

SPIVA® Europe Scorecard

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SUMMARY

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 Funds (SPIVA) U.S. Scorecard in 2002. 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, and South 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 works better than the other.

The SPIVA Europe Scorecard measures the performance of actively managed European equity funds denominated in euro (EUR) and British pound sterling (GBP) against their respective benchmark indices over one-, three-, five-, and now ten-year investment horizons.

EUR-Denominated Equity Funds

Greece has yet again dominated the headlines for much of the first half of the year, even though contagion effects have been somewhat reduced by virtue of a more solid European economy and financial system. In turn, this has translated into a positive, yet volatile, monthly performance over the last six months, except in June when equity markets tumbled because Greek authorities closed the country's banks and restricted cash withdrawals. These would normally be the conditions in which active managers could be expected to outperform the most, as they could utilize their stock-picking skills to benefit from perceived discrepancies in the market. However, our report indicates that 55% of the euro-denominated active funds invested in European equities lagged their respective benchmarks over the one-year period. This level of underperformance was even greater over the longer term. When viewed over a ten-year period, about 92% of eurozone equity funds and approximately 87% of European equity funds trailed their respective benchmarks.

In terms of emerging market equities, performance was generally below par, even though they ended the year in positive territory, because they did not keep pace with global equities, as measured by the S&P Global 1200. There is a widely held belief that active portfolio management can be most effective in less-efficient markets, such as emerging market equities, as these markets can provide managers the opportunity to exploit perceived mispricing. However, this view was once again challenged, as the majority of funds underperformed across all four time horizons, regardless of currency denominations.

In the U.S., the performance of equity markets remained strong, even given the possibility that the Federal Reserve would raise interest rates later in the year. However, nearly 84% of actively managed funds invested in the U.S. failed to deliver higher returns than the S&P 500[®] over the past year. This subpar performance is even more conspicuous over the longer term, as over 98% of the active funds did not keep up with the benchmark over the past 10 years.

Similar to the findings in previous reports, the size (e.g. the amount of assets under management) of the fund appears to matter. Results from Reports 3 and 4 highlight that asset-weighted returns across the four time horizons examined were generally higher. Funds also seem to disappear at a meaningful rate. Over the past 10 years, approximately 50% of the euro-denominated funds invested in European equities were either liquidated or merged.

GBP-Denominated Funds

With respect to sterling-denominated categories, certain categories of actively managed funds invested in U.K. equities delivered good performance, and the majority of U.K. large- and mid-cap funds posted higher returns than their respective benchmarks across one- and three-year periods. This is in stark contrast with U.K. small-cap funds, which delivered lower returns than their corresponding benchmarks over the same time periods. However, all categories of U.K. funds trailed their corresponding benchmarks, when viewed over a 10-year time horizon. In addition to this, sterling-denominated funds invested in emerging market, U.S., and international equities also underperformed their corresponding benchmarks. This is consistent with the finding for euro-denominated funds invested in these markets.

Between 50% and 60% of sterling-denominated U.S. and European equity funds were either liquidated or merged over the past 10 years.

