canadian Small-/Mid-Cap Equity	50	64.00	64.00
Canadian Dividend & Income Equity	67	49.25	80.60
U.S. Equity	101	55.45	98.02
International Equity	60	60.00	93.33
Global Equity	165	64.85	88.48
Canadian Focused Equity	133	37.59	71.43

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2021. CIFSC categorizations are used. Financial information provided by Fundata Canada Inc. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3: Equal-Weighted Fund Returns

This report shows the equal-weighted average returns of funds in a particular category for the 1-, 3-, 5-, and 10-year periods. For every month in the time period, S&P DJI takes all funds from a particular category and calculates the simple average return. The returns from all months in the period are then compounded. These returns are compared with those of the benchmark. The funds used in the averaging process in one month might not be the same as those used in the next month because some funds may have merged or liquidated, new funds may have formed, and some funds may have changed categories.

This report essentially shows the equal-weighted performance of actively managed funds in a category over the time period, with a monthly level of granularity for determining the eligible population in that category.

Most reports that purport to show average active fund performance work with the funds in a category at the end of the period and then take the average of their historical returns. The SPIVA Canada Scorecard presents a more accurate picture of active fund performance in a category by calculating the average performance of the active funds in existence for a given category each month.

Report 3: Equal-Weighted Fund Returns				
CATEGORY	1-YEAR (%)	3-YEAR (ANNUALIZED, %)	5-YEAR (ANNUALIZED, %)	10-YEAR (ANNUALIZED, %)
S&P/TSX Composite	33.85	10.80	10.77	7.44
Canadian Equity	32.18	7.56	7.96	6.30
S&P/TSX Completion	35.28	8.99	8.28	5.84
Canadian Small-/Mid-Cap Equity	45.95	9.65	7.95	5.61
S&P/TSX Canadian Dividend Aristocrats Index	44.44	11.34	9.63	8.40
Canadian Dividend & Income Equity	31.49	7.53	7.76	6.46
S&P 500 (CAD)	28.01	16.31	16.53	17.74
U.S. Equity	26.53	12.79	13.13	13.57
S&P EPAC LargeMidCap (CAD)	22.56	7.17	10.17	9.24
International Equity	21.69	6.36	8.34	7.47
S&P Developed LargeMidCap (CAD)	27.06	13.20	14.31	13.93
Global Equity	25.17	9.85	10.22	9.46
50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	29.58	11.37	12.17	10.54
Canadian Focused Equity	32.91	9.11	8.89	6.65

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2021. CIFSC categorizations are used. Financial information provided by Fundata Canada Inc. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Asset-Weighted Fund Returns

This report shows the asset-weighted average returns of funds in a particular category for the 1-, 3-, 5-, and 10-year periods. For every month, S&P DJI takes all funds in a category and calculates the average return by weighing each fund's return by its month-end assets. The returns from all the months in the period are then compounded. These returns are compared with those of the benchmark. The funds used in the averaging process in one month might not be the same as those used the next month because some funds may have merged or liquidated, new funds may have formed, and some funds might have changed categories.

This report essentially shows the asset-weighted performance of actively managed funds in a category over the time periods studied, with a monthly level of granularity for determining the eligible population in that category.

Most fund reports do not show asset-weighted returns. The SPIVA Canada Scorecard presents an accurate picture of asset-weighted active fund performance in a category by calculating the asset-weighted average performance of the active funds in existence in a category each month.

Report 4: Asset-Weighted Fund Returns				
CATEGORY	1-YEAR (%)	3-YEAR (ANNUALIZED, %)	5-YEAR (ANNUALIZED, %)	10-YEAR (ANNUALIZED, %)
S&P/TSX Composite	33.85	10.80	10.77	7.44
Canadian Equity	37.64	7.56	8.51	6.53
S&P/TSX Completion	35.28	8.99	8.28	5.84
Canadian Small-/Mid-Cap Equity	44.27	9.07	7.70	6.11
S&P/TSX Canadian Dividend Aristocrats Index	44.44	11.34	9.63	8.40
Canadian Dividend & Income Equity	31.91	8.53	9.03	7.42
S&P 500 (CAD)	28.01	16.31	16.53	17.74
U.S. Equity	24.40	14.13	15.01	14.84
S&P EPAC LargeMidCap (CAD)	22.56	7.17	10.17	9.24
International Equity	22.28	7.30	8.48	7.48
S&P Developed LargeMidCap (CAD)	27.06	13.20	14.31	13.93
Global Equity	22.80	9.63	9.87	10.41
50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	29.58	11.37	12.17	10.54
Canadian Focused Equity	32.26	9.06	8.42	6.29

