

SPIVA[®] India Scorecard

CONTRIBUTOR

Utkarsh Agrawal, CFA
Associate Director
Global Research & Design
utkarsh.agrawal@spglobal.com

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 our experience publishing the report by expanding scorecard coverage into Australia, Canada, Europe, India, Japan, Latin America, and South Africa.
- The SPIVA India Scorecard reports on the performance of actively managed Indian mutual funds compared with their respective benchmark indices over one-, three-, and five-year investment horizons. In this scorecard, we studied the performance of three categories of actively managed equity funds and two categories of actively managed bond funds over the one-, three-, and five-year periods ending June 2016.
- Various events, such as the turmoil in the Chinese stock market, the U.K.'s referendum result to leave the EU, the resignation of David Cameron as the prime minister of the U.K., and the decision of Raghuram Rajan to not seek a second term as Reserve Bank of India's governor, kept the Indian capital market volatile through the first half of 2016.
- Over the six-month period ending June 2016, foreign market participants added INR 191.68 billion to the Indian equity market, while they withdrew INR 115.69 billion from the Indian debt market.
- For the one-year period ending June 2016, the [S&P BSE 100](#), which seeks to measure the large-cap equity market in India, ended in the black, at 1.12%. The mid-cap equity market, as measured by the [S&P BSE MidCap](#), ended at 11.32% over the same period. The [S&P BSE India Government Bond Index](#) delivered a total return of 10.71% over the one-year period ending June 2016.

- **Indian Large-Cap Equity Funds:** Over the one-, three-, and five-year periods ending June 2016, 53%, 39%, and 59% of large-cap equity funds in India underperformed the [S&P BSE 100](#), respectively. Over the five-year period studied, the survivorship rate was low, at 68%, the asset-weighted fund return was 63 bps higher than the equal-weighted fund return, and the return spread between the first and the third quartile break points of the fund performance was 3.70%.
- **Indian Equity-Linked Saving Schemes (ELSS):** Most of the actively managed funds in this peer group outperformed the [S&P BSE 200](#) over the three- and five-year periods ending June 2016. Over the one-year period, however, 51% of funds lagged the S&P BSE 200. Over the five-year period, the survivorship rate was 97%, the asset-weighted fund return was 16 bps higher than the equal-weighted fund return, and the return spread between the first and the third quartile break points of the fund performance was 4.08%.
- **Indian Mid-/Small-Cap Equity Funds:** Over the three- and five-year periods ending June 2016, the majority of the actively managed mid-/small-cap equity funds in India outperformed the [S&P BSE MidCap](#). Over the one-year period, however, 78% of the funds lagged the S&P BSE MidCap. Over the five-year period studied, 29% of the funds underperformed the benchmark, the survivorship rate was low, at 75%, the asset-weighted fund return was 31 bps lower than the equal-weighted fund return, and the return spread between the first and the third quartile break points of the fund performance was 4.11%.
- **Indian Government Bond Funds:** The majority of actively managed funds in this peer group underperformed the [S&P BSE Indian Government Bond Index](#) over all observed periods. Over the five-year period ending June 2016, 80% of the funds underperformed the benchmark, the survivorship rate was low, at 70%, the asset-weighted fund return was 46 bps higher than the equal-weighted fund return, and the return spread between the first and the third quartile break points of the fund performance was 1.59%.
- **Indian Composite Bond Funds:** Over the one-year period ending June 2016, 96% of actively managed funds in this category lagged the [S&P BSE India Bond Index](#). Over the five-year period ending June 2016, 97% of the funds underperformed the benchmark, the survivorship rate was 88%, the asset-weighted fund return was 70 bps higher than the equal-weighted fund return, and the return spread between the first and the third quartile break points of the fund performance was 1.34%.
- **Fund Survivorship:** Over the one-year period ending June 2016, Indian ELSS and Indian Equity Mid-/Small-Cap funds had a 100% survivorship rate. Over the three-year period studied, only Indian ELSS funds had a 100% survivorship rate, while over the five-year period ending June 2016, none of the categories had a 100% survivorship rate.
- **Average Fund Returns:** Over the five-year period ending June 2016, Indian Equity Large-Cap, Indian ELSS, and Indian Mid-/Small-Cap funds had higher equal- and asset-weighted returns than their respective benchmarks. In contrast, the Indian Government Bond and Indian Composite Bond funds delivered lower equal- and asset-weighted returns than their respective benchmarks over the same five-year period.

