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GLOBAL INDEXING

Prudent Diversified Approach

Anthony Ginsberg

Indexing - Prudent Approach

- Myth of Stock-Picker's market.
- Fund Managers fail vs Global Indices (>90%).
- Indexing Diversified: Core vs Explore.
- Indexing = Low Cost

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BCI – GinsGlobal Equity Index Fund

- MSCI World = low cost, global core.
- 1,600+ Developed Market shares.
- R800m since April 2022 launch.
- State Street - Global Index Leader ($2.7 trillion)
- No ‘Greylisting’ issues - Mauritius.

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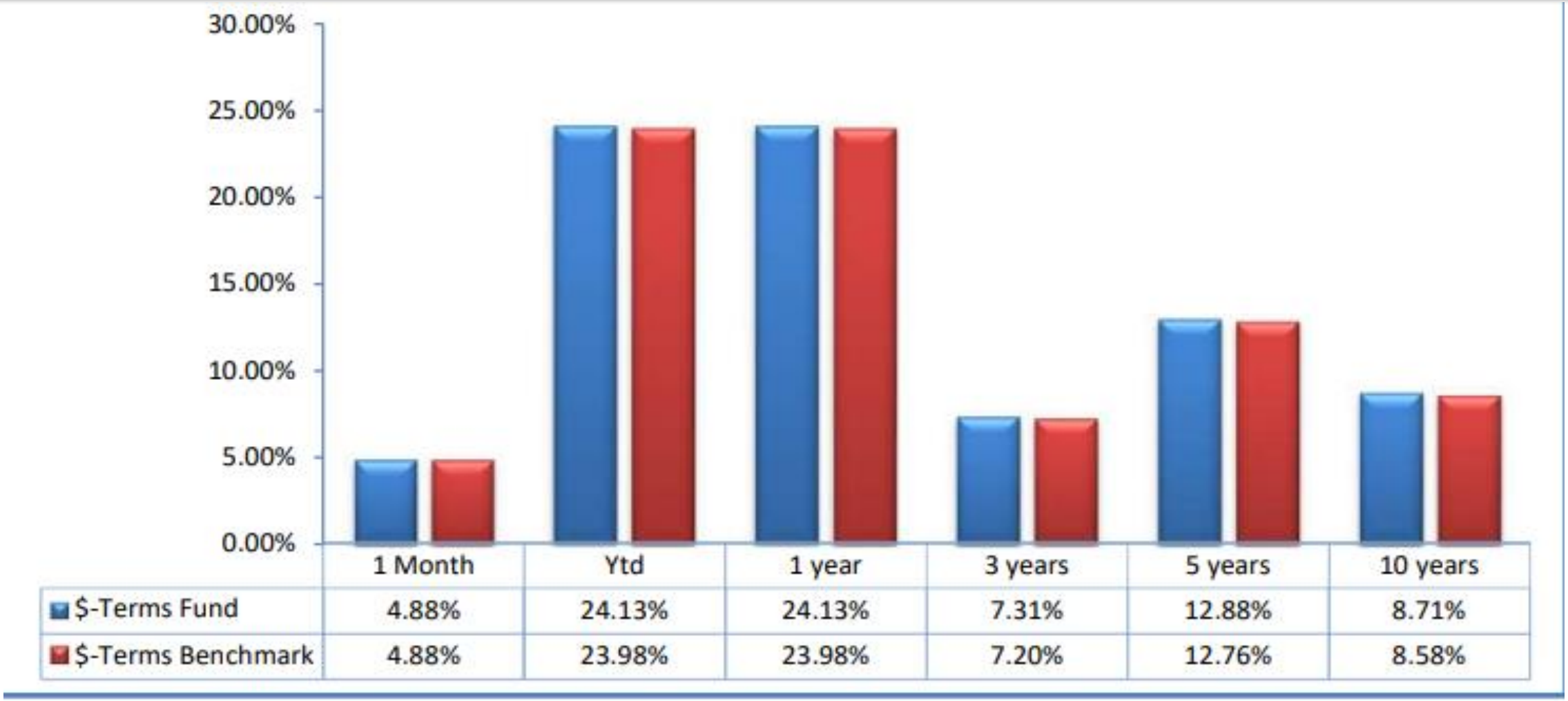
MSCI World Index return (Dec 2023)



	1 Month	Ytd	1 year	3 years	5 years	10 years
$-Terms Fund	4.88%	24.13%	24.13%	7.31%	12.88%	8.71%
$-Terms Benchmark	4.88%	23.98%	23.98%	7.20%	12.76%	8.58%

Performance is gross of fees and annualized over more than 1 year.