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2021. CIFSC categorizations are used. Financial information provided by Fundata Canada Inc. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

APPENDIX A: SPIVA METHODOLOGY

Data

S&P Dow Jones Indices obtains a custom feed of monthly return data from Fundata Canada for all equity mutual funds in its database. The feed includes data on funds that have merged or liquidated. Fundata applies the following filters to the file S&P DJI receives.

- All non-equity funds are excluded.
- All pooled funds, segregated funds, or other specialized categories that do not qualify as retail mutual funds are excluded.
- Multiple occurrences of the same fund's portfolio reporting in two or more currencies are also excluded, as S&P DJI only uses the Canadian dollar version.
- Only a single share class is included.

The file contains the following data fields on a monthly basis.

- Fund name
- Fund identifier
- Month and year
- Fund returns for the month, after management and other costs, including distributions
- Fund assets under management in that month
- Fund categorization in that month
- Management type (i.e., whether the fund is indexed or actively managed)

S&P DJI then excludes index funds, limiting the data to funds that are actively managed.

Fund Categories

S&P Dow Jones Indices chooses funds that, at any point in the previous 120 months, were classified in at least one of the following seven Canadian Investment Funds Standards Committee (CIFSC)¹ categories.

- Canadian Equity
- Canadian Small-/Mid-Cap Equity
- Canadian Dividend & Income Equity
- U.S. Equity
- International Equity
- Global Equity
- Canadian Focused Equity

The categories reviewed in this report represent the major areas of interest for Canadian market participants.

The CIFSC governs the categorization of Canadian mutual funds. In August 2007, the CIFSC's fund categorization structure changed, posing some challenges for S&P DJI's reports. For example, the Canadian Equity (Pure) category was eliminated; the funds in that category were folded into the revised

¹ Refer to www.cifsc.org for additional information regarding CIFSC and its categories.

definition of Canadian Equity, which now encompasses funds primarily invested in Canadian securities. Also, the Canadian Small-Cap Equity category was expanded into the Canadian Small-/Mid-Cap Equity category. According to the CIFSC, for “each small/mid cap equity category there is a market capitalization threshold that determines whether a fund has a small enough market cap to meet that category. The threshold is determined by comparing the geometric mean market cap of a fund to that same measure for an appropriate benchmark index.”² In this case, the benchmark index the CIFSC uses for the Canadian Small-/Mid-Cap Equity category is the S&P/TSX Completion.

In terms of the Canadian Equity category change, the Fundata file helps achieve comparability across history by backfilling the classifications before the classification system restructuring. S&P DJI realizes that this introduces a backward-looking bias, but fortunately the benchmark for both the Canadian Equity and Canadian Equity (Pure) categories is the S&P/TSX Composite.

The Canadian Small-Cap Equity category restructuring presented additional challenges. The backfilling of classifications resulted in small-cap funds being reclassified historically as small-cap or mid-cap equities, and these same funds were benchmarked to the S&P/TSX Completion rather than the [S&P/TSX SmallCap Index](#).

In addition, as a result of the elimination of the Canadian Small-Cap Equity category, S&P DJI can no longer compare small caps with the S&P/TSX SmallCap Index. If this category is reinstated, it will be added to our reports.

The Income Trust Equity category is no longer relevant for the Canadian investable universe, so it has been excluded from this report.

