Equity Factor Insights

QUARTERLY REPORT | **APRIL 2026**

March sees Momentum shift, even as Value solidifies outperformance helped by Energy

Value outperforms broadly in Q1 and March

During Q1, the Middle East conflict materially impacted the macro environment and equity return trends. Value outperformed in March and Q1, as it has on average over H2 2025. Momentum beat benchmarks for Q1, but saw a shift in its lead during the quarter as both the energy shock and Tech moderation altered return patterns. Quality, Low Vol and Yield outperformed in 5 of 6 regions for Q1; returns were mixed for (Small) Size.

Tech moderation, Energy dominance and Financials pullback were key

During Q1, Tech's hardware-software divergence on AI disruption fears hurt software-heavy indices such as the US and Emerging more than hardware-heavy ones in Asia Pacific. In March, Energy was often the only accretive industry, impacting factor relative returns. Financials exposure had been supportive of Value in prior quarters, but flattening yield curves in March weighed on the industry and Value's performance.

Value, Yield and Quality in favor within industries

Within industries, Value, Yield and Quality (within Tech) often saw positive selection effects in Q1 (as in Q4). However, unlike in Q4, larger equities were not consistently favored, which may reflect the change of leadership seen during the quarter with the macro shock and Tech moderation.

Valuations compress in March; Value expensive relative to history

Absolute 12M factor forward P/Es expanded over January-February and compressed in March as benchmark indices pulled back. After three quarters of Value outperformance, the factor looked expensive compared to its 10-year average P/E, except in Asia Pacific ex Japan. Quality and Yield were also dear compared to history in 5 of 6 regions.

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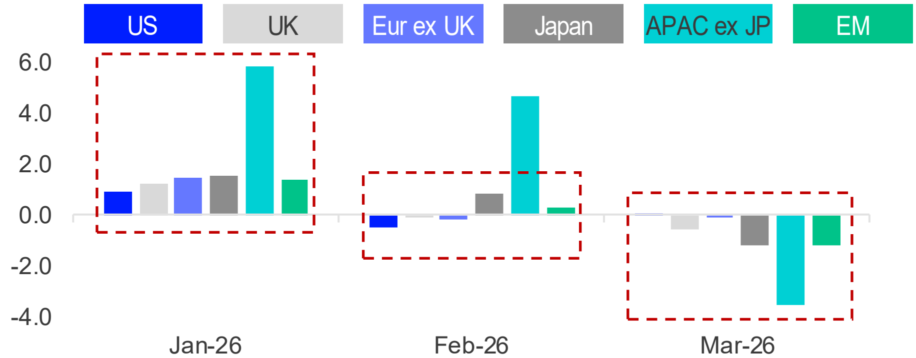
Momentum's monthly relative performance points to the twists and turns within Q1: Tech's hardware-software divergence and software-led slowdown in February began to alter the market leaders; in March, the Middle East conflict changed performance patterns more broadly.

Momentum: performance relative to benchmark, January-March 2026 (LC*, %)



Select Regional Relative Returns, 3M (%)