A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

Since its first publication 12 years ago, the SPIVA Scorecard has served as the de facto scorekeeper of the active versus passive debate. Over the past decade, 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 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 EUR 10 billion fund affect the average in the same manner as the returns of a EUR 10 million fund. An accurate representation of how investors 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 1: Percentage of European Equity Funds Outperformed by Benchmarks					
Fund Category	Comparison Index	One-Year	Three-Year	Five-Year	Ten-Year
Data in EUR					
Europe Equity	S&P Europe 350®	55.03	70.59	82.79	87.31
Eurozone Equity	S&P Eurozone BMI	59.01	84.62	87.46	91.95
France Equity	S&P France BMI	63.44	80.88	86.42	86.32
Germany Equity	S&P Germany BMI	63.83	65.91	73.63	83.33
Global Equity	S&P Global 1200	82.48	87.92	97.09	97.96
Emerging Markets Equity	S&P/IFCI	83.39	85.91	92.50	97.47
U.S. Equity	S&P 500	83.56	90.61	96.84	98.38
Data in GBP					
Europe Equity	S&P Europe 350	24.24	43.75	52.58	69.35
Europe Ex-U.K. Equity	S&P Europe Ex-U.K. BMI	32.77	51.20	57.69	72.00
U.K. Equity	S&P United Kingdom BMI	18.01	33.33	52.34	72.86
U.K. Large-/Mid-Cap Equity	S&P United Kingdom LargeMidCap	8.04	25.66	45.59	72.67
U.K. Small-Cap Equity	S&P United Kingdom SmallCap	84.85	79.41	72.22	84.62
Global Equity	S&P Global 1200	65.45	72.63	88.95	88.28
Emerging Markets Equity	S&P/IFCI	79.25	71.90	77.91	86.05
U.S. Equity	S&P 500	72.08	70.86	90.57	89.13

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Outperformance is based on equal-weighted fund counts. Index performance based on total return. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship Consistency of European Equity Funds		
Fund Category	No. of Funds at Start	Survivorship (%)
One-Year (EUR)		
Europe Equity	1102	94.37
Eurozone Equity	546	94.87
France Equity	230	96.09
Germany Equity	96	92.71
Global Equity	1193	93.21
Emerging Markets Equity	346	91.62
U.S. Equity	390	93.59
One-Year (GBP)		
Europe Equity	109	93.58
Europe Ex-U.K. Equity	127	96.06
U.K. Equity	386	96.11
U.K. Large-/Mid-Cap Equity	219	95.89
U.K. Small-Cap Equity	68	97.06
Global Equity	446	93.95
Emerging Markets Equity	174	94.25
U.S. Equity	222	95.05
Three-Year (EUR)		
Europe Equity	1149	79.90
Eurozone Equity	606	78.55
France Equity	254	77.95
Germany Equity	90	84.44
Global Equity	1223	77.51
Emerging Markets Equity	318	81.76
U.S. Equity	389	78.66
Three-Year (GBP)		
Europe Equity	100	75.00
Europe Ex-U.K. Equity	132	80.30
U.K. Equity	422	79.38
U.K. Large-/Mid-Cap Equity	240	80.42
U.K. Small-Cap Equity	70	84.29
Global Equity	397	81.61
Emerging Markets Equity	132	87.12
U.S. Equity	182	79.12

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship of European Equity Funds (cont.)		
Fund Category	No. of Funds at Start	Survivorship (%)
Five-Year (EUR)		
Europe Equity	1294	64.30
Eurozone Equity	683	64.86
France Equity	268	69.78
Germany Equity	94	78.72
Global Equity	1295	65.02
Emerging Markets Equity	254	75.98
U.S. Equity	428	61.21
Five-Year (GBP)		
Europe Equity	101	62.38
Europe Ex-U.K. Equity	136	72.79
U.K. Equity	469	65.03
U.K. Large-/Mid-Cap Equity	275	62.91
U.K. Small-Cap Equity	74	71.62
Global Equity	390	70.00
Emerging Markets Equity	94	81.91
U.S. Equity	183	65.03
Ten-Year (EUR)		
Europe Equity	1192	49.33
Eurozone Equity	730	43.70
France Equity	285	50.88
Germany Equity	110	55.45
Global Equity	1218	43.35
Emerging Markets Equity	165	61.21
U.S. Equity	463	36.93
Ten-Year (GBP)		
Europe Equity	65	41.54
Europe Ex-U.K. Equity	132	57.58
U.K. Equity	489	45.81
U.K. Large-/Mid-Cap Equity	315	41.27
U.K. Small-Cap Equity	67	58.21
Global Equity	292	54.11
Emerging Markets Equity	49	73.47
U.S. Equity	149	46.98