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MSCI World vs MSCI World ex USA

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US Outlook: Soft Landing

- Unemployment – record low.
- Inflation falling to 3%.
- 3 Fed rate cuts 2024.
- US Elections = good for stocks.
- Positive Earnings reports – M'soft, Amazon, Meta...
- Big Tech huge cash reserves. Not 2000 Bubble.

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Money is pouring out of active funds and into passive

US domiciled cumulative fund flows, $tn (to August 2022)

Source: JPMorgan

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Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

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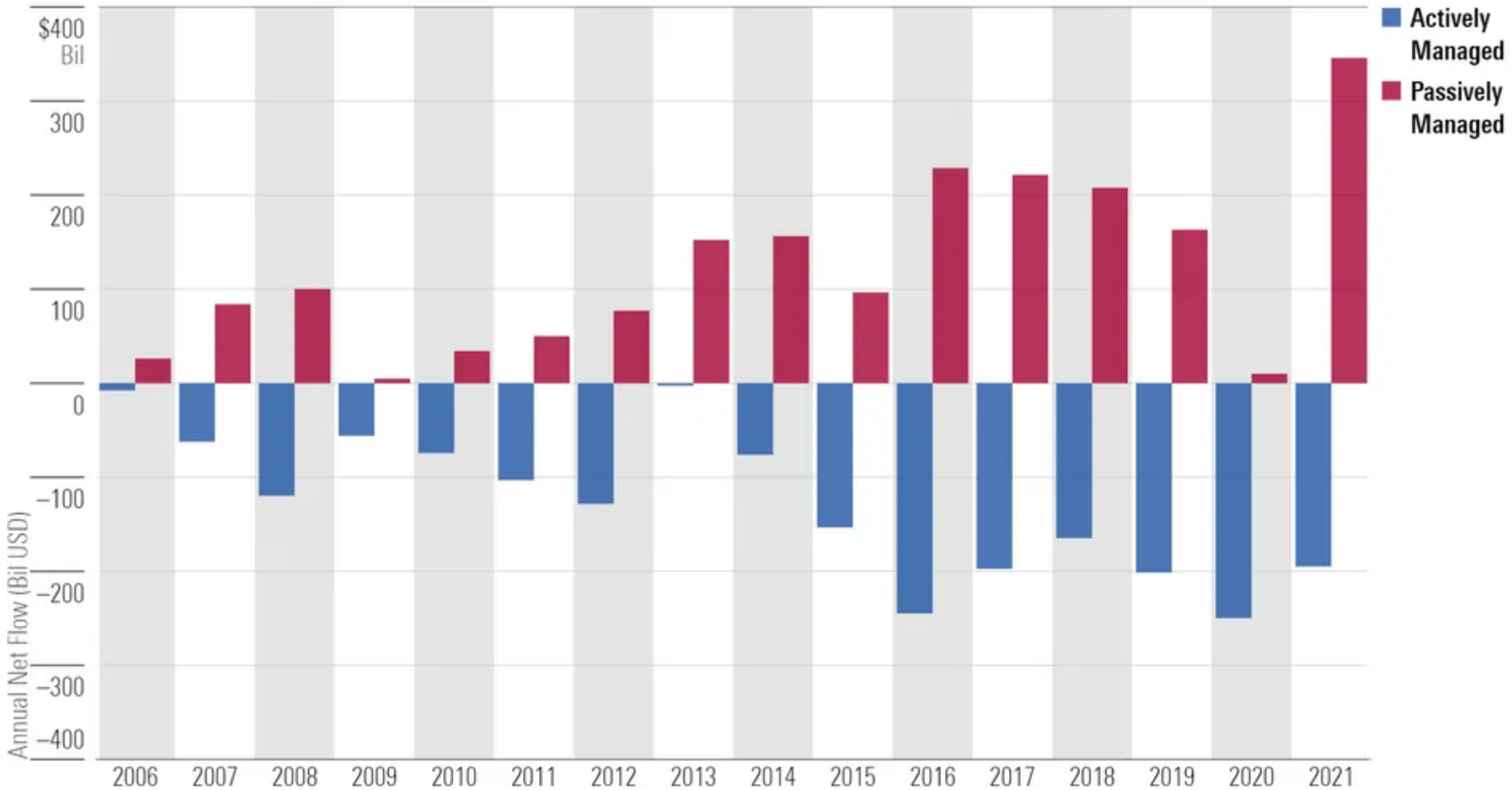
Annual Net Flows for Active and Passive U.S. Equity Funds



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2021.