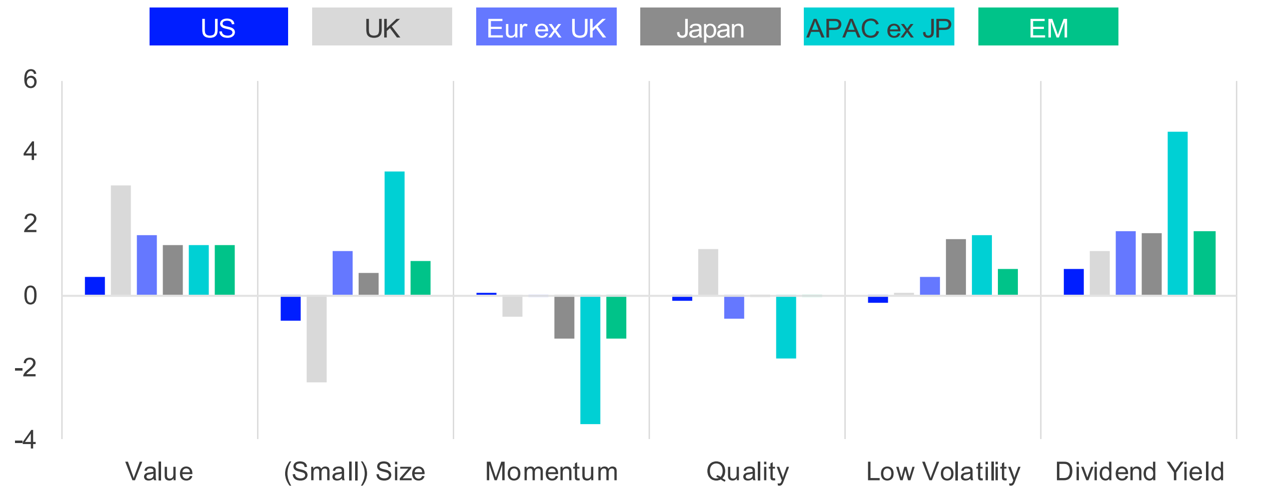
+4.2% US Size	**+3.6%** US Value
+2.4% Europe ex UK Value	**+1.3%** Europe ex UK Momentum
+2.3% Japan Value	**+3.5%** Japan Yield
+5.6% Asia Pacific ex Japan Momentum	**-5.6%** Asia Pacific ex Japan Size

Source: FTSE Russell and LSEG. All data as of March 31, 2026. * Local currency. Please see Appendix for important legal disclosures and details on rules-based factor indicator calculations and construction methodology.

Global View – Factor and Benchmark Performance Highlights, March 2026

In March, Value continued to outperform benchmark indices broadly, helped by Energy's outperformance and Tech's weakness that began in February. In Asian markets, the large-cap leaders of the equity rally in industries such as Tech and Telecoms pulled back sharply leading to (Small) Size outperforming and Momentum lagging in these markets. In the US and UK, Size underperformed, partly due to larger Energy stocks outperforming and US Tech faring better than some other industries in the broad selloff. Momentum saw a reversal in its lead, except in the US.

Regional Relative Factor returns vs benchmark — March 2026 (TR, LC%)

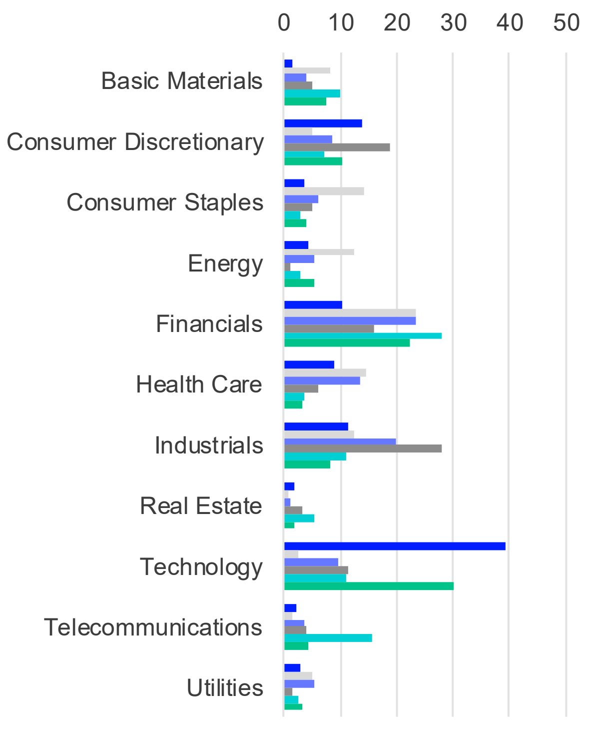


Regional Equity Market Returns – March 2026 (TR, LC %) – Middle East conflict reverses equity patterns in March

