



SPIVA

S&P Index vs Active

Can it help us invest?

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What kind of investor am I?

“An investor without investment objectives is like a traveler without a destination.” - Ralph Seger

Clear objectives provide direction and purpose. Without them, traders may find themselves lost, making inconsistent and aimless decisions.

“Your biggest enemy as a trader is yourself.” - Alexander Elder

Emotions like fear and greed can cloud judgment and lead to poor decisions. Self-discipline and awareness are critical to overcoming these internal challenges.

“Hope is not a strategy.” - Anonymous

Wishing for the market to move in your favor without a solid plan is a recipe for disaster. Every trade should be grounded in research and strategy.

What is SPIVA?

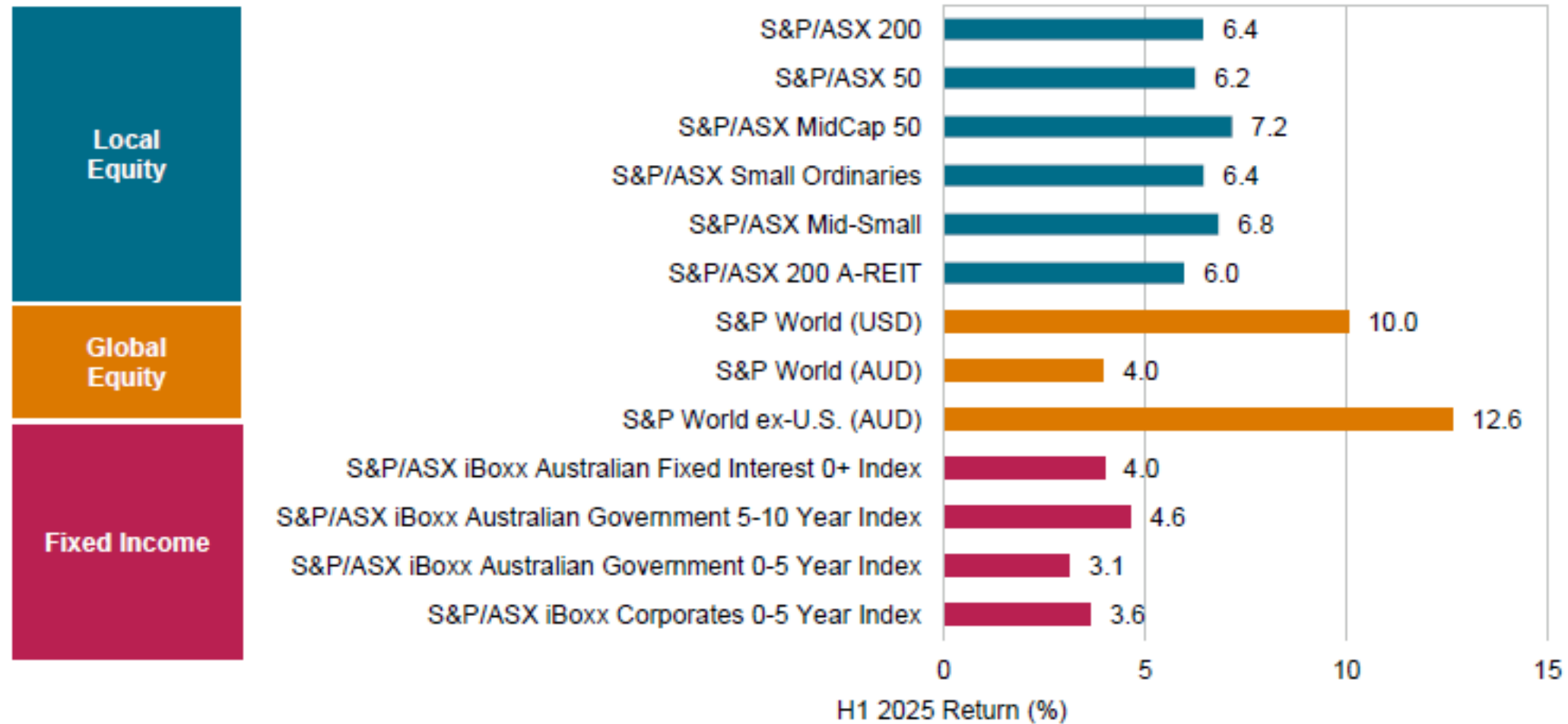
S&P Global

- ▶ Standard and Poors (S & P) the international financial and ratings analysis firm, does a report on how Managed Funds (Active) perform compared to their benchmark (Index).
- ▶ Report is done each six months, for U.S., Canada, Mexico, Brazil, Chile, Europe, MENA, S. Africa, India, Japan, & Australia.
- ▶ S&P has done this for over 20 years.
- ▶ What is striking about the report is that consistently, over most of that time, Managed Funds rarely outperform their relevant index: for broad indexes or narrow or for sectors (such as mid-caps, small-caps, REITs).



Market benchmarks - 2025-H1 TSR

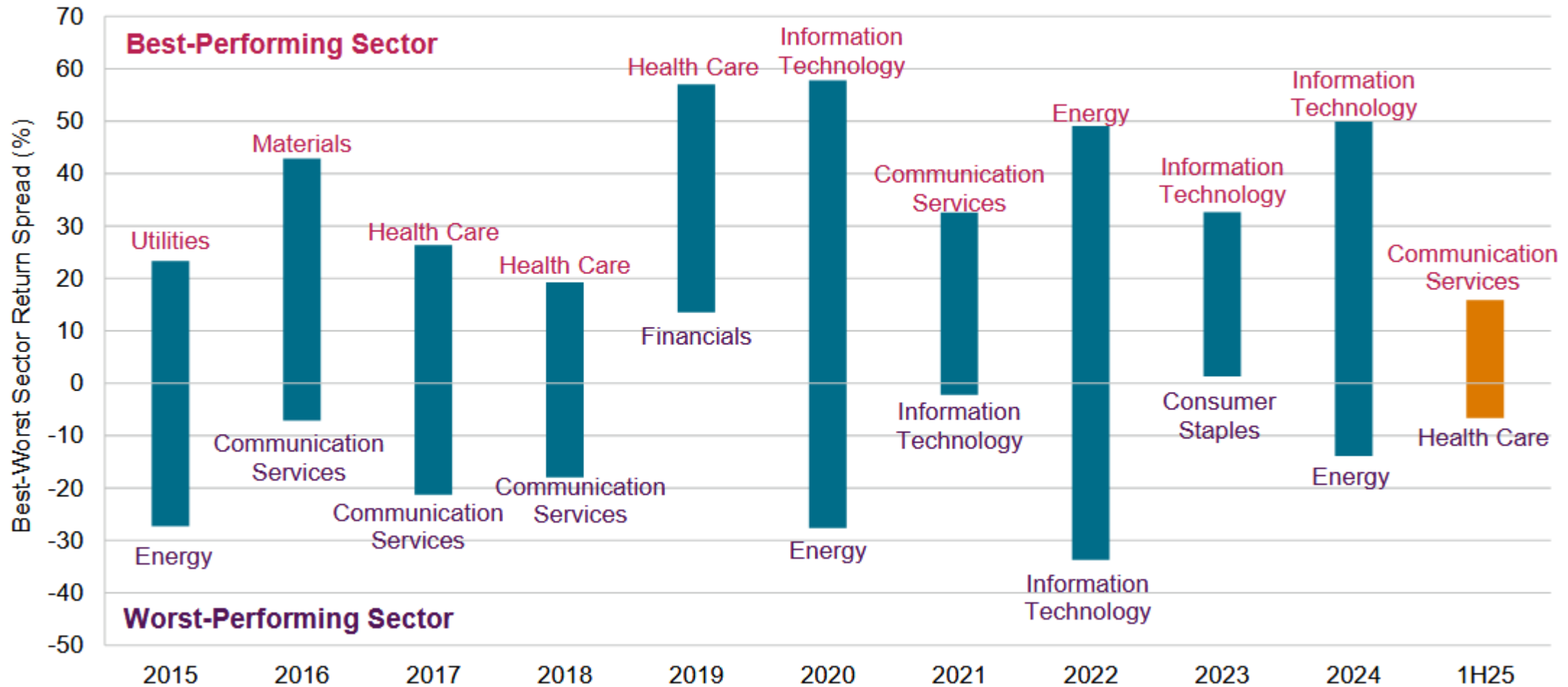
Exhibit 2: Performance of Australia Fund Category Benchmarks and Select Indices