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3: Average European Equity Fund Performance (Equal Weighted)				
Category	One-Year (%)	Three-Year (Annualized %)	Five-Year (Annualized %)	Ten-Year (Annualized %)
Data in EUR				
S&P Europe 350	14.27	18.34	12.98	6.68
Europe Equity	15.31	17.96	11.82	5.48
S&P Eurozone BMI	12.63	20.62	11.82	5.92
Eurozone Equity	12.06	18.48	10.21	4.33
S&P France BMI	12.36	19.66	12.41	6.12
France Equity	11.54	18.62	10.59	4.98
S&P Germany BMI	12.22	20.26	13.78	9.23
Germany Equity	11.59	18.89	12.9	8.27
S&P Global 1200	25.03	19.38	15.54	7.94
Global Equity	20.53	16.32	11.12	4.99
S&P/IFCI	18.32	9.85	6.69	10.00
Emerging Markets Equity	13.54	7.24	3.88	6.86
S&P 500	32.00	22.51	19.59	8.79
U.S. Equity	26.67	19.75	16.15	6.29
Data in GBP				
S&P Europe 350	1.18	13.26	9.73	7.25
Europe Equity	5.81	15.51	11.23	7.96
S&P Europe Ex-U.K. BMI	1.98	15.76	9.97	7.91
Europe Ex-U.K. Equity	4.80	16.87	10.91	8.57
S&P United Kingdom BMI	2.14	10.95	10.96	7.19
U.K. Equity	8.13	15.69	13.48	8.22
S&P United Kingdom LargeMidCap	-0.82	8.70	9.42	6.22
U.K. Large-/Mid-Cap Equity	7.02	14.05	12.17	7.45
S&P United Kingdom SmallCap	16.88	22.38	18.78	12.11
U.K. Small-Cap Equity	10.74	20.31	17.73	10.41
S&P Global 1200	10.77	14.33	12.28	8.46
Global Equity	9.16	13.08	9.95	7.20
S&P/IFCI	4.69	5.09	3.65	10.52
Emerging Markets Equity	0.32	3.53	2.04	9.63
S&P 500	16.79	17.20	16.18	9.31
U.S. Equity	14.31	16.65	14.22	7.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Index performance based on total return. Funds are equal weighted, but indices are not. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Average European Equity Fund Performance (Asset Weighted)				
Category	One-Year (%)	Three-Year (Annualized %)	Five-Year (Annualized %)	Ten-Year (Annualized %)
Data in EUR				
S&P Europe 350	14.27	18.34	12.98	6.68
Europe Equity	15.90	18.14	12.42	5.89
S&P Eurozone BMI	12.63	20.62	11.82	5.92
Eurozone Equity	12.67	18.92	10.50	4.48
S&P France BMI	12.36	19.66	12.41	6.12
France Equity	11.75	18.40	10.69	5.15
S&P Germany BMI	12.22	20.26	13.78	9.23
Germany Equity	13.39	21.33	13.71	8.94
S&P Global 1200	25.03	19.38	15.54	7.94
Global Equity	21.68	17.07	11.86	5.49
S&P/IFCI	18.32	9.85	6.69	10.00
Emerging Markets Equity	15.45	7.99	4.54	7.86
S&P 500	32.00	22.51	19.59	8.79
U.S. Equity	27.93	19.74	16.24	6.54
Data in GBP				
S&P Europe 350	1.18	13.26	9.73	7.25
Europe Equity	6.54	16.47	12.23	9.16
S&P Europe Ex-U.K. BMI	1.98	15.76	9.97	7.91
Europe Ex-U.K. Equity	6.89	16.45	11.16	8.34
S&P United Kingdom BMI	2.14	10.95	10.96	7.19
U.K. Equity	7.48	14.88	12.82	7.91
S&P United Kingdom LargeMidCap	-0.82	8.70	9.42	6.22
U.K. Large-/Mid-Cap Equity	7.21	14.60	12.57	7.44
S&P United Kingdom SmallCap	16.88	22.38	18.78	12.11
U.K. Small-Cap Equity	10.68	20.20	18.16	10.64
S&P Global 1200	10.77	14.33	12.28	8.46
Global Equity	10.58	14.29	10.90	7.64
S&P/IFCI	4.69	5.09	3.65	10.52
Emerging Markets Equity	0.68	3.91	3.75	10.67
S&P 500	16.79	17.20	16.18	9.31
U.S. Equity	15.13	16.69	13.95	8.23

