

## CONTRIBUTORS

Phillip Brzenk, CFA  
Director  
Global Research & Design  
[phillip.brzenk@spglobal.com](mailto:phillip.brzenk@spglobal.com)

# SPIVA<sup>®</sup> Latin America Scorecard

## SUMMARY

The S&P Indices Versus Active (SPIVA) Latin America Scorecard reports on the performance of actively managed mutual funds in Brazil, Chile, and Mexico against their respective benchmarks over one-, three-, and five-year investment horizons.

### Brazil

- In a reversal from the strong returns observed in 2017, the Brazilian equity market declined in the first half of 2018, as the [S&P Brazil BMI](#) returned -4.61%. Large-cap companies (-5.32%, as measured by the S&P Brazil LargeCap) performed relatively worse than mid- and small-cap companies (-3.19%, as measured by the S&P Brazil MidSmallCap).
- With the continued moderation of inflation in Brazil in late 2017 and early 2018, corporate and government bonds grew at a slower pace than in previous years. Corporate bonds (as measured by the Anbima Debentures Index) were up 8.51% and government bonds (as measured by the Anbima Market Index) were up 8.47% over the one-year period ending June 30, 2018.
- Four of the five categories saw the majority of managers underperforming over the one-year period (see Report 1). The one exception was the large-cap equities group, where a slight majority of managers outperformed the S&P Brazil LargeCap. For this category, the asset-weighted average fund return (14.94%) was higher than the equal-weighted average fund return (14.34%); this leads to the notion that larger fund managers (by net assets) performed relatively better than smaller fund managers.
- Across all categories, the majority of fund managers underperformed their respective category benchmarks for the three- and five-year horizons.

## Chile

- Following the trend of other Latin American markets in 2018, the Chilean equity market fell in the first half of the year by -4.39%.
- For the one-year period, 71% of active fund managers in Chile underperformed the [S&P Chile BMI](#). Even fewer managers were successful in outperforming over longer periods; 14% outperformed over the three-year period and 9% outperformed over the five-year period.

## Mexico

- The S&P/BMV IRT declined 2.25% in the first half of 2018, with a similar return (-2.48%) for the one-year period.
- Approximately 44% of equity fund managers were able to beat the benchmark (S&P/BMV IRT) in the past year. As we have seen in prior SPIVA scorecards, the success rate declined for longer time periods—18% of managers outperformed over the three-year period, while 17% outperformed over the five-year period.
- For the five-year period, the median (second quartile) fund had an annualized return of 3.48%, lagging the S&P/BMV IRT by 1.74% on an annualized basis.

## A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

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 much more fascinating. These data sets are rooted in the fundamental principles of the SPIVA Scorecard, with which regular readers will be familiar, 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 relatively large fund (by net assets) affect the category average in the same manner as the returns of a relatively small 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 greatest assets. Index, leveraged, and inverse funds, along with other index-linked products, are excluded from the results, as this is meant to be a scorecard for active managers.

## REPORTS

Report 1: Percentage of Funds Outperformed by the Benchmark				
FUND CATEGORY	COMPARISON INDEX	ONE-YEAR (%)	THREE-YEAR (%)	FIVE-YEAR (%)
Brazil Equity Funds	S&P Brazil BMI	70.65	79.38	85.56
Brazil Large-Cap Funds	S&P Brazil LargeCap	46.74	61.63	87.25
Brazil Mid-/Small-Cap Funds	S&P Brazil MidSmallCap	85.71	85.00	90.00
Brazil Corporate Bond Funds	Anbima Debentures Index (IDA)	82.63	90.56	92.11
Brazil Government Bond Funds	Anbima Market Index (IMA)	83.52	91.39	92.10
Chile Equity Funds	S&P Chile BMI	70.73	86.05	90.70
Mexico Equity Funds	S&P/BMV IRT	55.77	81.63	82.98

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2018. Outperformance is based on equal-weighted fund counts. Index performance based on total return in local country currency. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