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in AUD unless specified otherwise

Sectors - best and worst over years

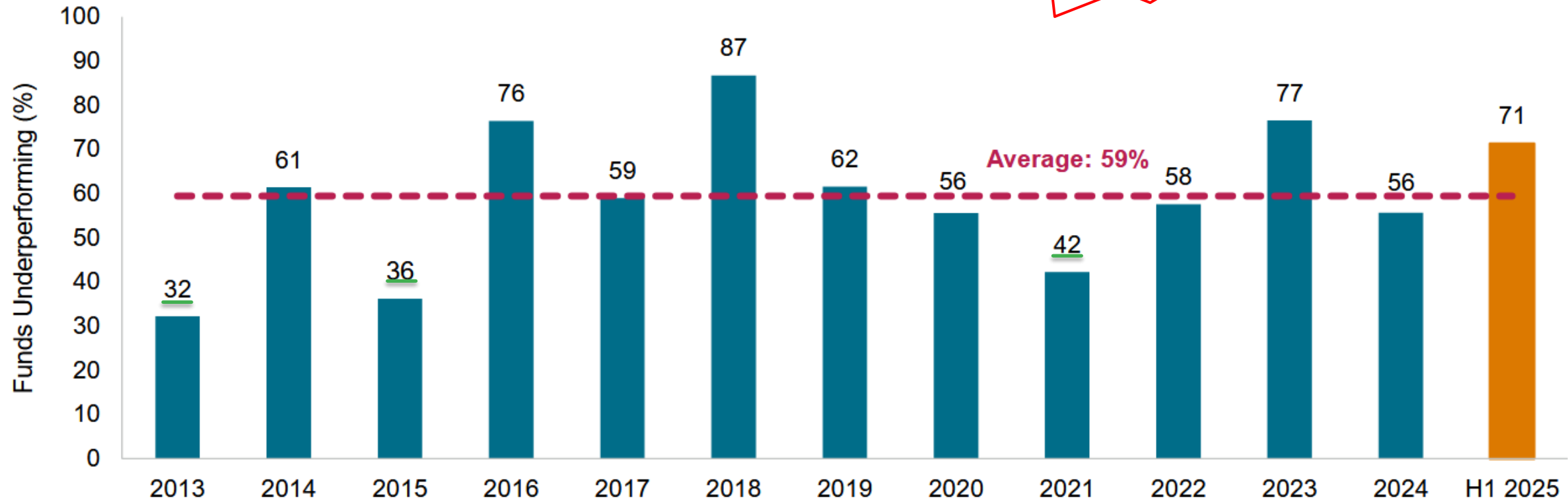
Exhibit 4: S&P/ASX 200 Best – Worst Sector Return Spread by Year



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in AUD. Past performance is no

