

## SPIVA<sup>®</sup> South Africa Scorecard

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

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 and fixed income funds denominated in South African rands (ZAR) against their respective benchmark indices over six-month and one-, three-, and five-year investment horizons.

### MID-YEAR 2021 HIGHLIGHTS

#### South African Equity

Through the first six months of the year, 60% of South African Equity funds underperformed the [S&P South Africa 50](#). The same funds fared slightly better in comparison with the [S&P South Africa Domestic Shareholder Weighted \(DSW\) Capped Index](#); 49% of funds underperformed that benchmark. A similar, yet less favorable, finding for active funds was evident over longer time horizons, during which the majority underperformed both benchmarks. Over the five-year period, 93% and 54% underperformed the S&P South Africa 50 and S&P South Africa DSW Capped Index, respectively.

A common argument against comparing active fund performance with that of a passive benchmark is that performance alone cannot tell the whole story and that risk should also be taken into account. However, Report 1b tells a similar tale; for South African Equity funds, the level of underperformance on a risk-adjusted basis over the five-year period is no better than when comparing returns alone. Over this period, 93% and 53% of South African Equity funds underperformed the S&P South Africa 50 and S&P South Africa DSW Capped Index, respectively, on a risk-adjusted basis.

The S&P South Africa 50 recorded remarkable returns for the six-month and one-year periods, gaining 13.7% and 27.8%, respectively. On an asset-weighted basis, South African Equity funds fared well in comparison to this benchmark, outperforming by 0.79% and 1.17% over the six-month and one-year periods, respectively. However, this recent outperformance was not representative of the longer-term three- and five-year periods, when South African Equity funds underperformed by an annualized figure of 3.11% and 4.33%, respectively.

## Global Equity

During the first six months of the year, 64% of Global Equity funds were outperformed by the [S&P Global 1200](#), this figure rose to 89% over the three- and five-year periods. On a risk-adjusted basis, this impressive outperformance continued, with 91% of funds failing to beat the S&P Global 1200 for the three- and five-year periods.

On an asset-weighted basis, there was little to separate Global Equity fund returns from their benchmark for the one-year period; fund returns were higher by 0.22%. The benchmark outperformed by an annualized 2.92% and 1.72% over the three- and five-year periods, respectively. Further highlighting the S&P Global 1200's dominance over the long term, even the 75<sup>th</sup> percentile of Global Equity funds failed to outperform the benchmark for the three- and five-year periods.

## Fixed Income

Short-Term Bond funds continued to significantly outperform the STeFI Composite, beating the benchmark in 92% of cases over the one-year period and in 83% of cases over the five-year period. When viewed on a risk-adjusted basis, however, these figures were flipped; 87% and 83% underperformed over the one- and three-year periods, respectively. This highlights the relative riskiness of Short-Term Bond funds in general recently compared with the STeFI Composite.

Diversified/Aggregate Bond funds had a difficult one-year period, underperforming the [S&P South Africa Sovereign Bond 1+ Year Index](#) by 3.6% on an asset-weighted basis, the worst comparative performance seen across all SPIVA categories.

Interestingly, while the active bond funds' performance with respect to their benchmarks was mixed, they outperformed their active equity fund counterparts over the five-year period. The Short-Term Bond and Diversified/Aggregate Bond funds outperformed by 2.1% and 3.2% annualized, respectively. At the same time, the bond funds operated with far lower risk, as evidenced by their exceptional risk-adjusted returns (see Report 4).

## A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

Since its first publication 19 years ago, the SPIVA Scorecard has served as the de facto scorekeeper of the active versus passive debate. For more than a decade, we have heard passionate arguments from believers in both camps when headline numbers have deviated from their beliefs.

Over the years, we have built on more than a decade of experience publishing the report by expanding coverage into Canada, India, Japan, Australia, Latin America, South Africa, and the Middle East & North Africa. While the report will not end the debate on active versus passive investing, we hope to make a meaningful contribution by examining market segments in which one strategy might work better than the other.

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 more fascinating. These data sets are rooted in the fundamental principles of the SPIVA Scorecard that regular readers will be familiar with, 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 ZAR 100 billion fund affect the average in the same manner as the returns of a ZAR 100 million 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 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 South African Funds Outperformed by Benchmarks

FUND CATEGORY	COMPARISON INDEX	YTD (%)	ONE-YEAR (%)	THREE-YEAR (%)	FIVE-YEAR (%)
South African Equity	S&P South Africa DSW Capped Index	48.80	55.56	50.73	54.12
	S&P South Africa 50	59.81	61.84	80.98	92.78
Global Equity	S&P Global 1200	64.00	52.31	88.89	89.36
Short-Term Bond	STeFI Composite	12.50	7.55	10.20	17.02
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	73.85	78.51	77.45	76.04

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2021. 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 South African Funds Outperformed by Benchmarks – Risk-Adjusted Returns

FUND CATEGORY	COMPARISON INDEX	ONE-YEAR (%)	THREE-YEAR (%)	FIVE-YEAR (%)
South African Equity	S&P South Africa DSW Capped Index	43.00	46.83	53.09
	S&P South Africa 50	34.78	77.56	93.30
Global Equity	S&P Global 1200	49.23	90.74	91.49
Short-Term Bond	STeFI Composite	86.79	79.59	82.98
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	22.31	35.29	36.46