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Index performance based on total returns. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 5: Quartile Breakpoints of European Equity Funds			
Fund Category	First Quartile	Second Quartile	Third Quartile
One-Year (EUR)			
Europe Equity	17.32	14.05	10.86
Eurozone Equity	14.23	11.89	9.58
France Equity	13.57	11.43	9.31
Germany Equity	15.37	11.07	7.69
Global Equity	24.15	20.81	16.02
Emerging Markets Equity	16.65	13.96	11.09
U.S. Equity	30.79	28.11	24.07
One-Year (GBP)			
Europe Equity	8.51	4.75	2.22
Europe Ex-U.K. Equity	6.96	3.79	1.09
U.K. Equity	11.46	7.22	4.32
U.K. Large-/Mid-Cap Equity	8.99	5.93	4.05
U.K. Small-Cap Equity	14.67	11.39	6.62
Global Equity	12.13	9.39	7.01
Emerging Markets Equity	4.39	1.24	-1.97
U.S. Equity	17.33	14.71	11.60
Three-Year (EUR)			
Europe Equity	19.69	17.29	14.94
Eurozone Equity	20.03	18.31	16.37
France Equity	19.62	17.92	16.42
Germany Equity	22.01	19.41	16.78
Global Equity	18.44	16.55	14.22
Emerging Markets Equity	8.84	7.12	5.60
U.S. Equity	21.39	19.63	17.51
Three-Year (GBP)			
Europe Equity	17.72	15.34	13.29
Europe Ex-U.K. Equity	18.35	16.67	14.88
U.K. Equity	19.34	15.27	12.35
U.K. Large-/Mid-Cap Equity	16.01	13.34	11.71
U.K. Small-Cap Equity	22.30	20.25	16.75
Global Equity	15.26	13.15	11.25
Emerging Markets Equity	5.75	3.33	1.64
U.S. Equity	18.20	16.62	14.95

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending June 30, 2015. Index performance based on total returns. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 5: Quartile Breakpoints of European Equity Funds (cont.)			
Fund Category	First Quartile	Second Quartile	Third Quartile
Five-Year (EUR)			
Europe Equity	13.22	11.08	9.18
Eurozone Equity	11.29	9.77	8.40
France Equity	11.61	10.08	9.00
Germany Equity	15.13	12.76	10.87
Global Equity	13.19	11.36	9.16
Emerging Markets Equity	5.09	3.71	2.51
U.S. Equity	17.31	15.89	14.03
Five-Year (GBP)			
Europe Equity	13.05	11.20	10.26
Europe Ex-U.K. Equity	11.97	10.43	9.44
U.K. Equity	15.79	12.75	10.96
U.K. Large-/Mid-Cap Equity	13.38	11.67	10.37
U.K. Small-Cap Equity	19.96	18.44	15.67
Global Equity	11.41	10.18	8.61
Emerging Markets Equity	4.09	2.02	0.63
U.S. Equity	15.53	14.25	12.95
Ten-Year (EUR)			
Europe Equity	6.76	5.01	3.64
Eurozone Equity	5.39	4.05	3.04
France Equity	6.19	4.56	3.70
Germany Equity	9.47	8.28	7.38
Global Equity	6.30	5.12	4.13
Emerging Markets Equity	7.55	6.41	5.29
U.S. Equity	7.40	6.05	4.88
Ten-Year (GBP)			
Europe Equity	9.53	8.38	7.47
Europe Ex-U.K. Equity	9.51	7.96	6.78
U.K. Equity	9.90	7.94	6.44
U.K. Large-/Mid-Cap Equity	8.64	7.06	5.99
U.K. Small-Cap Equity	12.24	11.10	9.13
Global Equity	8.36	7.18	6.01
Emerging Markets Equity	10.21	8.89	8.12
U.S. Equity	9.38	8.03	7.04

