

SPIVA[®] MENA Scorecard

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

Summary

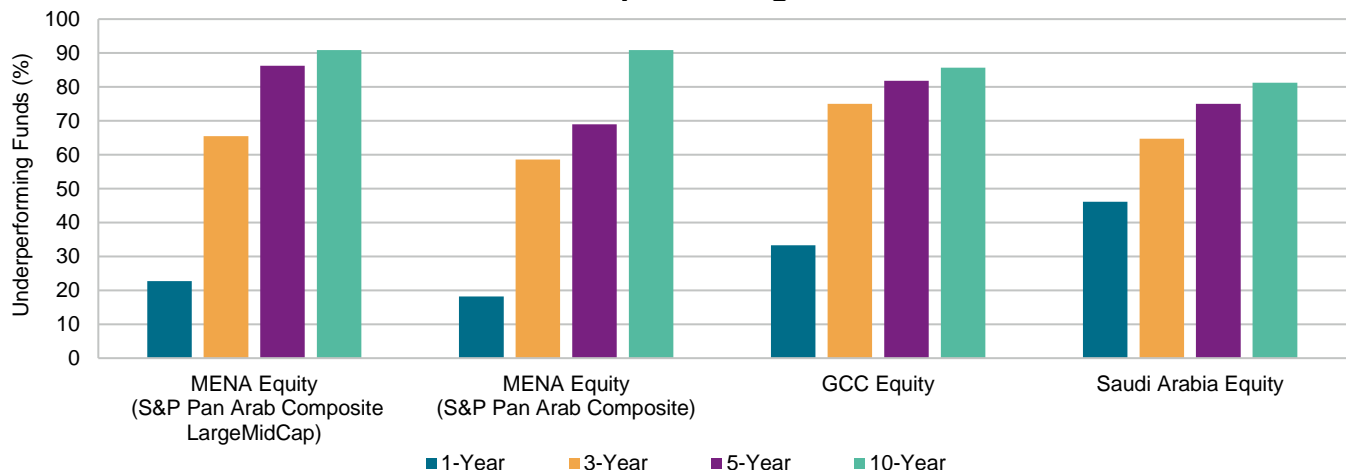
Since the first publication of the S&P Indices Versus Active Funds (SPIVA) U.S. Scorecard in 2002, S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate.

The SPIVA MENA Scorecard measures the performance of actively managed MENA equity funds against their respective benchmarks over various time horizons, providing statistics on outperformance rates, survivorship rates and fund performance dispersion.

Year-End 2022 Highlights

MENA equities plunged in 2022, with the S&P Pan Arab Composite down 5.67%. A majority of funds across all categories outperformed their respective benchmarks over the one-year horizon. MENA Equity funds performed particularly well, with just 18% of funds underperforming the [S&P Pan Arab Composite](#) (see Exhibit 1).

Exhibit 1: Percent of MENA Funds Underperforming Their Benchmarks



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2022. Outperformance is based on equal-weighted fund counts. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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MENA

- 18% of MENA Equity funds underperformed the S&P Pan Arab Composite in 2022, while 23% underperformed the broader [S&P Pan Arab Composite LargeMidCap Index](#). Funds in this category lost 2.49% and 1.82% on equal- and asset-weighted bases, respectively, over the same period (see Reports 1a, 3a and 3b).
- As time horizons extended, fund managers lost the ability to outperform in this category, with 91% of MENA Equity funds underperforming both benchmarks over the 10-year period ending in 2022 (see Report 1a).
- A high rate of attrition plagued the MENA Equity funds category, with only 39% of the funds analyzed surviving the 10-year period (see Report 2).

GCC

- While the [S&P GCC Composite](#) declined 4.78% in 2022, 33% of equity funds focused on the Gulf Cooperation Council (GCC) region underperformed over the past one-year period.
- Survival rates for active GCC Equity funds were moderate, with 76% of funds surviving over a 10-year period (see Report 2).