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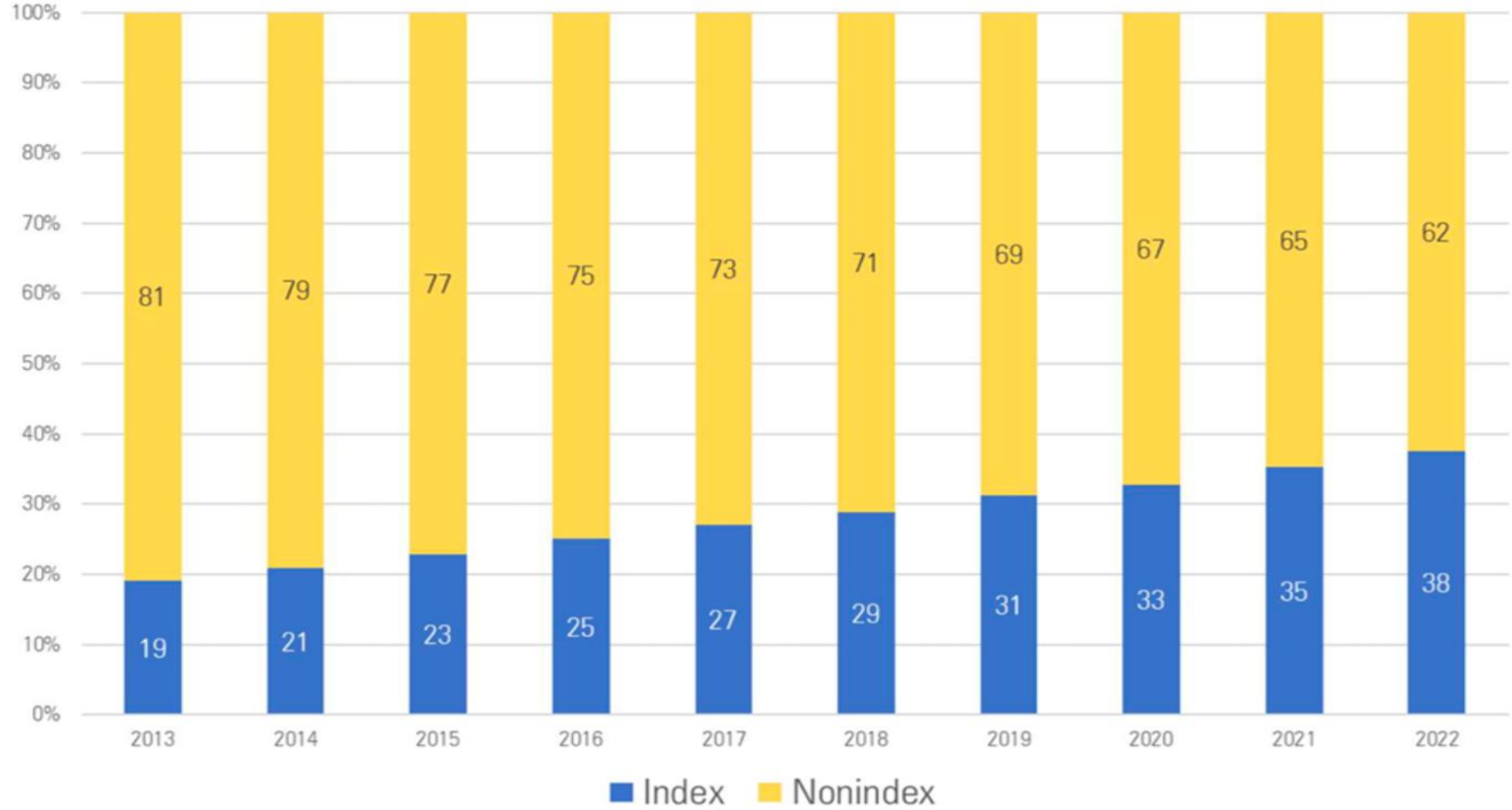
Indexed Vehicles Approach 40% of Total Assets Globally



Source: Morningstar Direct.