<b>Report 2: Fund Survivorship</b>		
<b>FUND CATEGORY</b>	<b>NO. OF FUNDS AT START</b>	<b>SURVIVORSHIP (%)</b>
<b>ONE-YEAR</b>		
Brazil Equity Funds	276	88.04
Brazil Large-Cap Funds	94	91.49
Brazil Mid-/Small-Cap Funds	63	92.06
Brazil Corporate Bond Funds	217	68.66
Brazil Government Bond Funds	355	91.55
Chile Equity Funds	41	85.37
Mexico Equity Funds	52	98.08
<b>THREE-YEAR</b>		
Brazil Equity Funds	389	58.35
Brazil Large-Cap Funds	86	80.23
Brazil Mid-/Small-Cap Funds	81	62.96
Brazil Corporate Bond Funds	196	52.55
Brazil Government Bond Funds	348	78.45
Chile Equity Funds	43	67.44
Mexico Equity Funds	49	95.92
<b>FIVE-YEAR</b>		
Brazil Equity Funds	464	42.89
Brazil Large-Cap Funds	103	57.28
Brazil Mid-/Small-Cap Funds	94	50.00
Brazil Corporate Bond Funds	140	48.57
Brazil Government Bond Funds	304	71.05
Chile Equity Funds	43	65.12
Mexico Equity Funds	48	89.58

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2018. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

<b>Report 3: Average Fund Performance (Equal Weighted)</b>			
<b>CATEGORY</b>	<b>ONE-YEAR (%)</b>	<b>THREE-YEAR (ANNUALIZED %)</b>	<b>FIVE-YEAR (ANNUALIZED %)</b>
S&P Brazil BMI	15.92	11.41	8.57
Brazil Equity Funds	10.10	7.83	5.09
S&P Brazil LargeCap	13.96	9.46	8.22
Brazil Large-Cap Funds	14.34	9.26	6.80
S&P Brazil MidSmallCap	19.88	15.93	9.27
Brazil Mid-/Small-Cap Funds	16.16	11.36	3.04
Anbima Debentures Index (IDA)	8.51	12.57	12.08
Brazil Corporate Bond Funds	-1.38	7.44	8.65
Anbima Market Index (IMA)	8.47	12.81	11.71
Brazil Government Bond Funds	6.80	10.52	10.11
S&P Chile BMI	11.54	11.37	5.69
Chile Equity Funds	11.02	9.27	4.34
S&P/BMV IRT	-2.48	4.04	5.22
Mexico Equity Funds	-3.17	2.54	4.19

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2018. Index performance based on total return in local country currency. Funds are equal weighted, but indices are not. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

<b>Report 4: Average Fund Performance (Asset Weighted)</b>			
<b>CATEGORY</b>	<b>ONE-YEAR (%)</b>	<b>THREE-YEAR (ANNUALIZED %)</b>	<b>FIVE-YEAR (ANNUALIZED %)</b>
S&P Brazil BMI	15.92	11.41	8.57
Brazil Equity Funds	10.36	9.47	7.19
S&P Brazil LargeCap	13.96	9.46	8.22
Brazil Large-Cap Funds	14.94	11.09	9.14
S&P Brazil MidSmallCap	19.88	15.93	9.27
Brazil Mid-/Small-Cap Funds	15.04	11.54	5.16
Anbima Debentures Index (IDA)	8.51	12.57	12.08
Brazil Corporate Bond Funds	6.58	10.17	10.26
Anbima Market Index (IMA)	8.47	12.81	11.71
Brazil Government Bond Funds	7.33	11.25	10.85
S&P Chile BMI	11.54	11.37	5.69
Chile Equity Funds	10.40	8.70	3.45
S&P/BMV IRT	-2.48	4.04	5.22
Mexico Equity Funds	-2.10	2.91	4.77

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2018. Index performance based on total returns in local country currency. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