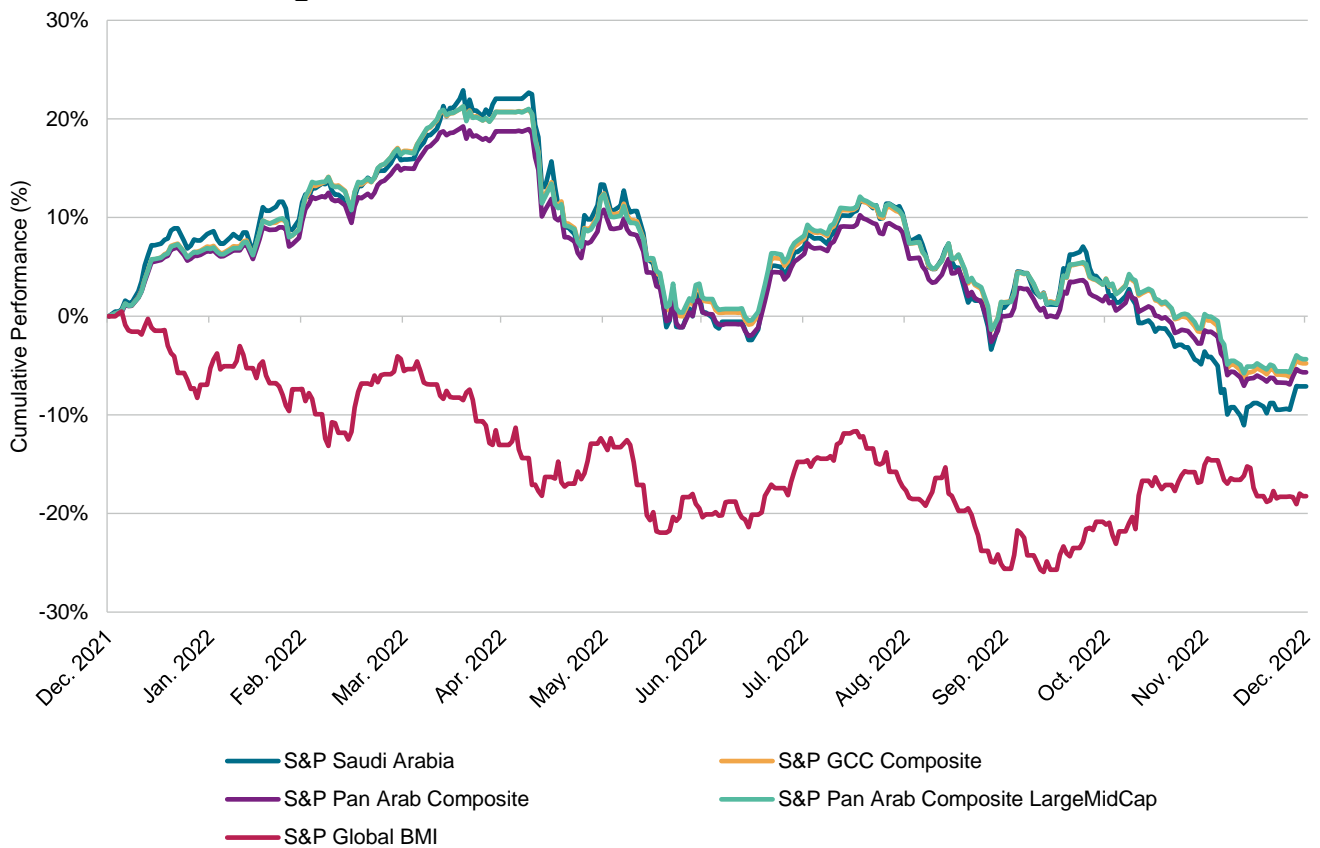
Saudi Arabia

- Although fewer than half of Saudi Arabia Equity funds underperformed their benchmark in 2022, the category underperformance rate of 46% was the highest among all MENA categories over the one-year period (see Report 1a).
- Over longer time horizons, the majority of Saudi Arabia Equity funds trailed the benchmark, with underperformance rates of 65%, 75% and 81% over 3-, 5- and 10-year periods, respectively.
- The survival rates of active Saudi Arabia Equity funds were the highest among all MENA categories, with 88% of funds surviving over the 10-year period.