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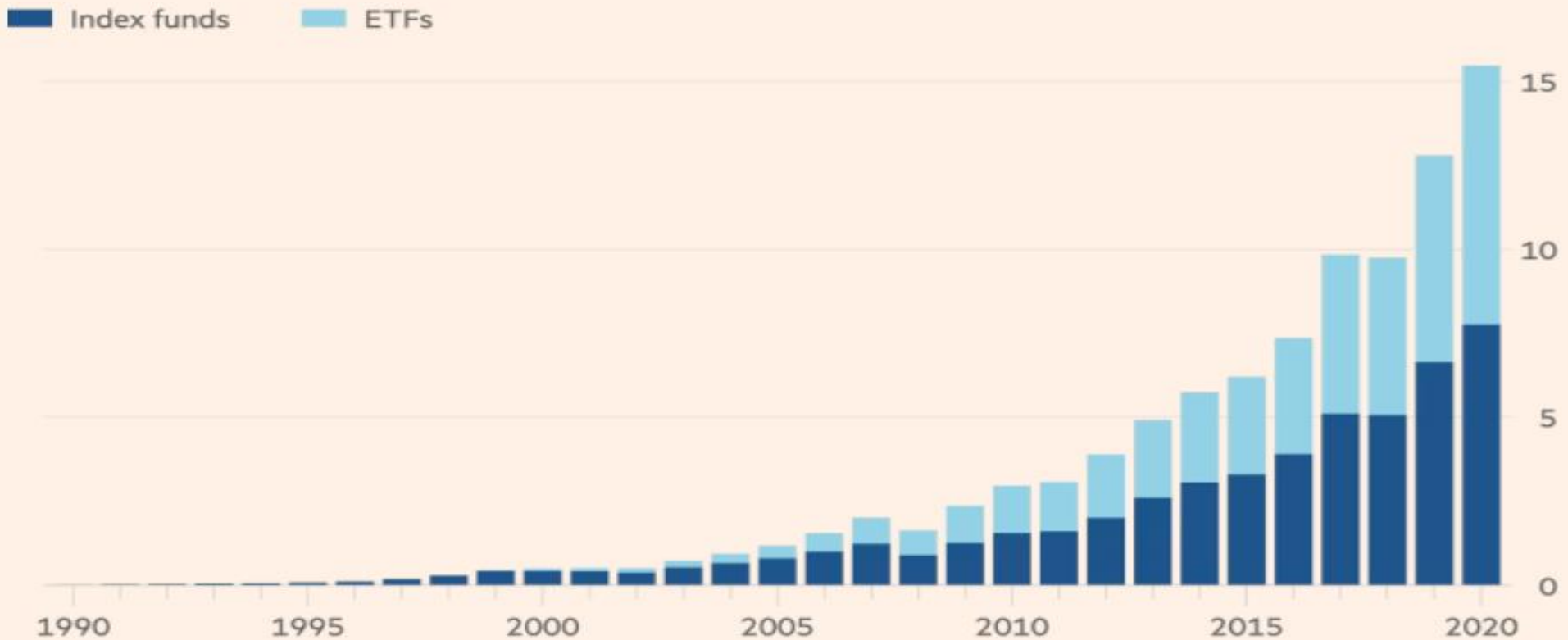
Passive attack

Assets under management ($tn)



Source: Investment Company Institute, Morningstar Direct, and Strategic Insight Simfund

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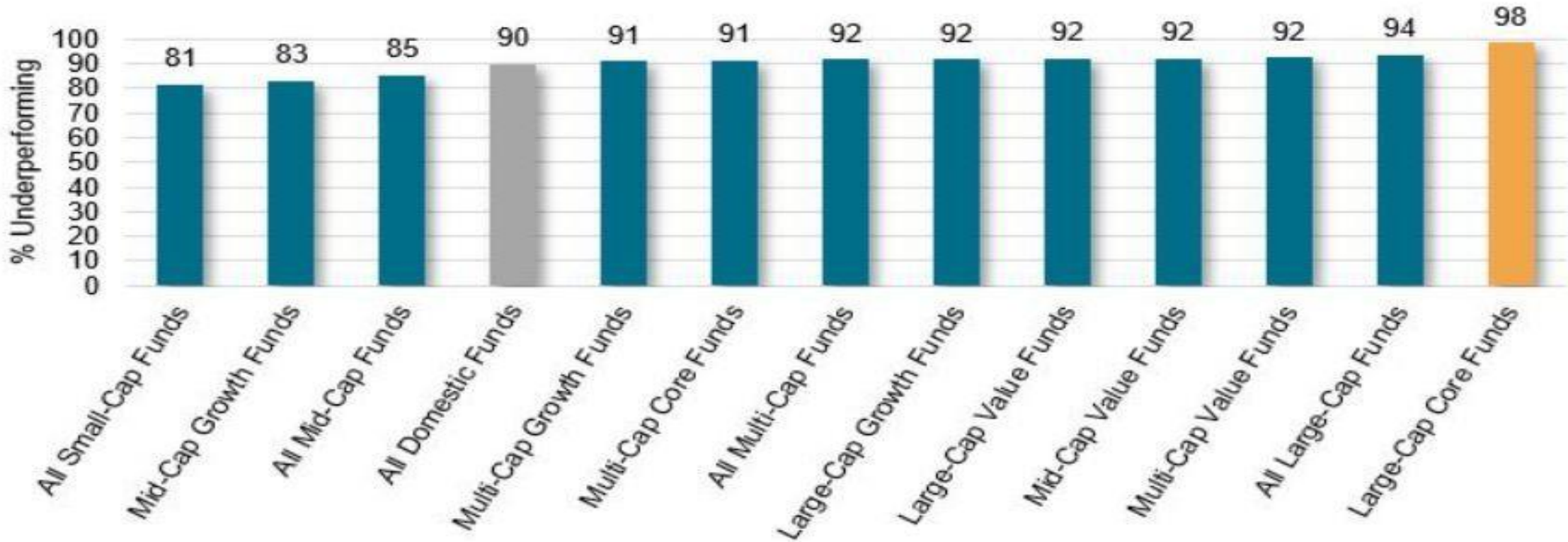
Exhibit 1: Active Equity Funds versus the S&P 500