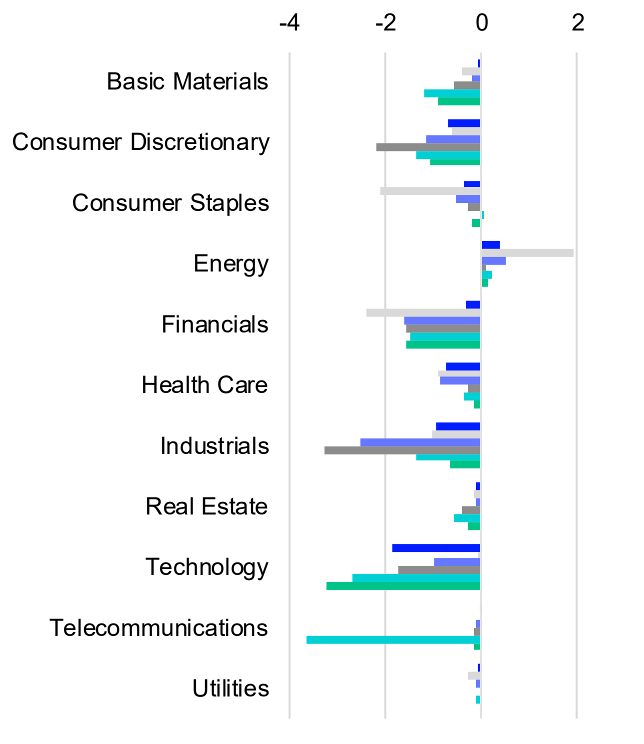
The Middle East conflict and energy supply shock halted the year-long rally in global equities. With their higher dependence on imported energy and oil which flows through the Strait of Hormuz, Asian equities lagged their US and European peers. Energy was the only accretive industry over 1M; other cyclicals were a significant drag on returns..

-4.9% FTSE USA	-6.1% FTSE UK	-7.7% FTSE Eur ex UK	-10.6% FTSE Japan	-12.6% FTSE APAC ex JP	-8.3% FTSE Emerging

Benchmark Industry Weights, March 2026 (%)



March 2026 – Contributions to Total Benchmark Returns (%)

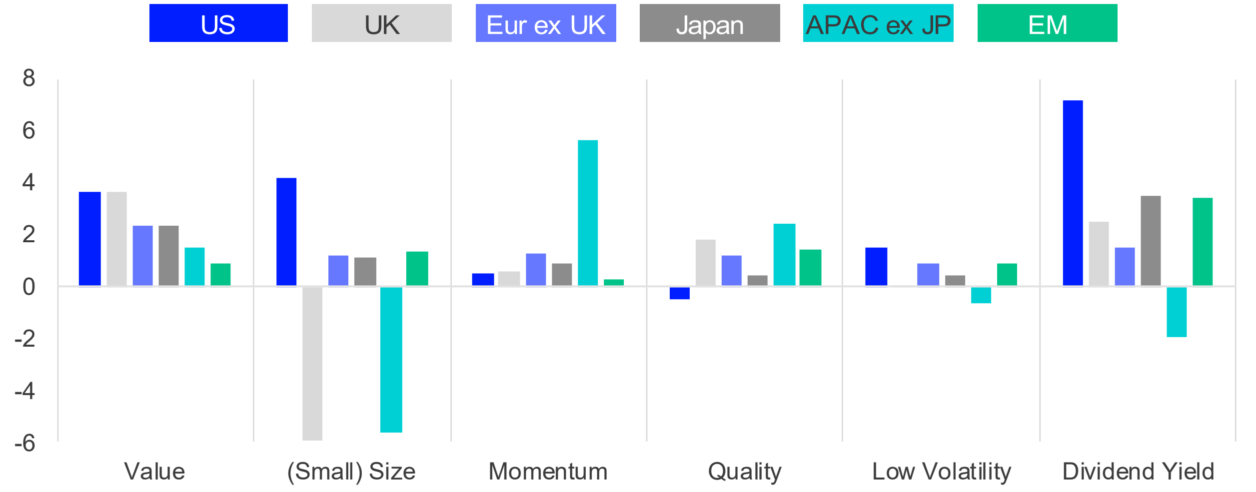


Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Global View – Factor and Benchmark Performance Highlights, Q1 2026

Overall in Q1 2026, Value outperformed as it had in the previous two quarters. Yield had begun to beat benchmarks in Q4 2025 and notably outperformed in Q1 in 5 of 6 regions, especially the US, reflecting Tech's weakness and Energy's dominance later in the quarter. (Small) Size still led in 4 of 6 regions, while steeply lagging in the UK and Asia Pacific. Despite the sharp reversal in March, in Asia Pacific ex Japan Size lagged and Momentum outperformed over 3M, indicative of the strong rally in large, AI-themed stocks seen during January-February.