<b>Report 5: Quartile Breakpoints of Funds</b>			
<b>FUND CATEGORY</b>	<b>THIRD QUARTILE</b>	<b>SECOND QUARTILE</b>	<b>FIRST QUARTILE</b>
<b>ONE-YEAR</b>			
Brazil Equity Funds	5.10	12.30	18.11
Brazil Large-Cap Funds	13.07	14.35	16.71
Brazil Mid-/Small-Cap Funds	4.74	11.28	15.12
Brazil Corporate Bond Funds	7.28	7.55	8.58
Brazil Government Bond Funds	6.03	7.20	7.86
Chile Equity Funds	7.74	9.18	12.67
Mexico Equity Funds	-4.92	-3.01	-0.29
<b>THREE-YEAR</b>			
Brazil Equity Funds	6.13	9.68	12.89
Brazil Large-Cap Funds	8.28	9.41	10.93
Brazil Mid-/Small-Cap Funds	7.68	11.68	15.83
Brazil Corporate Bond Funds	11.27	11.83	12.43
Brazil Government Bond Funds	10.54	11.39	12.13
Chile Equity Funds	6.33	8.32	10.20
Mexico Equity Funds	0.14	1.40	3.38
<b>FIVE-YEAR</b>			
Brazil Equity Funds	3.78	6.51	9.57
Brazil Large-Cap Funds	5.63	7.24	8.11
Brazil Mid-/Small-Cap Funds	1.91	4.47	8.90
Brazil Corporate Bond Funds	10.62	11.51	11.83
Brazil Government Bond Funds	10.24	10.87	11.19
Chile Equity Funds	1.44	3.04	4.32
Mexico Equity Funds	2.23	3.48	5.04

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2018. Index performance based on total returns in local country currency. 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 is obtained for all managed funds for which month-end data is available during the performance period. The SPIVA Latin America Scorecard covers country-specific funds for Brazil, Chile, and Mexico that are domiciled in the respective country markets and denominated in each country's local currency. The Morningstar classification system produces narrow, style-based classifications for funds and where appropriate, S&P Dow Jones Indices consolidated the style-based categories in order to generate a larger sample size and develop a broad-market comparison to market-based benchmarks.

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

<b>Exhibit 1: Fund Category Mapping</b>	
<b>MORNINGSTAR CATEGORY</b>	<b>SPIVA CATEGORY</b>
<b>BRAZIL</b>	
Brazil Fund Brazil All-Cap Equity	Brazil Equity Funds
Brazil Fund Brazil Large-Cap Equity	Brazil Large-Cap Funds
Brazil Fund Brazil Small-/Mid-Cap Equity	Brazil Mid-/Small-Cap Funds
Brazil Fund BRL Corporate Bond	Brazil Corporate Bond Funds
Brazil Fund BRL Government Bond	Brazil Government Bond Funds
<b>CHILE</b>	
Chile Fund Chile Equity	Chile Equity Funds
<b>MEXICO</b>	
Mexico Fund Mexico Equity	Mexico Equity Funds

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

## APPENDIX B

### Glossary – Reports

#### PERCENTAGE OF FUNDS OUTPERFORMED BY THE INDEX

We use funds with returns available for the entire period as the denominator. We determine the count of funds that have survived and beat the index, and then we report the index outperformance percentage.

#### SURVIVORSHIP (%)

The survivorship metric 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 75<sup>th</sup> 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 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 to show explicitly 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 BRAZIL BMI

The S&P Brazil BMI, a subset of the [S&P Global BMI](#), is designed to represent the Brazilian stock market.

### S&P BRAZIL LARGE CAP

The S&P Brazil LargeCap, a subset of the S&P Global BMI, is designed to represent large-cap stocks in the Brazilian market.

### S&P BRAZIL MIDSMALLCAP

The S&P Brazil MidSmallCap, a subset of the S&P Global BMI, is designed to represent mid- and small-cap stocks in the Brazilian market.



## S&P CHILE BMI

The S&P Chile BMI, a subset of the S&P Global BMI, is designed to represent the Chilean stock market.

## S&P/BMV IRT

The S&P/BMV IRT, the total return version of [S&P/BMV IPC](#), seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores.

## ANBIMA DEBENTURES INDEX (IDA)

The Anbima Debentures Index (IDA) represents a portfolio of debentures at market prices and serves as a benchmark for the segment. The index consists of all debentures priced by the Association.

## ANBIMA MARKET INDEX (IMA)

The Anbima Market Index (IMA) represents a portfolio of government securities at market prices, with an approximate range of 97% of the market segment.