A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

There is nothing novel about the index versus active debate. It has been a contentious subject for decades, and there are few strong believers on both sides, with the vast majority of market participants falling somewhere in between. The SPIVA India Scorecard provides a semiannual update on the active versus index debate in India. It shows the performance of actively managed Indian mutual funds compared with S&P DJI indices in their respective categories.

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.
- **Apples-to-Apples Comparison:** Fund returns are often compared with a popular benchmark regardless of their investment category. The SPIVA India Scorecard makes an appropriate comparison by measuring a fund's returns against the returns of a benchmark that reflects the fund's investment category.
- **Asset-Weighted Returns:** Average returns for a fund group are often calculated using only equal weighting, which results in the returns of an INR 10 billion fund affecting the average in the same manner as the returns of an INR 10 million fund. However, the SPIVA India Scorecard shows both equal- and asset-weighted averages. Equal-weighted returns are a measure of average fund performance, while asset-weighted returns are a measure of the performance of the average invested dollar.
- **Data Cleaning:** SPIVA Scorecards avoid double counting multiple share classes in all count-based calculations, using only the share class with greater quarterly average assets at the start of the measurement period. Since this is meant to be a scorecard for active managers, index funds, leveraged and inverse funds, and other index-linked products are excluded.

Please note that neither S&P Dow Jones Indices nor any of its affiliates make any assurance or provide any investment recommendation on the appropriateness of investing in either index or active investing. S&P Dow Jones Indices does not sponsor, endorse, sell, or promote 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. The SPIVA India Scorecard simply provides semi-annual statistics according to the SPIVA methodology and a brief analysis of those statistics. Further, S&P Dow Jones Indices does advise anyone reading this report to also read the SPIVA methodology in the report to understand how the data was derived.

REPORTS

Report 1: Percentage of Funds Outperformed by the Index

FUND CATEGORY	COMPARISON INDEX	ONE-YEAR (%)	THREE-YEAR (%)	FIVE-YEAR (%)
Indian Equity Large-Cap	S&P BSE 100	53.26	39.42	58.62
Indian ELSS	S&P BSE 200	51.28	5.56	13.89
Indian Equity Mid-/Small-Cap	S&P BSE MidCap	77.78	24.44	28.85
Indian Government Bond	S&P BSE India Government Bond Index	79.63	86.27	80.00
Indian Composite Bond	S&P BSE India Bond Index	96.36	80.81	96.59

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2016. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 2: Survivorship of Funds

FUND CATEGORY	NO. OF FUNDS AT START	SURVIVORSHIP (%)
One-Year		
Indian Equity Large-Cap	92	94.57
Indian ELSS	39	100.00
Indian Equity Mid-/Small-Cap	45	100.00
Indian Government Bond	54	79.63
Indian Composite Bond	110	96.36
Three-Year		
Indian Equity Large-Cap	104	81.73
Indian ELSS	36	100.00
Indian Equity Mid-/Small-Cap	45	88.89
Indian Government Bond	52	75.00
Indian Composite Bond	102	93.14
Five-Year		
Indian Equity Large-Cap	116	68.10
Indian ELSS	36	97.22
Indian Equity Mid-/Small-Cap	52	75.00
Indian Government Bond	50	70.00
Indian Composite Bond	92	88.04

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2016. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 3: Average Fund Performance (Equal Weighted)

INDEX/PEER GROUP	ONE-YEAR (%)	THREE-YEAR ANNUALIZED (%)	FIVE-YEAR ANNUALIZED (%)
S&P BSE 100	1.12	14.92	9.83
Indian Equity Large-Cap	0.96	17.29	10.32
S&P BSE 200	1.92	16.44	10.35
Indian ELSS	3.16	22.16	13.41
S&P BSE MidCap	11.32	27.06	13.00
Indian Equity Mid-/Small-Cap	8.15	33.28	18.46
S&P BSE India Government Bond Index	10.71	8.78	9.55
Indian Government Bond	9.13	7.19	8.16
S&P BSE India Bond Index	10.59	8.84	9.62
Indian Composite Bond	7.69	7.20	7.96