Market Context

In 2022, the global investment universe faced significant struggles. The disappointing performance of equity indices coincided with challenges including the U.S. Federal Reserve’s rapid pace of rate hikes, persistently high inflation and a protracted conflict in Ukraine, which affected energy prices and broader macroeconomic conditions around the world. In this context, major MENA indices finished the year in negative territory, with 2022 performance ranging from -4.4% to -7.1%, yet they still fared slightly better than the [S&P Global BMI](#) in relative terms (see Exhibit 2).

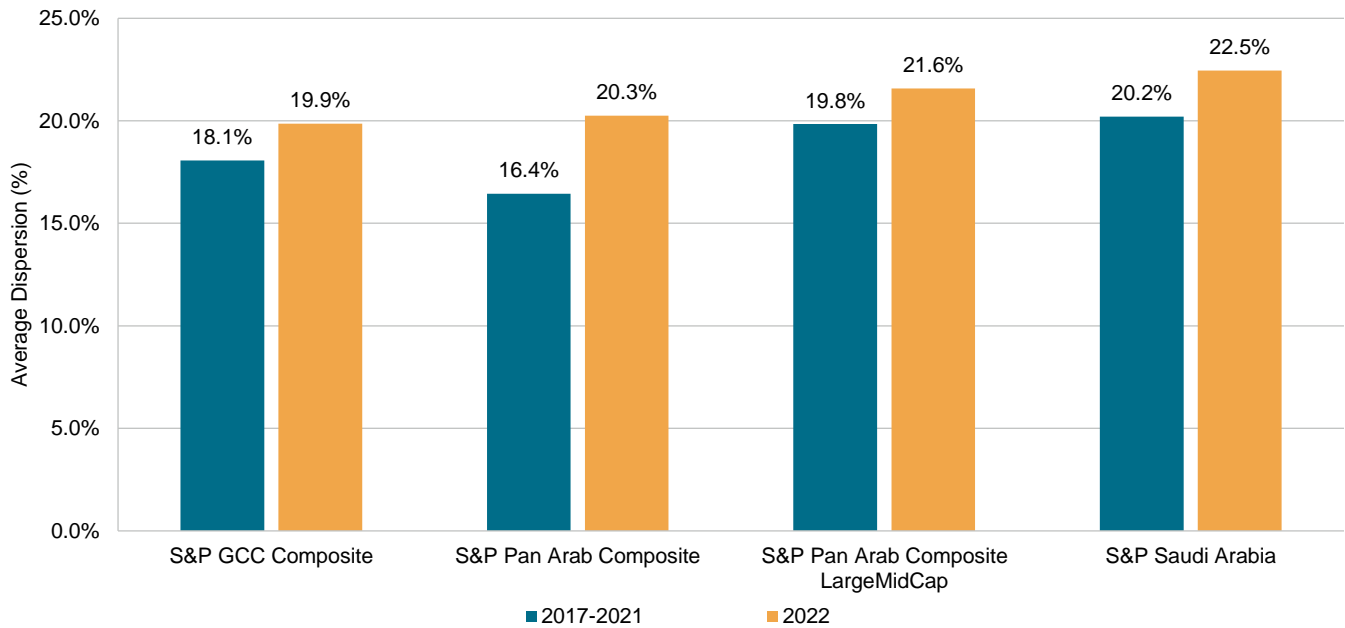
Exhibit 2: MENA Region Index Performance and Global Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

As equity markets in the region were falling, dispersion within each benchmark was also rising to levels exceeding the previous five-year average, creating an environment with greater differences between the best- and worst-performing stocks, increasing the potential positive performance effect of picking outperformers, as well as the negative impact of picking underperformers (see Exhibit 3).