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

### Report 2: Survivorship of South African Funds

FUND CATEGORY	NO. OF FUNDS AT START	SURVIVORSHIP (%)
<b>YTD</b>		
South African Equity	209	96.65
Global Equity	75	100.00
Short-Term Bond	56	96.43
Diversified/Aggregate Bond	130	97.69
<b>ONE-YEAR</b>		
South African Equity	207	92.27
Global Equity	65	100.00
Short-Term Bond	53	98.11
Diversified/Aggregate Bond	121	97.52
<b>THREE-YEAR</b>		
South African Equity	205	82.93
Global Equity	54	92.59
Short-Term Bond	49	93.88
Diversified/Aggregate Bond	102	87.25
<b>FIVE-YEAR</b>		
South African Equity	194	70.10
Global Equity	47	85.11
Short-Term Bond	47	87.23
Diversified/Aggregate Bond	96	75.00

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

**Report 3a: Average South African Fund Performance (Equal-Weighted)**

CATEGORY	YTD (%)	ONE-YEAR (%)	THREE-YEAR (ANNUALIZED %)	FIVE-YEAR (ANNUALIZED %)
S&P South Africa DSW Capped Index	13.03	26.52	5.08	4.23
S&P South Africa 50	13.72	27.76	8.50	8.84
South African Equity	13.45	26.78	5.39	4.51
S&P Global 1200	10.07	14.39	16.96	14.81
Global Equity	9.33	14.11	13.63	11.98
STeFI Composite	1.83	4.01	6.05	6.62
Short-Term Bond	2.48	5.86	7.01	7.53
S&P South Africa Sovereign Bond 1+ Year	5.09	13.81	9.18	9.17
Diversified/Aggregate Bond	4.19	9.79	7.55	7.80

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2021. 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 3b: Average South African Fund Performance (Asset-Weighted)**

CATEGORY	YTD (%)	ONE-YEAR (%)	THREE-YEAR (ANNUALIZED %)	FIVE-YEAR (ANNUALIZED %)
S&P South Africa DSW Capped Index	13.03	26.52	5.08	4.23
S&P South Africa 50	13.72	27.76	8.50	8.84
South African Equity	14.51	28.93	6.40	5.52
S&P Global 1200	10.07	14.39	16.96	14.81
Global Equity	9.92	14.61	14.04	13.09
STeFI Composite	1.83	4.01	6.05	6.62
Short-Term Bond	2.58	5.82	7.05	7.62
S&P South Africa Sovereign Bond 1+ Year	5.09	13.81	9.18	9.17
Diversified/Aggregate Bond	4.30	10.23	8.46	8.72

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2021. Index performance based on total return in ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Report 4: Return/Volatility Ratio of South African Funds and Benchmarks**

CATEGORY	BENCHMARK	BENCHMARK		ASSET-WEIGHTED		EQUAL-WEIGHTED	
		3-YEAR	5-YEAR	3-YEAR	5-YEAR	3-YEAR	5-YEAR
South African Equity	S&P South Africa DSW Capped Index	0.27	0.27	0.36	0.37	0.32	0.32
	S&P South Africa 50	0.46	0.57	0.36	0.37	0.32	0.32
Global Equity	S&P Global 1200	1.04	0.95	0.88	0.87	0.86	0.80
Short-Term Bond	STeFI Composite	14.21	17.25	7.92	10.38	9.61	11.94
Diversified/Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	1.01	1.12	1.91	2.25	1.69	2.10

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

<b>Report 5: Quartile Breakpoints of South African Funds</b>			
<b>FUND CATEGORY</b>	<b>THIRD QUARTILE (ANNUALIZED, %)</b>	<b>SECOND QUARTILE (ANNUALIZED, %)</b>	<b>FIRST QUARTILE (ANNUALIZED, %)</b>
<b>YTD</b>			
South African Equity	11.28	13.20	15.47
Global Equity	7.33	9.14	10.94
Short-Term Bond	2.10	2.39	2.88
Diversified/Aggregate Bond	3.11	3.83	5.35
<b>ONE-YEAR</b>			
South African Equity	21.39	26.14	31.01
Global Equity	9.61	14.16	16.63
Short-Term Bond	4.79	5.64	6.67
Diversified/Aggregate Bond	7.05	9.15	13.22
<b>THREE-YEAR</b>			
South African Equity	3.72	5.87	8.34
Global Equity	11.39	14.11	15.75
Short-Term Bond	6.80	7.13	7.54
Diversified/Aggregate Bond	7.06	8.02	9.24
<b>FIVE-YEAR</b>			
South African Equity	3.11	5.15	6.98
Global Equity	10.08	12.82	13.79
Short-Term Bond	7.26	7.69	8.01
Diversified/Aggregate Bond	7.67	8.44	9.37

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2021. 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 STYLES AND MORNINGSTAR FUND CLASSIFICATIONS

Data from Morningstar are obtained for all managed funds 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.

### International and South African Funds

The SPIVA South Africa Scorecard covers both domestic and international funds that are denominated in South African rands, and they have been mapped to the relevant Morningstar fund categories as indicated in Exhibit 1. The Morningstar classification system produces narrow, style-based classifications for funds, particularly in relation to international equities. 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 a five-year period.

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

<b>MORNINGSTAR CATEGORY</b>	<b>SPIVA CATEGORY</b>	<b>COMPARISON INDEX</b>
EAA Fund South Africa & Namibia Equity	South African Equity	S&P South Africa DSW Capped Index Gross Total Return (ZAR)
EAA Fund South Africa & Namibia Small-Cap Equity		S&P South Africa 50 Gross TR ZAR
EAA Fund Global Large-Cap Blend Equity	Global Equity	S&P Global 1200 Gross 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.

## **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  $p^{\text{th}}$  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 50<sup>th</sup> percentile, and the third quartile is the 25<sup>th</sup> percentile. For fund category quartiles in a particular time horizon, the data used are 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 Domestic Shareholder Weighted (DSW) Capped Index modifies the S&P South Africa Domestic Shareholder Weighted (DSW) Index to ensure that no single stock weighs more than 10% of the index at each rebalancing. The S&P South Africa Domestic Shareholder Weighted (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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