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods June 30, 2015. Index performance based on total returns. 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 Europe is obtained for all managed funds for which month-end data is available during the performance period. The data includes funds domiciled in European markets as well as major Asian markets where material numbers of European UCITS funds are available (chiefly Hong Kong, Singapore, Taiwan, and South Africa). Offshore European equity funds are excluded. Funds are classified based on the Morningstar fund classification system, and the SPIVA Scorecard covers European and global equity categories.

European Equity Funds Denominated in EUR and GBP

The SPIVA Europe Scorecard covers both regional and country-specific funds that are denominated in both EUR and GBP, and they have been mapped to the relevant Morningstar fund categories as we here indicate. The Morningstar classification system produces narrow, style-based classifications for funds, particularly in relation to European and 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 the past five years.

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

Exhibit 1: Morningstar Categories and SPIVA Peer Groups for European Equity Funds	
EUR-Denominated European Funds	
Morningstar Category	SPIVA Category
Europe Open-Ended Europe Flex-Cap Equity	S&P Europe 350
Europe Open-Ended Europe Large-Cap Blend Equity	
Europe Open-Ended Europe Large-Cap Growth Equity	
Europe Open-Ended Europe Large-Cap Value Equity	
Europe Open-Ended Mid-Cap Equity	
Europe Open-Ended Small-Cap Equity	S&P Eurozone BMI (EUR) Gross Total Return
Europe Open-Ended Eurozone Flex-Cap Equity	
Europe Open-Ended Eurozone Large-Cap Equity	
Europe Open-Ended Eurozone Mid-Cap Equity	
Europe Open-Ended Eurozone Small-Cap Equity	S&P France BMI (EUR) Gross Total Return
Europe Open-Ended France Large-Cap Equity	
Europe Open-Ended France Small-/Mid-Cap Equity	S&P Germany BMI (EUR) Gross Total Return
Europe Open-Ended Germany Large-Cap Equity	
Europe Open-Ended Germany Small-/Mid-Cap Equity	

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

Exhibit 1: Morningstar Categories and SPIVA Peer Groups for European Equity Funds (cont.)

GBP-Denominated European Funds	
Morningstar Category	SPIVA Category
Europe Open-Ended Europe Flex-Cap Equity	S&P Europe 350 (GBP)(WM)
Europe Open-Ended Europe Large-Cap Blend Equity	
Europe Open-Ended Europe Large-Cap Growth Equity	
Europe Open-Ended Europe Large-Cap Value Equity	
Europe Open-Ended Europe Mid-Cap Equity	
Europe Open-Ended Europe Small-Cap Equity	S&P Europe Ex-U.K. BMI (GBP) Gross Total Return
Europe Open-Ended Europe Ex-U.K. Large-Cap Equity	
Europe Open-Ended Europe Ex-U.K. Small-/Mid-Cap Equity	
Europe Open-Ended U.K. Large-Cap Blend Equity	S&P United Kingdom LargeMidCap (GBP) Gross Total Return
Europe Open-Ended U.K. Large-Cap Growth Equity	
Europe Open-Ended U.K. Large-Cap Value Equity	
Europe Open-Ended U.K. Mid-Cap Equity	S&P United Kingdom SmallCap (GBP) Gross Total Return
Europe Open-Ended U.K. Small-Cap Equity	
Europe Open-Ended U.K. Large-Cap Blend Equity	
Europe Open-Ended U.K. Large-Cap Growth Equity	S&P United Kingdom BMI (GBP) Gross Total Return
Europe Open-Ended U.K. Large-Cap Value Equity	
Europe Open-Ended U.K. Mid-Cap Equity	
Europe Open-Ended U.K. Small-Cap Equity	
Europe Open-Ended U.K. Flex-Cap Equity	

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

International Funds Denominated in EUR and GBP

For international equities, the SPIVA Europe Scorecard reports on three major categories (U.S., global, and global emerging markets) in both EUR and GBP. These categories also include multiple Morningstar classifications.

