

SPIVA Canada Focus

Mid-Year 2024 Highlights

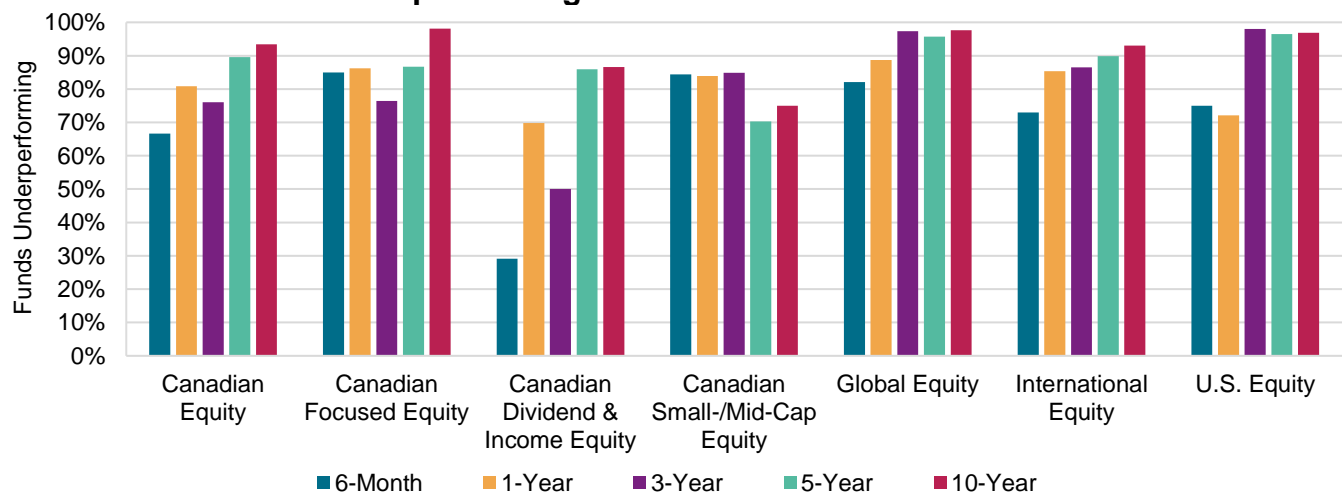
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Our [SPIVA Global Scorecard](#) illustrated difficult conditions for active managers around the world in the first half of 2024, particularly in equities. Canada was no exception. Funds in the Canadian Equity category underperformed at a rate of 66.7% over the first six months of 2024, rising to 93.4% over the 10-year period (see Exhibit 1 and Report 2). Canadian Small-/Mid-Cap Equity funds fared slightly worse, with 84.4% underperforming in H1 2024, and 75.0% failing to beat the benchmark over the 10-year period. Similarly, 85.0% of Canadian Focused Equity funds underperformed in H1 2024, while 98.2% trailed the benchmark over the 10-year period. Canadian Dividend & Income Equity funds had a brighter start to the year, with only 29.2% underperforming in H1 2024, but that rate rose to 86.6% for the 10-year period.

In addition to Canadian equity categories, this report presents SPIVA analyses of three categories of Canada-domiciled funds focused on non-Canadian stocks: U.S. Equity, Global Equity and International Equity. In the first six months of 2024, 75.0% of CAD-denominated U.S. Equity funds underperformed the S&P 500, with the underperformance rate rising to 96.9% over the 10-year period. Global Equity managers were even more challenged in the first half of 2024, with 82.1% underperforming, and a full 97.7% falling behind the benchmark over the 10-year period. Among International Equity funds, 73.0% underperformed in H1 2024, rising to 93.1% over the 10-year period ending in June 2024.

Exhibit 1: Percent of Underperforming Active Funds in Canada



Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2024. Index and fund performance based on CAD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

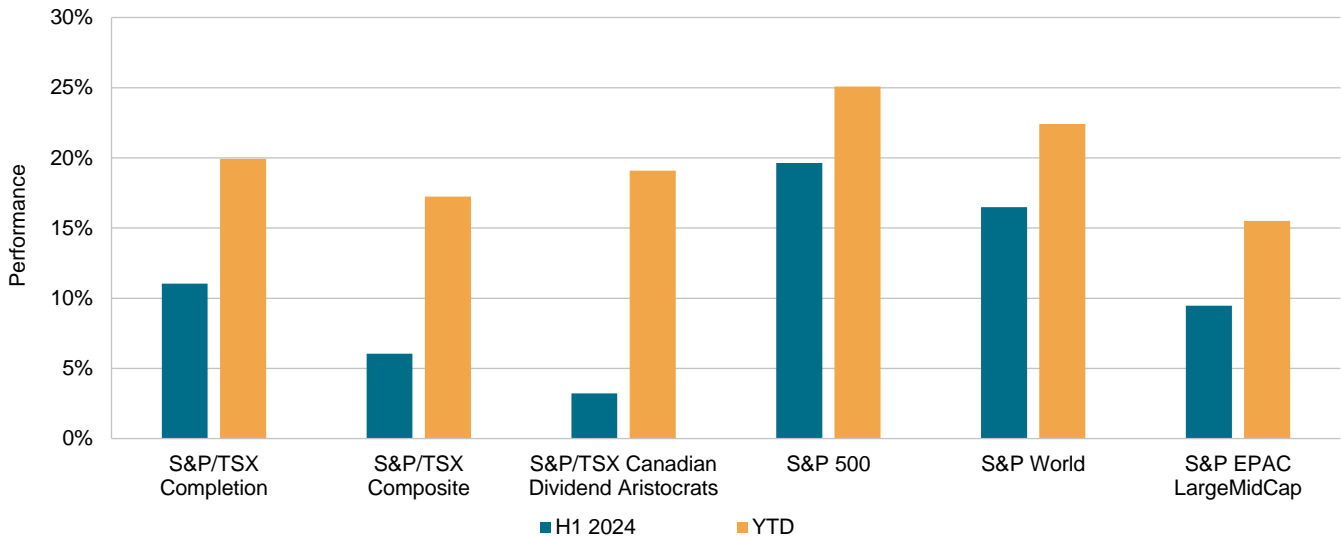
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Market Context: H1 2024 and Beyond