Regional Relative Factor returns vs benchmark — 3M (TR, LC%)

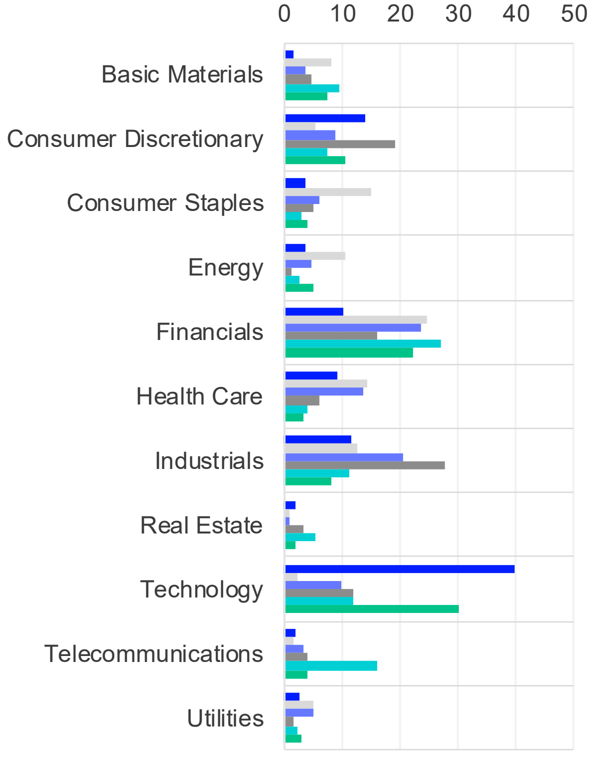


Regional Equity Market Returns – 3M (TR, LC %) – Asia Pacific's stellar Jan-Feb rally puts it on top for Q1

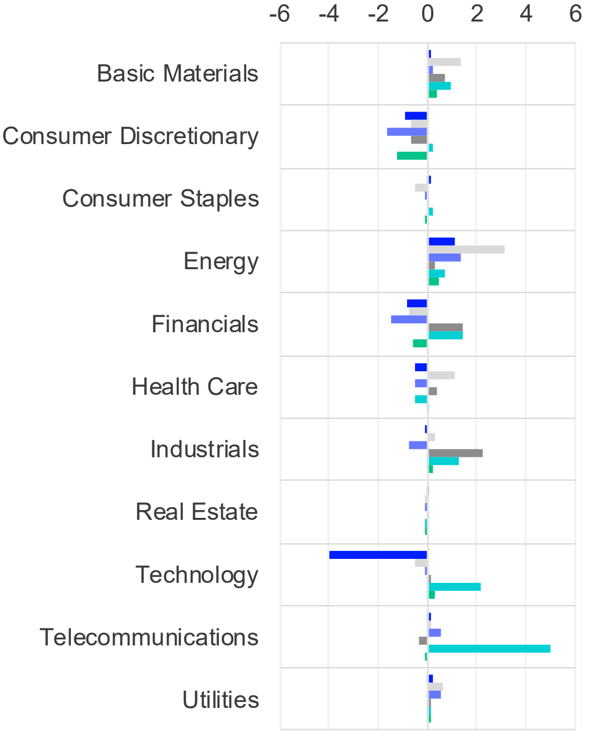
The AI-themed leaders in Asia Pacific ex Japan soared in January and February, helping the index lead for the quarter despite their sharp reversal in March. Japan and UK equities were also in the green over 3M, while Europe and Emerging gave up their gains from Jan-Feb. US equities lagged in Q1, despite faring better than peers in March.