Sources: S&P Dow Jones Indices LLC, CRSP, Lipper. Data from Dec. 31, 1992, to Sept. 30, 2022, as compared to the S&P 500 total return in USD. For details on the methodology applied, see S&P DJI's SPIVA U.S. Scorecard. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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10% Active Fund Managers beat S&P 500 Index (30yrs)

Sources: S&P Dow Jones Indices LLC, CRSP, Lipper. Data from Dec. 31, 1992, to Sept. 30, 2022, as compared to the S&P 500 total return in USD. For details on the methodology applied, see S&P DJI's SPIVA U.S. Scorecard. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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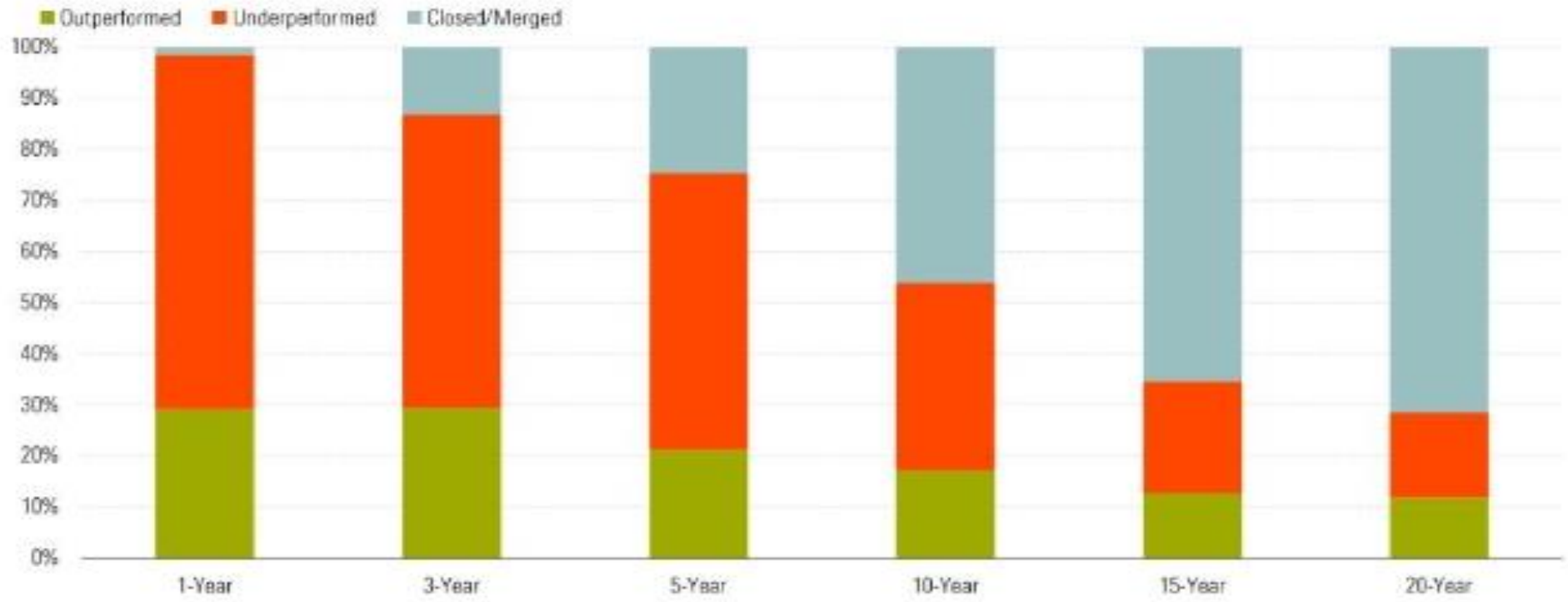
Lack of Consistency Index - USA

Exhibit 1 Active Equity Managers' Year-End Outcomes (%)



Source: Morningstar Direct. Data as of 31 Dec 2022.