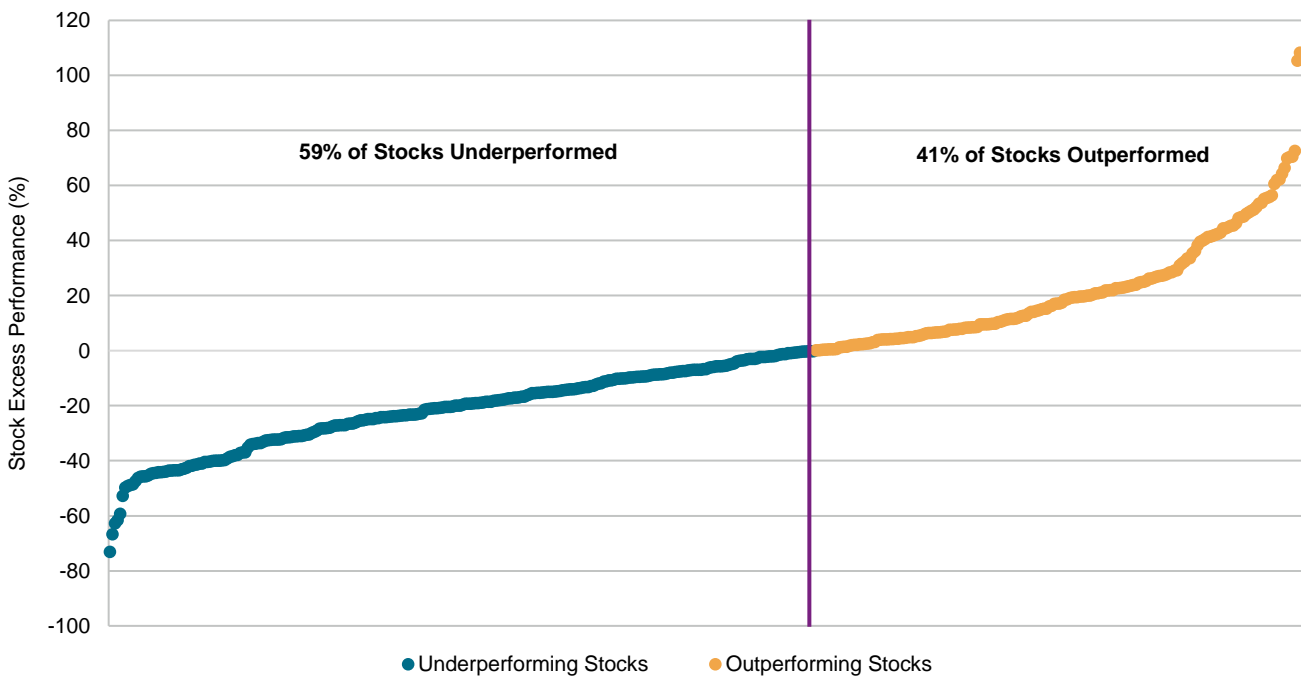
Exhibit 3: One-Year and Previous Five-Year Average Dispersion



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Although wider dispersion created potential opportunity from astute stock selection, the chances of picking a winning stock were less than half, as 59% of stocks in the S&P Pan Arab Composite underperformed the benchmark in 2022 (see Exhibit 4).