-4.7% FTSE USA	+3.6% FTSE UK	-2.2% FTSE Eur ex UK	+3.3% FTSE Japan	+9.6% FTSE APAC ex JP	-1.1% FTSE Emerging

Benchmark Industry Weights, 3M average (%)



3M – Contributions to Total Benchmark Returns (%)

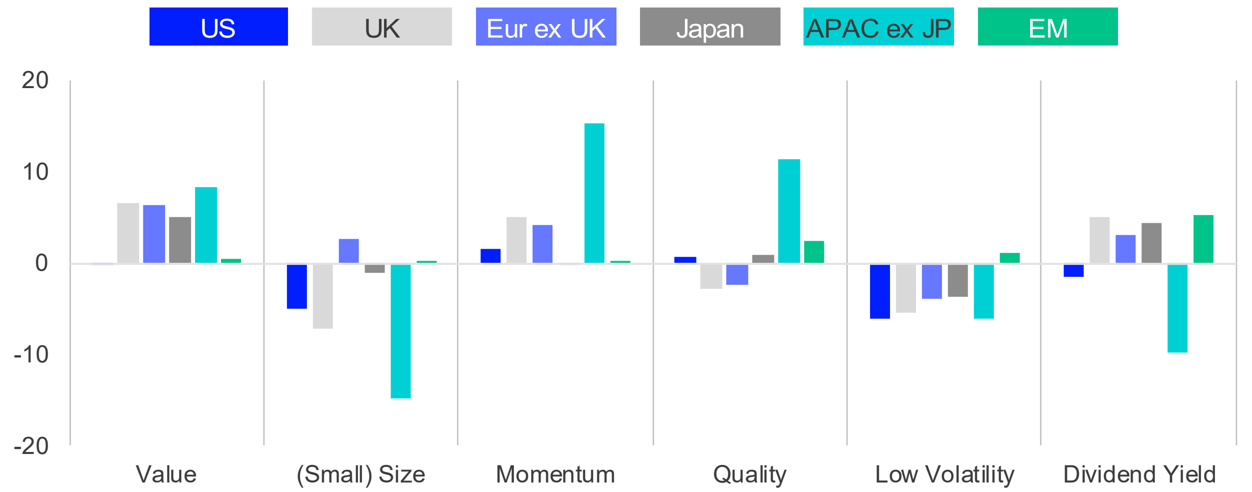


Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Global View – Factor and Benchmark Performance Highlights,12M

The 12M trend in factor relative returns of Value leading and Size and Low Vol mostly lagging was sustained at the end of Q1. Broadly speaking, it reflected the leadership of large, value-oriented and cyclical stocks; notable exceptions were US Value which lagged slightly and Europe Size which outperformed. Momentum was positive or flat in all regions, consistent with the persistence of longer-term trends. Overall, these 12M returns eclipse Q1's shift in performance patterns due to Tech Software's moderation and Energy's outperformance during the quarter.

Regional Relative Factor returns vs benchmark — 12M (TR, LC%)

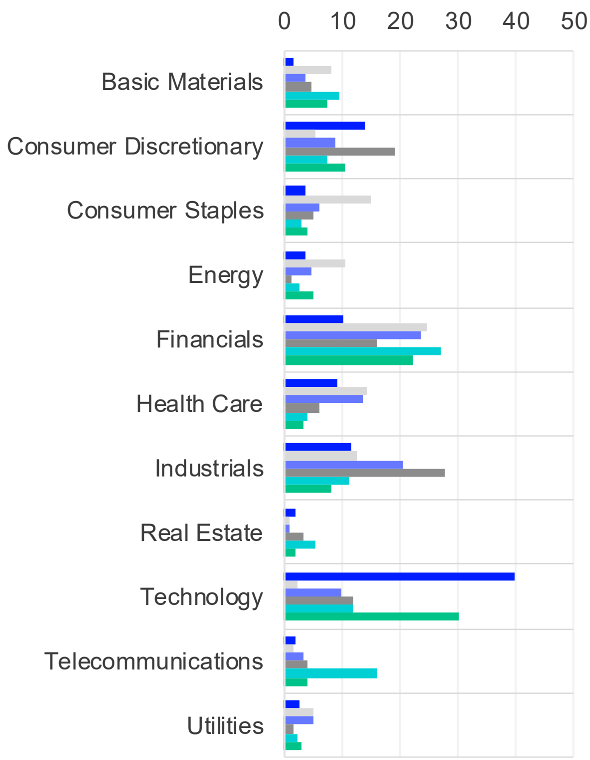


Regional Equity Market Returns – 12M (TR, LC %) – Returns reflect AI tailwinds and risk-on sentiment