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S&P % US Fund Managers underperforming

SPIVA Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)	15-Year (%)	20-Year (%)
All Domestic Funds	S&P Composite 1500	50.29	78.69	88.01	93.14	93.95	92.14
All Large-Cap Funds	S&P 500	51.08	74.27	86.51	91.41	93.40	94.79
All Mid-Cap Funds	S&P MidCap 400	62.60	77.97	64.78	81.51	93.22	94.04
All Small-Cap Funds	S&P SmallCap 600	56.91	66.92	70.54	89.11	94.35	93.67
All Multi-Cap Funds	S&P Composite 1500	50.75	81.02	87.55	93.20	94.58	93.54
Large-Cap Growth Funds	S&P 500 Growth	73.85	88.94	86.09	95.89	98.15	97.65
Large-Cap Core Funds	S&P 500	54.30	68.27	84.01	95.91	95.69	96.38
Large-Cap Value Funds	S&P 500 Value	58.70	39.46	69.02	84.90	79.13	86.51
Mid-Cap Growth Funds	S&P MidCap 400 Growth	91.23	78.36	38.89	65.87	91.00	91.58
Mid-Cap Core Funds	S&P MidCap 400	53.66	70.75	78.15	88.43	96.49	97.03
Mid-Cap Value Funds	S&P MidCap 400 Value	72.73	81.82	83.93	95.65	93.00	92.16
Small-Cap Growth Funds	S&P SmallCap 600 Growth	79.60	75.76	58.60	84.50	95.43	96.67
Small-Cap Core Funds	S&P SmallCap 600	39.83	65.48	76.33	95.26	94.81	95.12
Small-Cap Value Funds	S&P SmallCap 600 Value	40.63	43.84	80.65	90.99	91.43	92.16
Multi-Cap Growth Funds	S&P Composite 1500 Growth	56.21	85.00	84.36	89.55	96.05	91.36
Multi-Cap Core Funds	S&P Composite 1500	58.38	79.43	90.20	96.69	93.48	95.36
Multi-Cap Value Funds	S&P Composite 1500 Value	58.16	58.04	86.84	91.23	90.60	88.89
Real Estate Funds	S&P United States REIT	87.67	58.44	61.90	74.03	87.25	87.10

Sources: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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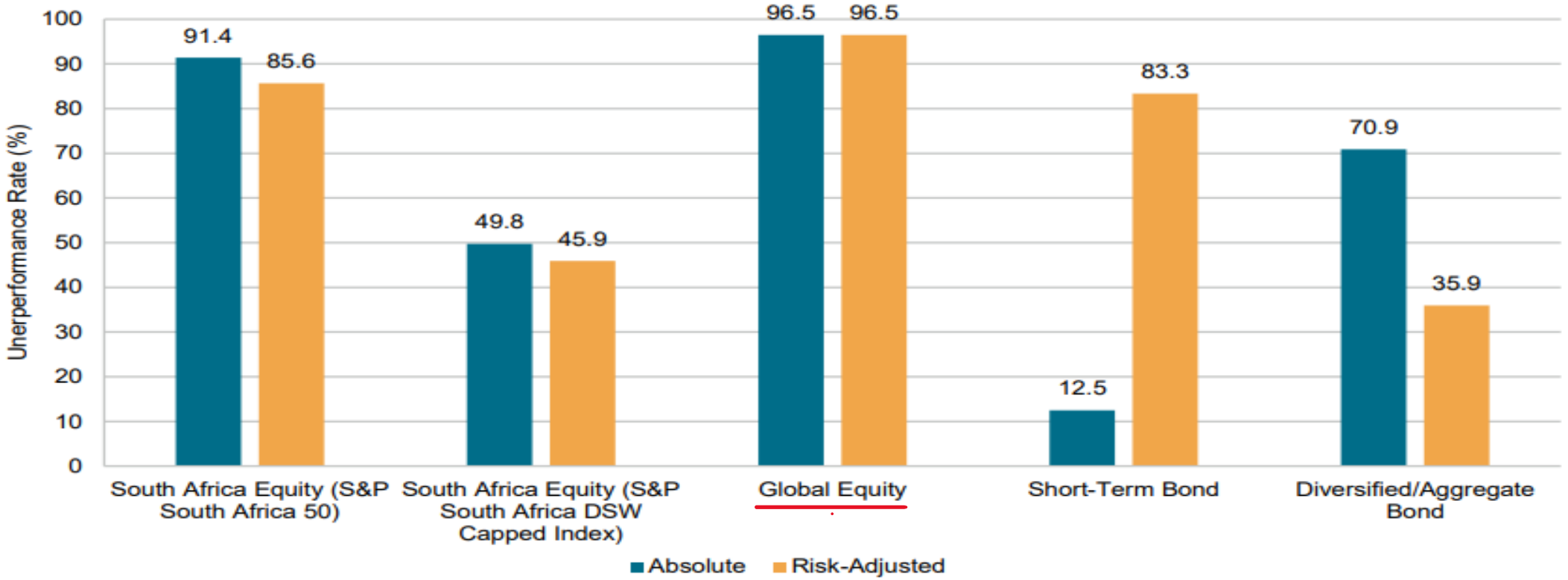
SA Managers vs Global Equity Index