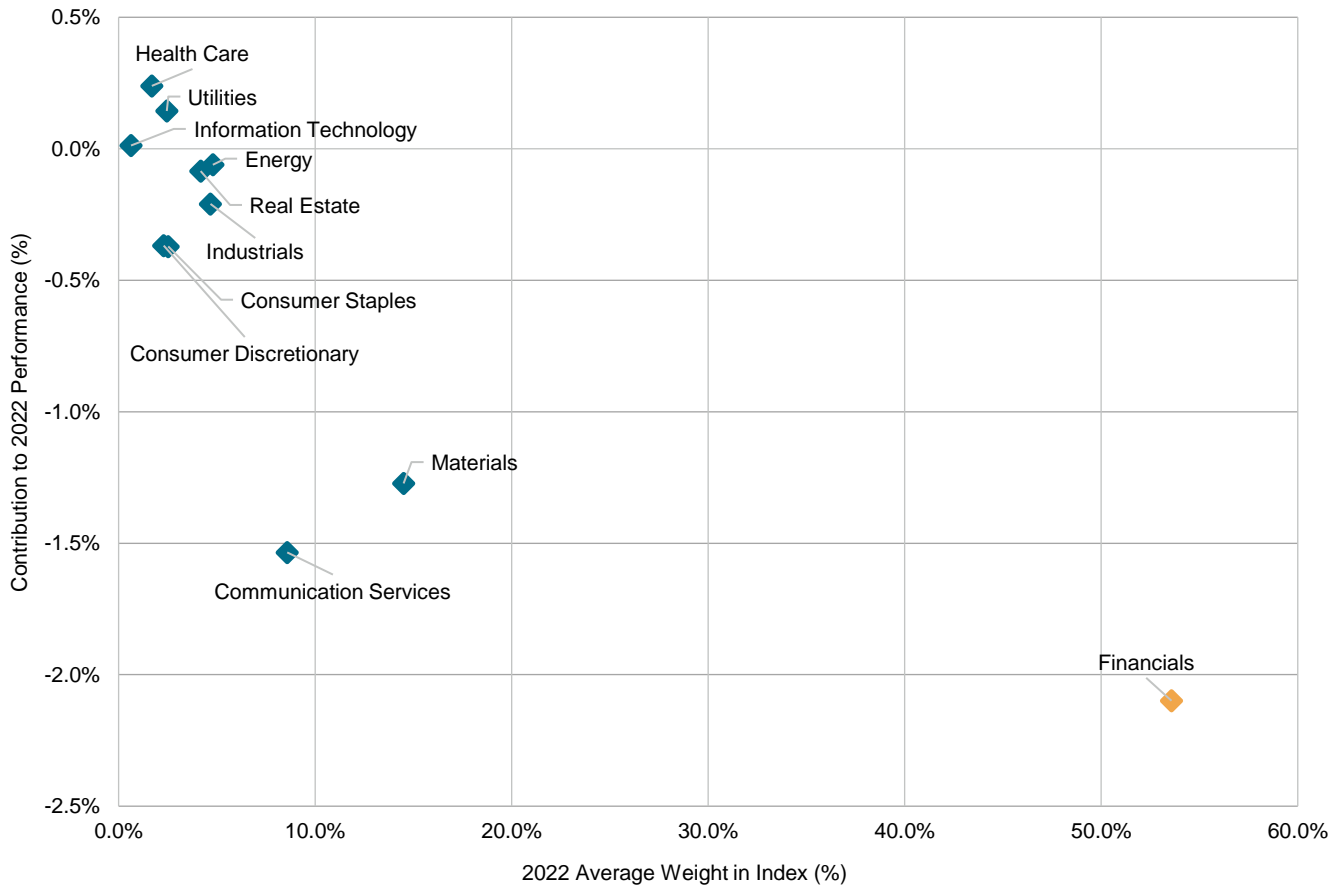
Exhibit 4: 2022 S&P Pan Arab Composite Index Constituent Excess Performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Not only were a small number of stocks significant outliers, but so too was one specific sector. The Financials sector dominated the S&P Pan Arab Composite not only in terms of weight, accounting for an average of 53% of the index in 2022, but also in terms of the negative effect on performance, contributing -2.1% to the benchmark’s -5.67% performance (see Exhibit 5).