<b>S&amp;P DJI RESEARCH CONTRIBUTORS</b>		
Sunjiv Mainie, CFA, CQF	Global Head	<a href="mailto:sunjiv.mainie@spglobal.com">sunjiv.mainie@spglobal.com</a>
Jake Vukelic	Business Manager	<a href="mailto:jake.vukelic@spglobal.com">jake.vukelic@spglobal.com</a>
<b>GLOBAL RESEARCH &amp; DESIGN</b>		
<b>AMERICAS</b>		
Aye M. Soe, CFA	Americas Head	<a href="mailto:aye.soe@spglobal.com">aye.soe@spglobal.com</a>
Phillip Brzenk, CFA	Director	<a href="mailto:phillip.brzenk@spglobal.com">phillip.brzenk@spglobal.com</a>
Smita Chirputkar	Director	<a href="mailto:smitta.chirputkar@spglobal.com">smitta.chirputkar@spglobal.com</a>
Rachel Du	Senior Analyst	<a href="mailto:rachel.du@spglobal.com">rachel.du@spglobal.com</a>
Bill Hao	Director	<a href="mailto:wenli.hao@spglobal.com">wenli.hao@spglobal.com</a>
Qing Li	Director	<a href="mailto:qing.li@spglobal.com">qing.li@spglobal.com</a>
Berlinda Liu, CFA	Director	<a href="mailto:berlinda.liu@spglobal.com">berlinda.liu@spglobal.com</a>
Maria Sanchez	Associate Director	<a href="mailto:maria.sanchez@spglobal.com">maria.sanchez@spglobal.com</a>
Kelly Tang, CFA	Director	<a href="mailto:kelly.tang@spglobal.com">kelly.tang@spglobal.com</a>
Hong Xie, CFA	Director	<a href="mailto:hong.xie@spglobal.com">hong.xie@spglobal.com</a>
<b>APAC</b>		
Priscilla Luk	APAC Head	<a href="mailto:priscilla.luk@spglobal.com">priscilla.luk@spglobal.com</a>
Utkarsh Agrawal, CFA	Associate Director	<a href="mailto:utkarsh.agrawal@spglobal.com">utkarsh.agrawal@spglobal.com</a>
Akash Jain	Associate Director	<a href="mailto:akash.jain@spglobal.com">akash.jain@spglobal.com</a>
Liyu Zeng, CFA	Director	<a href="mailto:liyu.zeng@spglobal.com">liyu.zeng@spglobal.com</a>
<b>EMEA</b>		
Sunjiv Mainie, CFA, CQF	EMEA Head	<a href="mailto:sunjiv.mainie@spglobal.com">sunjiv.mainie@spglobal.com</a>
Leonardo Cabrer, PhD	Senior Analyst	<a href="mailto:leonardo.cabrer@spglobal.com">leonardo.cabrer@spglobal.com</a>
Andrew Cairns	Senior Analyst	<a href="mailto:andrew.cairns@spglobal.com">andrew.cairns@spglobal.com</a>
Andrew Innes	Associate Director	<a href="mailto:andrew.innes@spglobal.com">andrew.innes@spglobal.com</a>
<b>INDEX INVESTMENT STRATEGY</b>		
Craig J. Lazzara, CFA	Global Head	<a href="mailto:craig.lazzara@spglobal.com">craig.lazzara@spglobal.com</a>
Fei Mei Chan	Director	<a href="mailto:feimei.chan@spglobal.com">feimei.chan@spglobal.com</a>
Tim Edwards, PhD	Managing Director	<a href="mailto:tim.edwards@spglobal.com">tim.edwards@spglobal.com</a>
Anu R. Ganti, CFA	Director	<a href="mailto:anu.ganti@spglobal.com">anu.ganti@spglobal.com</a>
Hamish Preston	Senior Associate	<a href="mailto:hamish.preston@spglobal.com">hamish.preston@spglobal.com</a>
Howard Silverblatt	Senior Index Analyst	<a href="mailto:howard.silverblatt@spglobal.com">howard.silverblatt@spglobal.com</a>

## GENERAL DISCLAIMER

Copyright © 2018 S&P Dow Jones Indices LLC. All rights reserved. STANDARD & POOR'S, S&P, S&P 500, S&P 500 LOW VOLATILITY INDEX, S&P 100, S&P COMPOSITE 1500, S&P MIDCAP 400, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, S&P TARGET DATE INDICES, GICS, SPIVA, SPDR and INDEXOLOGY are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"). DOW JONES, DJ, DJIA and DOW JONES INDUSTRIAL AVERAGE are registered trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks together with others have been licensed to S&P Dow Jones Indices LLC. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, S&P, Dow Jones or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. Past performance of an index is not an indication or guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. S&P Dow Jones Indices LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

BMV is a trademark of Bolsa Mexicana de Valores, S.A.B. de C.V. and has been licensed for use by S&P Dow Jones Indices.