Exhibit 2: Morningstar Categories and SPIVA Peer Groups for International Equity Funds

EUR-Denominated International Funds	
Morningstar Category	SPIVA Category
Europe Open-Ended Global Large-Cap Blend Equity	S&P Global 1200 Total Return (EUR)
Europe Open-Ended Global Large-Cap Growth Equity	
Europe Open-Ended Global Large-Cap Value Equity	
Europe Open-Ended Global Small-Cap Equity	S&P 500 Total Return (EUR)
Europe Open-Ended U.S. Large-Cap Blend Equity	
Europe Open-Ended U.S. Large-Cap Growth Equity	
Europe Open-Ended U.S. Large-Cap Value Equity	
Europe Open-Ended U.S. Mid-Cap Equity	
Europe Open-Ended U.S. Flex-Cap Equity	S&P/IFCI Total Return (EUR)
Europe Open-Ended U.S. Small-Cap Equity	
Europe Open-Ended Global Emerging Markets Equity	

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

Exhibit 2: Morningstar Categories and SPIVA Peer Groups for International Equity Funds (cont.)	
GBP-Denominated International Funds	
Morningstar Category	SPIVA Category
Europe Open-Ended Global Large-Cap Blend Equity	S&P Global 1200 Total Return (GBP)
Europe Open-Ended Global Large-Cap Growth Equity	
Europe Open-Ended Global Large-Cap Value Equity	
Europe Open-Ended Global Small-Cap Equity	
Europe Open-Ended U.S. Large-Cap Blend Equity	S&P 500 Total Return (GBP)
Europe Open-Ended U.S. Large-Cap Growth Equity	
Europe Open-Ended U.S. Large-Cap Value Equity	
Europe Open-Ended U.S. Mid-Cap Equity	
Europe Open-Ended U.S. Small-Cap Equity	
Europe Open-Ended U.S. Flex-Cap Equity	S&P/IFCI (GBP)
Europe Open-Ended Global Emerging Markets Equity	

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

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 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 pth 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 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 500

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

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).

S&P/IFCI

The S&P/IFCI is widely recognized as a comprehensive and reliable measure of the world's emerging markets. It measures the returns of stocks that are legally and practically available to foreign investors.

S&P Europe 350

Covering approximately 70% of the region's market capitalization, the S&P Europe 350 is an equity index drawn from 17 major European markets.

S&P Europe Ex-U.K. BMI

The S&P Europe ex-U.K. BMI, a subset of the S&P Global BMI, is designed to represent the stock markets of Europe, excluding the U.K. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

S&P Eurozone BMI

The S&P Eurozone BMI, a subset of the S&P Global BMI, is designed to represent the stock markets of European countries that adopt the euro currency.

S&P France BMI

The S&P France BMI, a subset of the S&P Global BMI, is an equity index that is designed to represent the French stock market. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

S&P Germany BMI

The S&P Germany BMI, a subset of the S&P Global BMI, is an equity index that is designed to represent the German stock market. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

S&P United Kingdom BMI

The S&P United Kingdom BMI, a subset of the S&P Global BMI, is an equity index that is designed to represent the U.K. stock market. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

S&P United Kingdom LargeMidCap

The S&P United Kingdom LargeMidCap, a subset of the S&P Global BMI, is an equity index that is designed to represent the large- and mid-cap companies of the U.K. stock market and covers approximately 85% of the float market-cap. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

S&P United Kingdom SmallCap

The S&P United Kingdom SmallCap, a subset of the S&P Global BMI, is an equity index that is designed to represent the small-cap companies of the U.K. stock market. The S&P Global BMI is a comprehensive, rules-based index designed to measure global stock market performance.

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