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2016. All returns in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Report 4: Average Fund Performance (Asset Weighted)

INDEX/PEER GROUP	ONE-YEAR (%)	THREE-YEAR ANNUALIZED (%)	FIVE-YEAR ANNUALIZED (%)
S&P BSE 100	1.12	14.92	9.83
Indian Equity Large-Cap	1.93	18.42	10.95
S&P BSE 200	1.92	16.44	10.35
Indian ELSS	2.19	22.18	13.57
S&P BSE MidCap	11.32	27.06	13.00
Indian Equity Mid-/Small-Cap	7.98	31.20	18.14
S&P BSE India Government Bond Index	10.71	8.78	9.55
Indian Government Bond	10.36	7.70	8.62
S&P BSE India Bond Index	10.59	8.84	9.62
Indian Composite Bond	9.20	8.07	8.66

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2016. All returns in INR. 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
One-Year			
Indian Equity Large-Cap	-1.74	1.09	3.37
Indian ELSS	-0.34	1.47	5.00
Indian Equity Mid-/Small-Cap	3.12	7.48	10.75
Indian Government Bond	9.29	10.02	10.61
Indian Composite Bond	8.40	8.93	9.49
Three-Year			
Indian Equity Large-Cap	14.90	17.48	19.76
Indian ELSS	18.67	20.36	24.02
Indian Equity Mid-/Small-Cap	28.59	32.68	36.25
Indian Government Bond	7.42	8.27	8.59
Indian Composite Bond	7.38	8.35	8.76
Five-Year			
Indian Equity Large-Cap	8.45	10.56	12.15
Indian ELSS	10.98	12.13	15.07
Indian Equity Mid-/Small-Cap	17.65	19.23	21.76
Indian Government Bond	8.27	9.20	9.86
Indian Composite Bond	7.63	8.39	8.96

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2016. All returns in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

APPENDIX A: GLOSSARY

Data

Data from Morningstar is obtained for all managed funds domiciled in India for which month-end data is available during the performance period. The data includes the most comprehensive Indian fund data on active and finalized (merged or liquidated) funds over the chosen period.

Quarterly average assets for all managed funds are sourced from the Association of Mutual Funds in India for every quarter end during the performance period.

SPIVA Styles and Morningstar Fund Classifications

Funds are classified based on the Morningstar fund classification system, and the SPIVA India Scorecard covers Indian Large-Cap Equity, Indian Equity-Linked Saving Schemes (ELSS), Indian Mid-/Small-Cap Equity, Indian Government Bond, and Indian Composite Bond categories.

The Morningstar classification system produces narrow, style-based classifications for Indian 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 previous five-year period.

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

Exhibit 1: Indian Funds: SPIVA and Morningstar Categories	
SPIVA CATEGORY	MORNINGSTAR CATEGORY
Indian Equity Large-Cap	India OE Large Cap
Indian ELSS	India OE ELSS (Tax Saving)
Indian Equity Mid-/Small-Cap	India OE Small/Mid Cap
Indian Government Bond	India OE Long Term Government Bond
	India OE Intermediate Government Bond
	India OE Short Term Government Bond
Indian Composite Bond	India OE Intermediate Bond
	India OE Short Term Bond

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

Benchmarks

The chosen benchmarks are shown in Exhibit 2. All index returns are total returns (i.e., include dividend reinvestment) in Indian rupees. There has been no deduction from index returns to account for fund investment expenses. It is important to note that active fund returns are after expenses, but they do not include loads and entry fees.

The benchmarks chosen are the most commonly adopted benchmarks for funds that fall into the respective fund peer groups. In some instances, a fund may not adopt the benchmarks stipulated below. However, a vast majority do set their performance hurdle based on the assigned benchmarks in this report, ensuring that the study is robust and fair.

Exhibit 2: SPIVA Categories and Their Benchmarks	
SPIVA CATEGORY	BENCHMARK INDEX
Indian Equity Large-Cap	S&P BSE 100
Indian ELSS	S&P BSE 200
Indian Equity Mid-/Small-Cap	S&P BSE MidCap
Indian Government Bond	S&P BSE India Government Bond Index
Indian Composite Bond	S&P BSE India Bond Index

Source: S&P Dow Jones Indices LLC and 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 beaten the index. We then report the index outperformance percentage.