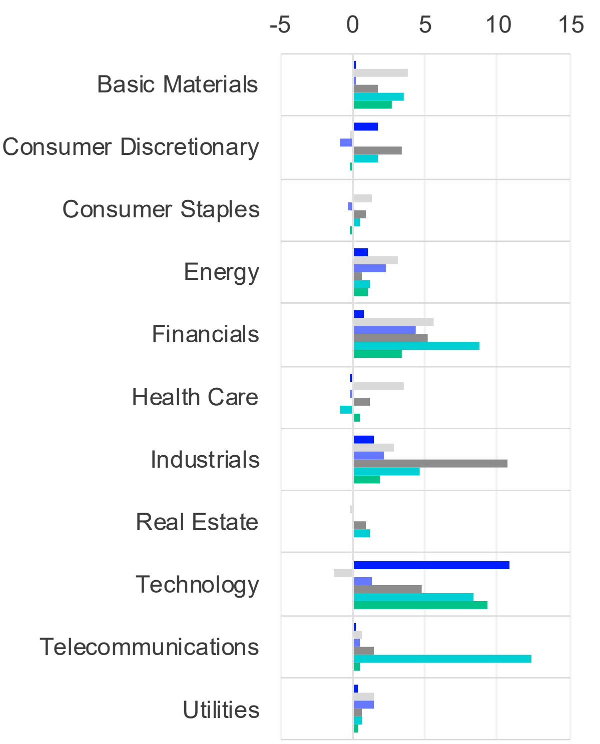
Over 12M, Asian equities led local currency returns helped by AI tailwinds and their relative exposures to cyclicals in a broad risk-on rally. The Middle East energy supply shock stalled that rally and reversed equity leadership away from Asian equities toward US equities in March; the return to secular themes is dependent on the duration and resolution of the crisis.

+17.5% FTSE USA	+22.3% FTSE UK	+10.8% FTSE Eur ex UK	+34.9% FTSE Japan	+47.1% FTSE APAC ex JP	+21.0% FTSE Emerging

Benchmark Industry Weights, 3M average (%)



12M – Contributions to Total Benchmark Returns (%)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Global View – Factor rotation

Over the last 12M, Value steadily outperformed the benchmark in several regions (Chart 1). However, in the US and Emerging, Value's lead has come alongside Tech's moderation beginning in Q4 2025 and the Q1 2026 divergence between hardware and software sectors. There were shifts in Value's performance within Q1 as well (Chart 2). While US Value beat the benchmark each month, its outperformance was more pronounced in February with Tech wobbles related to AI disruption fears. US Value's relative performance moderated in March when, amid a broad selloff, Energy was the only accretive industry. In many other regions, Value actually lagged the index in January but broadly outperformed in March helped by exposure to Energy and other defensives that fared better in a drastically altered macro environment.

The immediate impact of the Middle East crisis was felt in commodity prices with oil and related commodities spiking in March (Chart 3). The spillover into inflation expectations and yields followed quickly. Unlike H2 2025, which saw broad disinflation and easing monetary conditions, March saw a rise once again in inflation expectations (Chart 4) and yields (Chart 5). Moreover, in many markets, short yields rose more than long yields leading to a decline in the government yield curve slope or a flattening. Rising short-term funding costs could prove a headwind for Financials, specifically Banks. In March, we saw Value's overweight to Financials in markets like the UK and Europe hurt its performance, in a reversal from Q4.