Managed general equity vs ASX-200

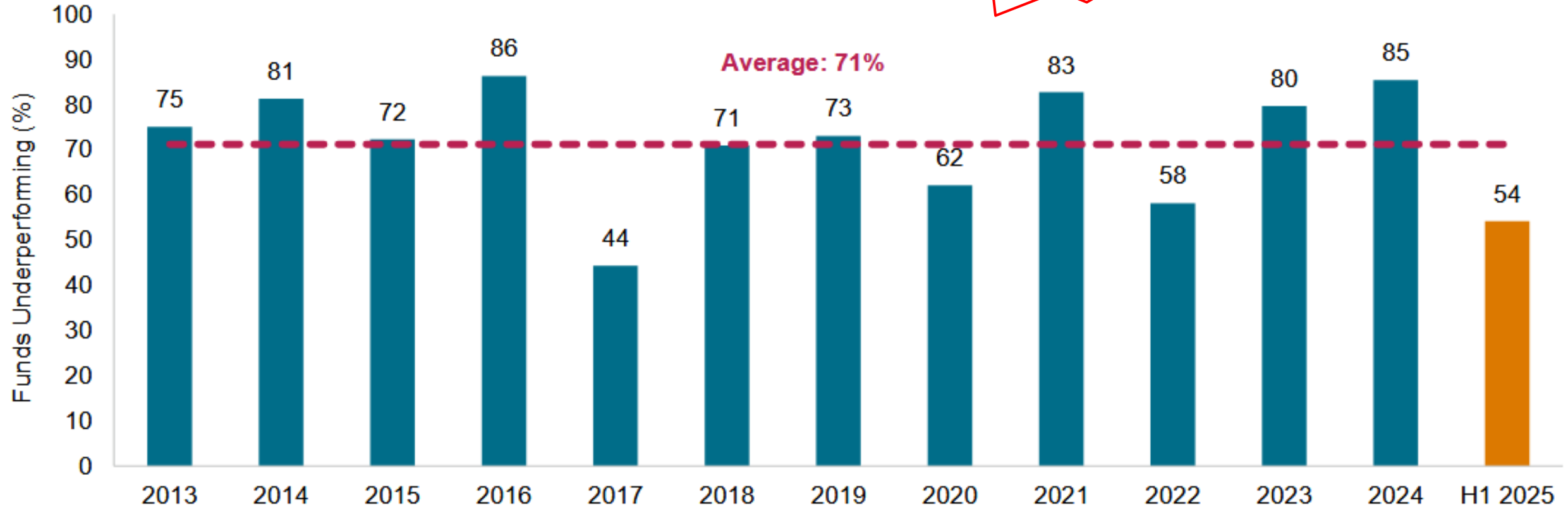
Exhibit 8: Percentage of Australian Equity General Funds Underperforming the S&P/ASX 200 Each Year



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2025. Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

Managed general equity vs Global equity

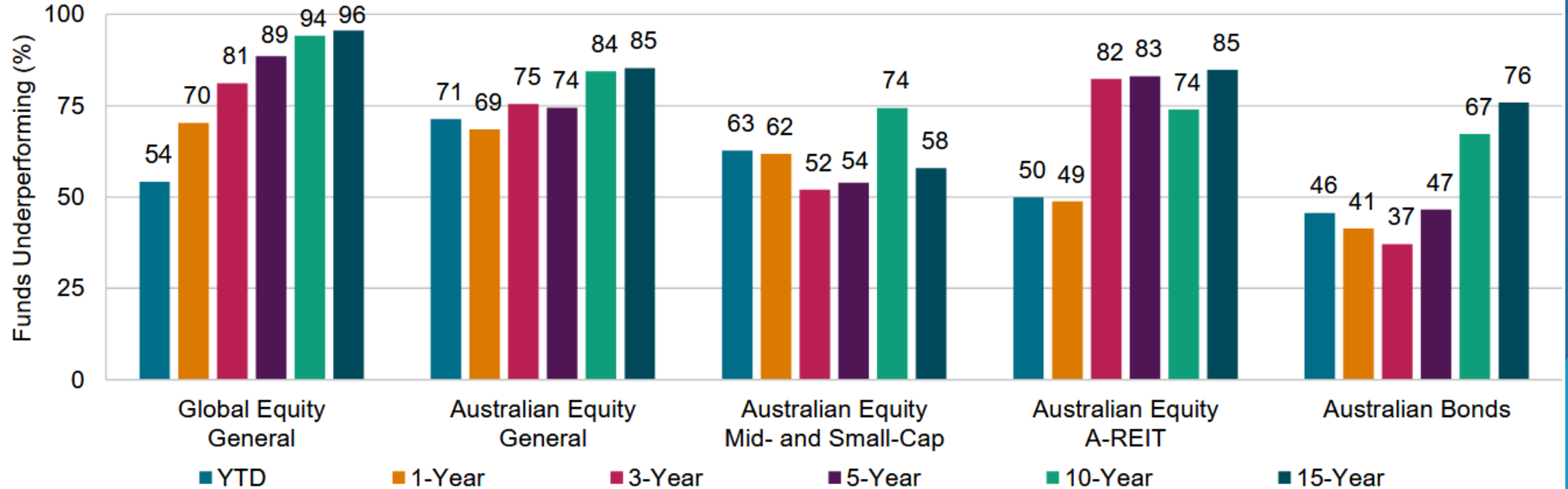
Exhibit 7: Percentage of Global Equity General Funds Underperforming the S&P World Index (AUD) Each Year