Benchmarks

The S&P/TSX Canadian Indices were subject to a number of additional changes in 2007. Following a consultation process with the indexing community, the S&P/TSX SmallCap Index's methodology was adjusted to create a more appropriate Canadian benchmark of small-cap equities. The S&P/TSX SmallCap Index is now separate from the S&P/TSX Composite Index Series. In addition, the S&P/TSX MidCap was renamed the S&P/TSX Completion and its methodology was revised. It includes the constituents of the S&P/TSX Composite that are not in the [S&P/TSX 60](#). In 2011, the methodology for the S&P/TSX Canadian Dividend Aristocrats Index was revised to allow for one year of static dividend payments.

The benchmark indices used in the SPIVA Canada Scorecard are shown in Exhibit 5. All index returns are total returns (i.e., include dividend reinvestment) in Canadian dollars. **There has been no deduction of index returns to account for fund investment expenses.** Active fund returns are after expenses, but they do not include front- or back-end loads or other commissions that market participants might pay.

² [“2007 Retail Investment Fund Category Definitions,”](#) CIFSC, June 2007.

Exhibit 5: Fund Categories and Their Benchmarks

FUND CATEGORY	COMPARISON BENCHMARK
Canadian Equity	S&P/TSX Composite
Canadian Small-/Mid-Cap Equity	S&P/TSX Completion
Canadian Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index
U.S. Equity	S&P 500 (CAD)
International Equity	S&P EPAC LargeMidCap (CAD)
Global Equity	S&P Developed LargeMidCap (CAD)
Canadian Focused Equity	50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)

Source: S&P Dow Jones Indices LLC. Benchmarks shown are total return indices. Table is provided for illustrative purposes.

Previous SPIVA Canada Scorecards included a report (Report A2) that compared the Canadian Equity Fund category with a blended index of the S&P/TSX Composite (70%) and the S&P 500 (CAD) (30%). As a result of the foreign content limit removal in 2005, increasing numbers of Canadian market participants started redeploying funds outside of Canada to gain international equity exposure. Funds in the Canadian Focused Equity category include non-Canadian equity exposure. This category is compared with a monthly returning series comprising the S&P/TSX Composite (50%), the S&P 500 (CAD) (25%), and the S&P EPAC LargeMidCap (CAD) (25%).

For additional information on any of the benchmark indices, please see the glossary at the end of this report, or visit our website at spglobal.com/spdji.

APPENDIX B: GLOSSARY

S&P 500

Widely regarded as the best single gauge of the U.S. equities market, this index includes a representative sample of 500 leading companies in leading industries of the U.S. economy and provides over 80% market coverage of the U.S. equities market.

S&P/TSX Composite

This is the headline index and the principal broad market measure for Canadian equity markets. The S&P/TSX Composite is the basis for numerous subindices, which break down the Canadian market by different factors including size, liquidity, and Global Industry Classification Standard (GICS®).

S&P/TSX Completion

This is a modular component of the S&P/TSX Composite. This index comprises constituents of the S&P/TSX Composite that are not in the S&P/TSX 60.

S&P/TSX Canadian Dividend Aristocrats Index

This index is designed to measure the performance of Canadian securities that have followed a managed dividends policy of consistently increasing dividends every year for at least five years.

S&P EPAC LargeMidCap

This index is a float-weighted, rules-based benchmark that captures the universe of securities in the developed markets, excluding North America. The [S&P EPAC LargeMidCap](#) constitutes the top 85% of the available market capitalization of the global [S&P EPAC BMI](#). The S&P EPAC LargeMidCap was previously named the S&P/Citigroup EPAC PMI Index and represented 80% of the available market cap. On Oct. 1, 2008, the new size divisions and name change took effect.

S&P Developed LargeMidCap

This index is a float-weighted, rules-based benchmark that captures securities in the developed markets. The [S&P Developed LargeMidCap](#) constitutes the top 85% of the available market cap of the global [S&P Developed BMI](#). The S&P Developed LargeMidCap was previously named the S&P/Citigroup World PMI Index and represented 80% of the available market capitalization. On Oct. 1, 2008, the new size divisions and name change took effect.

For more information on SPIVA Scorecards, please [click here](#).

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