The [S&P/TSX Composite Index](#) ended the first half of 2024 up 6.1% and rallied to finish Q3 2024 up 17.2% YTD (see Exhibit 2). In local currency, Canadian large-cap equity performance trailed domestic small-cap issues, as well as the global flagship [S&P World Index](#) and the U.S.-focused [S&P 500®](#).

Exhibit 2: Canadian and International Index Performance



Source: S&P Dow Jones Indices LLC, Funddata. Data as of Sept. 30, 2024. Index and fund performance based on CAD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Among S&P/TSX Composite Index constituents, slightly more than one-half (51.3%) outperformed the index in H1 2024, and contributions of single stocks to benchmark performance were relatively balanced, with the top and bottom contributors accounting for 0.68% and -0.52% of the 6.1% S&P/TSX Composite Index total performance, respectively. **Despite nearly even odds of picking a winning stock in the first half of the year, two-thirds of Canadian Equity funds (66.7%) underperformed the benchmark.**

While no single stocks stood out dramatically from the pack, sector picking may have played a more significant role in active fund performance. From a contribution perspective, the **Energy and Materials sectors combined to account for 3.9% of the S&P/TSX Composite Index’s 6.1% gain** in the first six months of 2024.

Looking beyond H1 2024, Canadian equities continued to rally in Q3, particularly among smaller-cap and dividend-paying stocks. The [S&P/TSX Completion Index](#) and the [S&P/TSX Canadian Dividend Aristocrats® Index](#) rose 19.9% and 19.1% YTD, respectively, through Sept. 30, 2024 (see Exhibit 2). Meanwhile, the S&P 500 and S&P World Index finished the first three quarters of 2024 up 25.1% and 22.4%, respectively. As the months keep rolling past, only time will tell how well Canada’s active equity managers navigate the challenges and opportunities remaining in 2024.

Report 1: H1 2024 Statistics – Canada 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 (%)
Brazil Equities									
Canadian Equity	S&P/TSX Composite Index	66.67	6.05	4.38	5.31	5.38	6.49	72	97.22
Canadian Focused Equity	50% S&P/TSX Composite Index + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	85.00	10.23	5.34	7.16	6.79	8.95	60	100.00
Canadian Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index	29.17	3.23	3.03	4.14	4.10	5.56	48	97.92
Canadian Small-/Mid-Cap Equity	S&P/TSX Completion Index	84.38	11.04	5.63	7.52	6.61	8.34	32	100.00
Global Equities									
Global Equity (CAD)	S&P World Index	82.07	16.49	8.52	11.65	10.64	14.40	251	99.60
International Equity (CAD)	S&P EPAC LargeMidCap	72.97	9.46	5.24	8.16	7.50	9.83	74	100.00
U.S. Equities									
U.S. Equity (CAD)	S&P 500	75.00	19.64	10.79	17.66	15.18	19.68	140	98.57

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2024. Index and fund performance based on CAD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Fund Underperformance Rates – Canada Categories

Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Canada Equities						
Canadian Equity	S&P/TSX Composite Index	66.67	80.82	76.00	89.55	93.41
Canadian Focused Equity	50% S&P/TSX Composite Index + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	85.00	86.21	76.47	86.67	98.15
Canadian Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index	29.17	69.81	50.00	85.96	86.57
Canadian Small-/Mid-Cap Equity	S&P/TSX Completion Index	84.38	83.87	84.85	70.27	75.00
Global Equities						
Global Equity (CAD)	S&P World Index	82.07	88.72	97.30	95.71	97.65
International Equity (CAD)	S&P EPAC LargeMidCap	72.97	85.33	86.49	89.86	93.06
U.S. Equities						
U.S. Equity (CAD)	S&P 500	75.00	72.14	98.00	96.45	96.90

Source: S&P Dow Jones Indices LLC, Funddata. Data as of June 30, 2024. Index and fund performance based on CAD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Appendix: 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 SPIVA Scorecard methodology, including the fund categorizations and details of each reported statistic, as well as more data on fund performances around the world, may be found below.

[SPIVA Global Mid-Year 2024 Scorecard](#)

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[SPIVA Around the World: Equity](#)

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[SPIVA Scorecards: An Overview](#)

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