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2025. The S&P World Index (AUD) was launched May 28, 2020. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative

Active Funds Underperforming Index (Jun-25)

Exhibit 1: Percentage of Underperforming Active Australia Funds



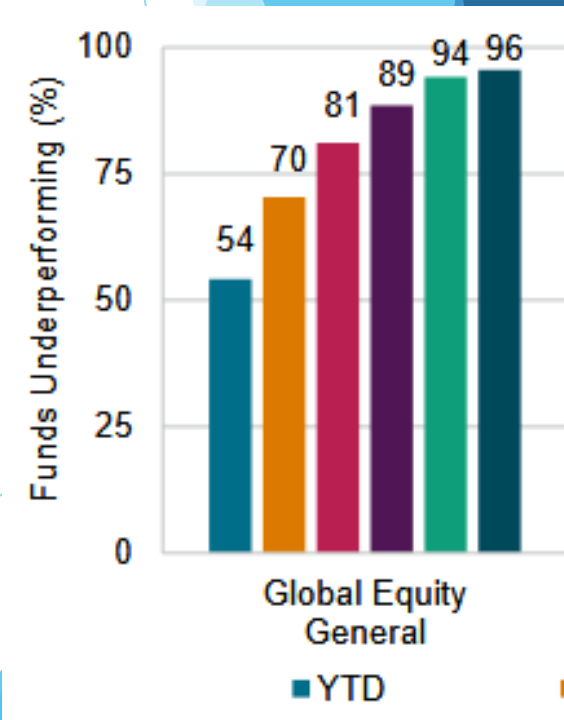
Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2025. The S&P World Index (AUD) was launched May 28, 2020. The S&P/ASX Mid-Small was launched July 29, 2011. The S&P/ASX Australian Fixed Interest 0+ (Legacy) was launched Feb. 13, 2025. See the Appendix for more details on benchmarks used. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

How do I find out more?

- ▶ **The full report for year ended June 2025:**
<https://www.spglobal.com/spdji/en/documents/spiva/spiva-australia-mid-year-2025.pdf>

Other analyses

- ▶ Morningstar's Fund Market Reports - similar results.
- ▶ Russell Investments' annual analysis - similar results.
- ▶ “Active Management's Persistent Failure: A 2025 Perspective”, Source: *Wealth Management*.
- ▶ “If Index Funds Perform Better, Why Are Actively Managed Funds More Popular?”, Source: Wharton School of Business (Uni of Pennsylvania)
- ▶ “Recipe For Success: Should You Invest in Index or Active Funds?”, Source: *Rice Business Wisdom* (Rice University)
- ▶ The Coming Problem with Index Funds, Source: Lyn Alden (2020)



Fund manager critique ► SPIVA response

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 Australia Scorecard makes an appropriate comparison by measuring a fund's returns against the returns of a benchmark that reflects the fund's investment category.

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.

How about Warren Buffet?

1. What does Warren Buffet advise investors to do?
2. How does Berkshire Hathaway perform?



Do yourself a favour and read pp 21-25 of the 2016 annual report for Berkshire Hathaway:
<https://www.berkshirehathaway.com/2016ar/2016ar.pdf>



Warren Buffet

On fund performance

Managed funds

In Berkshire's 2005 annual report, I argued that active investment management by professionals - in aggregate - would over a period of years **underperform the returns achieved by rank amateurs who simply sat still**. I explained that the massive fees levied by a variety of "helpers" would leave their clients - again in aggregate - worse off than if the amateurs simply invested in an unmanaged low-cost index fund. ...