Exhibit 6: Five-Year Underperformance Rates – Absolute and Risk-Adjusted Returns



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Index performance based on excess total returns in ZAR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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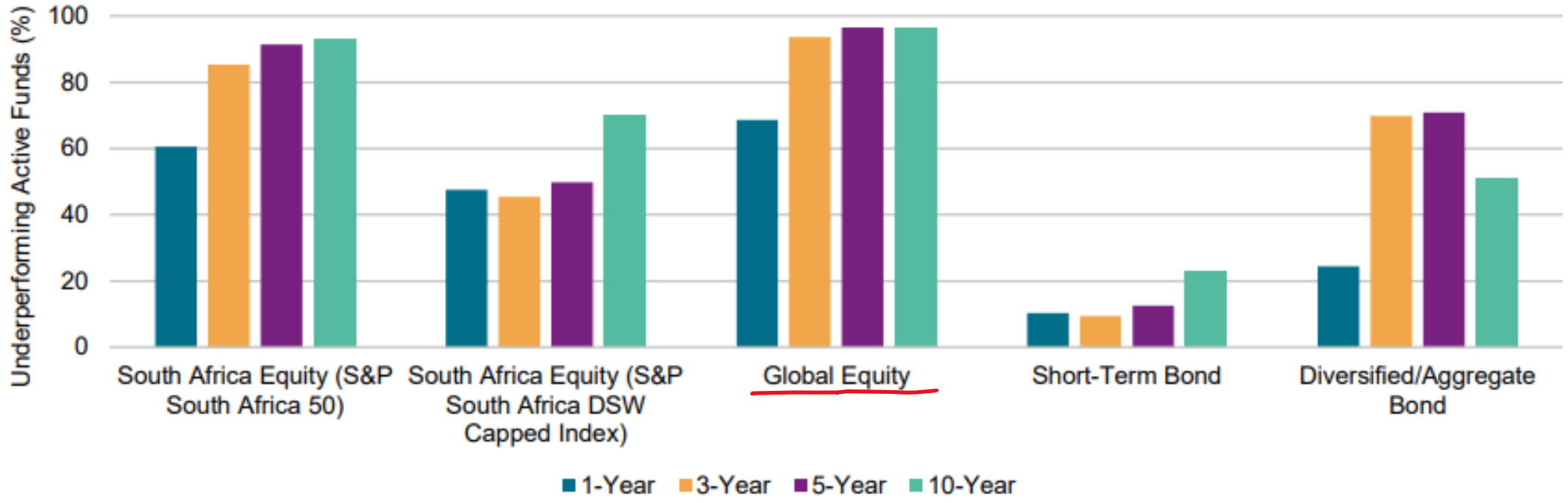
SA Managers vs Global Equity Index

Exhibit 1: Percentage of Underperforming Active South African Funds



Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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Myth of Stock-Picker's Market

- >90% Global Active Managers underperform 5yr.
- >70% US Funds closed over 20yrs.
- Most Funds underperform MSCI Index (3+ yrs).
- Large Institutions - Index core.

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Global Index Underperformance
US Fund Managers

	1 year	3 year	5 year	10 year	20 year
Global (incl US) (vs. S&P Global 1200)	67.4%	85.6%	88.4%	88.7%	88.4%
Global (ex US) (vs. S&P 700)	52.2%	74.9%	81.8%	84.8%	92.5%
Global Small Cap (vs. S&P Developed)	46.1%	66.2%	62.7%	74.6%	79.4%
Emerging Markets (vs. S&P/IFCI Composite)	42.7%	69.7%	70.7%	87.6%	92.4%

Source: Standard & Poors, Mid-Year 2023 SPIVA Scorecard

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EU & UK Fund Managers
% Global Underperformance

	YTD	1yr	3yr	5yr	10yr
Global Funds (in Euros) (vs. S&P Global 1200)	79.5%	79.4%	90.6%	94.6%	**98.0%**
Global Funds (in £) (vs. S&P Global 1200)	74.9%	73.3%	86.1%	89.1%	**92.8%**