Exhibit 5: 2022 S&P Pan Arab Composite Sector Weights and Contribution

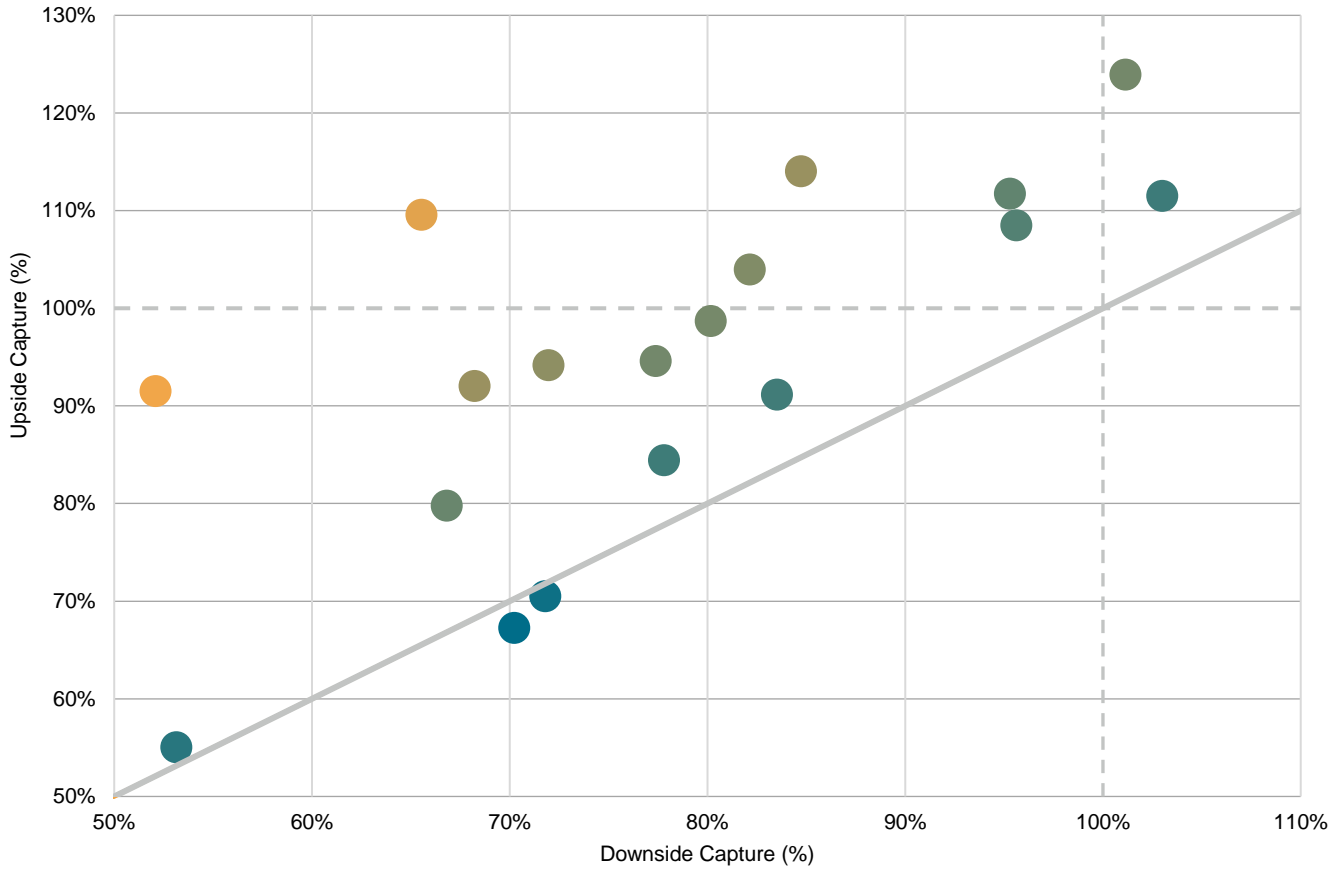


Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Financials was the largest negative contributor to index performance in 2022, but it was not the only sector to have a negative impact. In fact, only 3 out of 11 GICS® sectors were positive contributors to the one-year benchmark performance: Health Care, Utilities and Information Technology. For those managers able to outperform in 2022, simple actions such as underweighting Financials and overweighting the few positive-contributing sectors may have made a large difference.