Survivorship (%)

This measure represents the percentage of funds in existence at the beginning of the time period that is 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 latest quarterly average assets available as of that month from the Association of Mutual Funds in India. Asset-weighted returns are a better indicator of fund category performance because they more accurately reflect the returns of the total money invested in that particular style category.

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 it 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, 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. These reports remove this bias by (a) using 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, (b) explicitly showing the survivorship rate in each category, and (c) constructing 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 BSE 100

The [S&P BSE 100](#) is designed to measure the performance of the top 100 companies in India based on size and liquidity. It is a highly liquid and investable index that is designed to address investment managers' needs to benchmark against a large-cap equity portfolio.

S&P BSE 200

The [S&P BSE 200](#) is designed to represent the top 200 large, liquid, well-established, and financially sound companies listed at BSE Ltd. across sectors.

S&P BSE MIDCAP

The [S&P BSE MidCap](#) seeks to measure the mid-cap segment of the Indian equity market.

S&P BSE INDIA GOVERNMENT BOND INDEX

The [S&P BSE India Government Bond Index](#) is designed to track the performance of local-currency-denominated government bonds from India.

S&P BSE INDIA BOND INDEX

The [S&P BSE India Bond Index](#) is designed to track the performance of local-currency-denominated government and corporate bonds from India.

GLOBAL RESEARCH & DESIGN CONTACT INFORMATION**Global Head**

Charles Mounts	charles.mounts@spglobal.com
----------------	-----------------------------

New York

Phillip Brzenk	phillip.brzenk@spglobal.com
Smita Chirputkar	smita.chirputkar@spglobal.com
Qing Li	qing.li@spglobal.com
Berlinda Liu	berlinda.liu@spglobal.com
Ryan Poirier	ryan.poirier@spglobal.com
Aye Soe	aye.soe@spglobal.com
Peter Tsui	peter.tsui@spglobal.com
Hong Xie	hong.xie@spglobal.com
Kelly Tang	kelly.tang@spglobal.com

Beijing

Liyu Zeng	liyu.zeng@spglobal.com
-----------	------------------------

Hong Kong

Priscilla Luk	priscilla.luk@spglobal.com
---------------	----------------------------

London

Sunjiv Mainie	sunjiv.mainie@spglobal.com
Daniel Ung	daniel.ung@spglobal.com

Mexico City

Maria Sanchez	maria.sanchez@spglobal.com
---------------	----------------------------

Mumbai

Utkarsh Agrawal	utkarsh.agrawal@spglobal.com
-----------------	------------------------------

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices LLC, a division of S&P Global, is the world's largest, global resource for index-based concepts, data and research. Home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[™], S&P Dow Jones Indices LLC has over 115 years of experience constructing innovative and transparent solutions that fulfill the needs of institutional and retail investors. More assets are invested in products based upon our indices than any other provider in the world. With over 1,000,000 indices covering a wide range of assets classes across the globe, S&P Dow Jones Indices LLC defines the way investors measure and trade the markets. To learn more about our company, please visit www.spdji.com.

ABOUT ASIA INDEX PRIVATE LIMITED

Asia Index Pvt. Ltd is a 50-50 partnership between S&P Dow Jones Indices LLC, the world's largest provider of financial market indices, and BSE Ltd, Asia's oldest stock exchange and home to the iconic SENSEX index - a leading indicator of Indian equity market performance. Asia Index Pvt. Ltd, which combines the benchmarks, market intelligence, and insights of both parent companies, each established more than 115 years ago, aims to provide a full array of indices enabling global and domestic investors to participate in South Asia's vibrant economies. The Company is best known for calculating, publishing, and maintaining a diverse family of Asian indices under the umbrella brand, S&P BSE Indices. To learn more about our company, please visit www.asiaindex.co.in.

GENERAL DISCLAIMER

Copyright © 2016 by S&P Dow Jones Indices LLC, a part of S&P Global. All rights reserved. Standard & Poor's®, S&P 500® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global. Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Trademarks have been licensed to S&P Dow Jones Indices LLC. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. 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. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is 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 vehicle. 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 Dow Jones Indices keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Dow Jones Indices may have information that is not available to other business units. S&P Dow Jones Indices 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.