Subsequently, I **publicly offered to wager \$500,000 that no investment pro could select a set of at least five hedge funds - wildly-popular and high-fee investing vehicles - that would over an extended period match the performance of an unmanaged S&P-500 index fund charging only token fees**. I suggested a ten-year bet and named a low-cost Vanguard S&P fund as my contender. I then sat back and waited expectantly for a parade of fund managers - who could include their own fund as one of the five - to come forth and defend their occupation. After all, these managers urged others to bet billions on their abilities. Why should they fear putting a little of their own money on the line?

Only one person took him up and here are the results:

Year	Fund of Funds A	Fund of Funds B	Fund of Funds C	Fund of Funds D	Fund of Funds E	S&P Index Fund
2008	-16.5%	-22.3%	-21.3%	-29.3%	-30.1%	-37.0%
2009	11.3%	14.5%	21.4%	16.5%	16.8%	26.6%
2010	5.9%	6.8%	13.3%	4.9%	11.9%	15.1%
2011	-6.3%	-1.3%	5.9%	-6.3%	-2.8%	2.1%
2012	3.4%	9.6%	5.7%	6.2%	9.1%	16.0%
2013	10.5%	15.2%	8.8%	14.2%	14.4%	32.3%
2014	4.7%	4.0%	18.9%	0.7%	-2.1%	13.6%
2015	1.6%	2.5%	5.4%	1.4%	-5.0%	1.4%
2016	-2.9%	1.7%	-1.4%	2.5%	4.4%	11.9%
Gain to Date	8.7%	28.3%	62.8%	2.9%	7.5%	85.4%

<https://www.berkshirehathaway.com/2016ar/2016ar.pdf>

On fund performance (continued)

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There are, of course, some skilled individuals who are highly likely to out-perform the S&P over long stretches. In my lifetime, though, I've identified - early on - only ten or so professionals that I expected would accomplish this feat.

...

There are three connected realities that cause investing success to breed failure.

- First, a good record quickly attracts a torrent of money.
- Second, huge sums invariably act as an anchor on investment performance: What is easy with millions, struggles with billions (sob!).
- Third, most managers will nevertheless seek new money because of their personal equation - namely, the more funds they have under management, the more their fees.

These three points are hardly new ground for me: In January 1966, when I was managing \$44 million, I wrote my limited partners: "I feel substantially greater size is more likely to harm future results than to help them. This might not be true for my own personal results, but it is likely to be true for your results.

...

The bottom line: When trillions of dollars are managed by Wall Streeters charging high fees, it will usually be the managers who reap outsized profits, not the clients. Both large and small investors should stick with low-cost index funds.



<https://www.berkshirehathaway.com/2016ar/2016ar.pdf>

How about hedge funds?

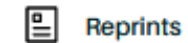
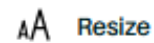
<https://www.barrons.com/articles/berkshire-hathaway-stock-warren-buffett-underperform-f9539619>

WARREN BUFFETT

Berkshire Hathaway Stock Is Behind the Market in 2023 and Over the Past 10 Years

By Andrew Bary [Follow](#)

Dec 22, 2023, 5:32 pm EST



[Berkshire Hathaway](#) stock is having a disappointing finish to 2023, putting Warren Buffett's conglomerate behind the [S&P 500](#) over the past 10 years.

In conclusion – some questions

Q1: If managed funds usually don't perform better than their index, how can I?

Q2: If Berkshire Hathaway (Warren Buffet) no longer beats the S&P500, how can I outperform the ASX200?

Possible answer:

- ▶ An individual can be more agile than a large fund. But is that enough?



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Read SPIVA-25H1

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This presentation:

<http://mark-dixon.com/ASA/SPIVA25.pdf>

(case sensitive)

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<https://www.spglobal.com/spdji/en/documents/spiva/spiva-australia-mid-year-2025.pdf>