Downside protection was also an important way in which some funds were able to generate relative returns. Exhibit 6 illustrates that, albeit with a few exceptions, the subset of MENA Equity funds that outperformed the S&P Pan Arab Composite in 2022 were able to capture relatively more upside than downside on a monthly basis.

Exhibit 6: MENA Equity Funds 2022 Upside and Downside Capture versus S&P Pan Arab Composite (Based on Monthly Returns over a One-Year Period)



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Upside and downside capture calculated based on monthly returns. Each data point represents a single active fund in the MENA Equity Category that outperformed the S&P Pan Arab Composite in 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Overall, the funds in Exhibit 6 had an (unweighted) average upside capture of 95% of the benchmark’s gains and just 78% of the benchmark’s declines. More broadly, in every one of our reported categories, the measured 12-month market beta of the asset-weighted average active fund performance compared to its category benchmark was below one (that is to say, the average fund participated less than one-to-one in the market’s returns). This offers a final perspective on 2022 performance: **in the short term, a tilt toward more defensive stocks and sectors (or even cash) may have helped active funds to navigate their way to outperformance during the equity market downturn. However, in the long term, playing defense can lead to missing out on growth—with more than 80% of funds underperforming over the 10-year period in every reported category.**

A Unique Scorecard for the Active versus Passive Debate

Since the publication of the first U.S. Scorecard 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.
- **Asset-Weighted Returns:** Average returns for a fund group are often calculated using only equal weighting, which means the returns of a USD 10 billion fund affect the average in the same manner as the returns of a USD 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 Outperformed by Benchmarks (Based on Absolute Returns)

Fund Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	22.73	65.52	86.21	90.91
MENA Equity	S&P Pan Arab Composite	18.18	58.62	68.97	90.91
GCC Equity	S&P GCC Composite	33.33	75.00	81.82	85.71
Saudi Arabia Equity	S&P Saudi Arabia	46.15	64.71	75.00	81.25

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. Outperformance is based on equal-weighted fund counts. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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

Fund Category	Comparison Index	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	72.41	86.21	90.91
MENA Equity	S&P Pan Arab Composite	62.07	75.86	90.91
GCC Equity	S&P GCC Composite	75.00	81.82	80.95
Saudi Arabia Equity	S&P Saudi Arabia	64.71	68.75	81.25

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. 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 USD for MENA and GCC and SAR for Saudi Arabia. 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		
MENA Equity	22	95.45
GCC Equity	18	100.00
Saudi Arabia Equity	26	100.00
3-Year		
MENA Equity	29	82.76
GCC Equity	24	95.83
Saudi Arabia Equity	17	94.12
5-Year		
MENA Equity	29	72.41
GCC Equity	22	95.45
Saudi Arabia Equity	16	87.50
10-Year		
MENA Equity	33	39.39
GCC Equity	21	76.19
Saudi Arabia Equity	16	87.50

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3a: Average Fund Performance (Equal Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	-2.49	6.46	6.83	5.52
S&P Pan Arab Composite LargeMidCap Index	-4.37	8.91	10.40	7.60
S&P Pan Arab Composite	-5.67	8.20	9.47	6.94
GCC Equity	1.86	9.21	7.90	6.90
S&P GCC Composite	-4.78	9.53	10.74	7.64
Saudi Arabia Equity	1.00	16.41	15.52	10.85
S&P Saudi Arabia	-7.12	11.05	12.11	7.89

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. Returns shown are annualized for periods greater than one year. Funds are equal weighted, but indices are not. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3b: Average Fund Performance (Asset Weighted)

Index/Fund Category	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
MENA Equity	-1.82	6.97	7.63	6.77
S&P Pan Arab Composite LargeMidCap Index	-4.37	8.91	10.40	7.60
S&P Pan Arab Composite	-5.67	8.20	9.47	6.94
GCC Equity	4.42	7.97	7.92	6.60
S&P GCC Composite	-4.78	9.53	10.74	7.64
Saudi Arabia Equity	5.74	17.93	15.32	10.14
S&P Saudi Arabia	-7.12	11.05	12.11	7.89