Source: Standard & Poors, Year-End 2022 SPIVA Scorecard (Europe)

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% US Bond Funds Underperforming Index

	1 year	3 year	5 year	10 year	15 year
US Govt Long Bonds (vs. Barclays Long Govt)	17.7%	95.7%	96.2%	98.7%	98.0%
US Inv Grade Long Bonds (vs. Barclays Govt/Credit Long)	9.4%	95.2%	96.7%	98.3%	97.1%
High Yield Funds (vs. Barclays US High Yield)	64.3%	84.9%	91.1%	94.2%	98.6%
Global Income Funds (vs. Barclays Global Aggregate)	41.7%	45.2%	66.4%	55.1%	64.6%
Emerging Markets (vs. Barclays Emerging Markets)	79.7%	70.9%	84.1%	97.9%	94.7%

Source: Standard & Poors, Mid-Year 2023 SPIVA Scorecard

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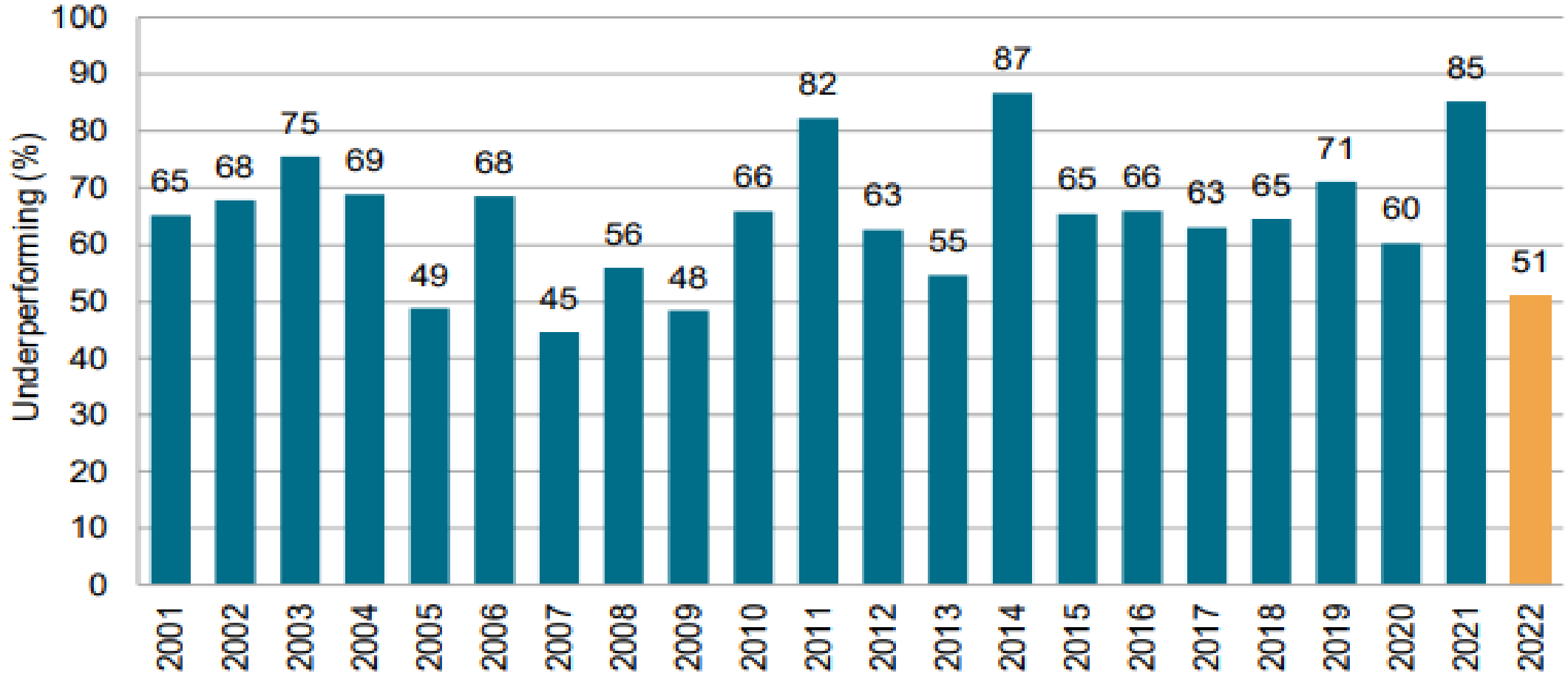
Exhibit 1: Percentage of Large-Cap Domestic Equity Funds Underperforming the S&P 500 Each Year



Sources: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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