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. Returns shown are annualized for periods greater than one year. Index performance based on total return in USD for MENA and GCC and SAR for Saudi Arabia. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Return/Volatility Ratio of MENA Equity 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
MENA Equity	S&P Pan Arab Composite LargeMidCap Index	0.48	0.65	0.50	0.38	0.49	0.47	0.36	0.45	0.39
MENA Equity	S&P Pan Arab Composite	0.44	0.59	0.45	0.38	0.49	0.47	0.36	0.45	0.39
GCC Equity	S&P GCC Composite	0.50	0.65	0.47	0.46	0.56	0.47	0.56	0.56	0.49
Saudi Arabia Equity	S&P Saudi Arabia	0.52	0.63	0.40	0.98	0.90	0.54	0.90	0.94	0.59

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. 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 USD for MENA and GCC and SAR for Saudi Arabia. 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			
MENA Equity	-3.86	-1.32	0.85
GCC Equity	-3.61	1.88	5.69
Saudi Arabia Equity	2.06	3.56	5.94
3-Year			
MENA Equity	6.08	8.50	11.26
GCC Equity	7.20	10.26	11.86
Saudi Arabia Equity	12.99	15.68	17.62
5-Year			
MENA Equity	6.73	9.47	10.29
GCC Equity	5.23	9.50	11.21
Saudi Arabia Equity	12.26	15.11	17.74
10-Year			
MENA Equity	5.46	6.35	8.94
GCC Equity	7.10	7.42	9.89
Saudi Arabia Equity	11.20	14.08	15.08

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2022. Returns shown are annualized for periods greater than one year. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Appendix A: SPIVA Styles and Morningstar Fund Classifications

Data are obtained from Morningstar for all managed funds for which month-end data are available during the performance period. The data include funds domiciled in MENA markets. Offshore MENA equity funds are excluded. Funds are classified based on the Morningstar fund classification system, and the SPIVA Scorecard covers MENA equity categories.

MENA Funds Denominated in U.S. Dollars and Saudi Arabian Riyals

The SPIVA MENA Scorecard covers both regional and country-specific funds that are denominated in U.S. dollars (USD) (or a currency pegged to U.S. dollars) or Saudi Arabian riyals (SAR), and they have been mapped to the relevant Morningstar fund categories as indicated in Exhibit 7. To increase the available fund count, funds that are denominated in a currency pegged to the U.S. dollar have been converted to USD using the peg ratio. The Morningstar classification system produces narrow, style-based classifications for funds. 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 the past five years.

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

Exhibit 7: Morningstar Categories and SPIVA Peer Groups for MENA Equity Funds

Morningstar Category	SPIVA Category
USD-Denominated Funds	
EAA Fund Africa & Middle East Equity	MENA Equity
Middle East Fund MENA Equity	
Middle East Fund GCC Equity	GCC Equity
Middle East Fund GCC Islamic Equity	
SAR-Denominated Funds	
Middle East Fund Saudi Equity	Saudi Arabia Equity
Middle East Fund Saudi Islamic Equity	

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

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 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 reference against which fund performance can be measured.

S&P GCC Composite

The S&P GCC Composite is a comprehensive benchmark covering stocks from the six Gulf Cooperation Council (GCC) markets. The index reflects the float defined by foreign investment limits applicable to GCC residents.

S&P Pan Arab Composite

The S&P Pan Arab Composite includes stocks from 11 Pan Arab markets. The index reflects the float available to GCC residents, which is typically larger than that available to investors based outside the region.

S&P Pan Arab Composite LargeMidCap Index

The S&P Pan Arab Composite LargeMidCap Index is designed to track the performance of large- and mid-cap stocks from 11 Pan Arab equity markets.

S&P Saudi Arabia

The S&P Saudi Arabia is a comprehensive benchmark that defines and is designed to measure the investable universe of publicly traded companies domiciled in Saudi Arabia and uses float factors relevant for GCC residents.

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