US | UK | Eur ex UK | Japan | APAC ex JP | EM

Chart 1: Value relative to benchmark, 12M (LC, rebased)

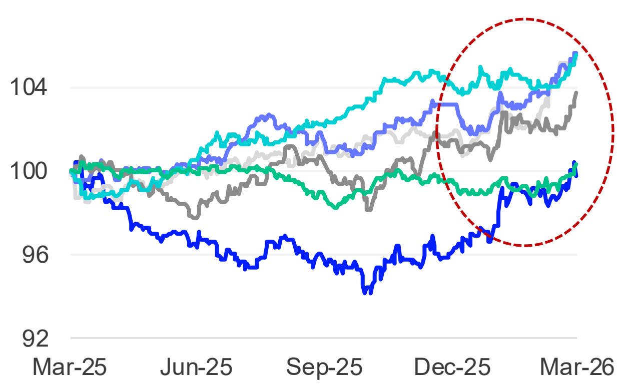


Chart 2: Value relative to benchmark, Jan-Mar 2026 (LC, %)

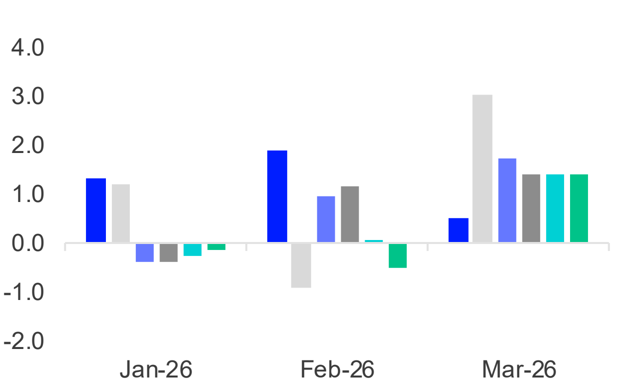


Chart 3: Select FTSE CRB commodity returns (rebased, USD)

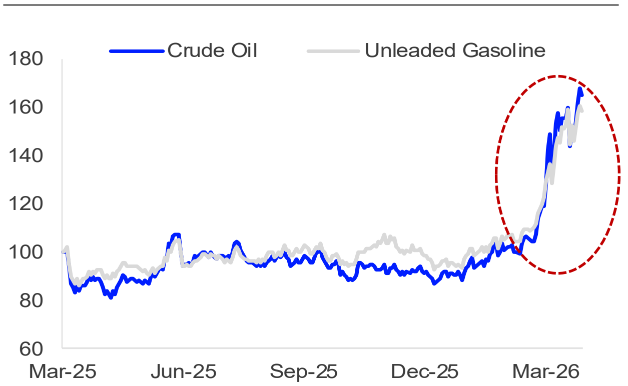


Chart 4: Global break-evens, by maturity bucket (%)

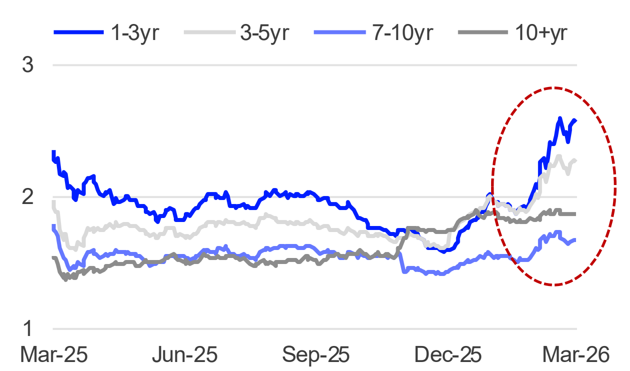


Chart 5: Government bond yields, 7-10 yr maturity (%)

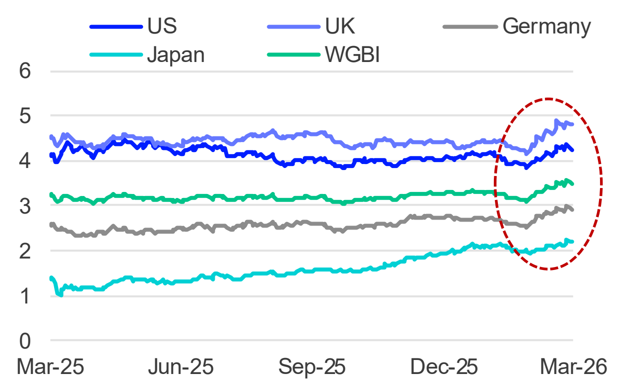
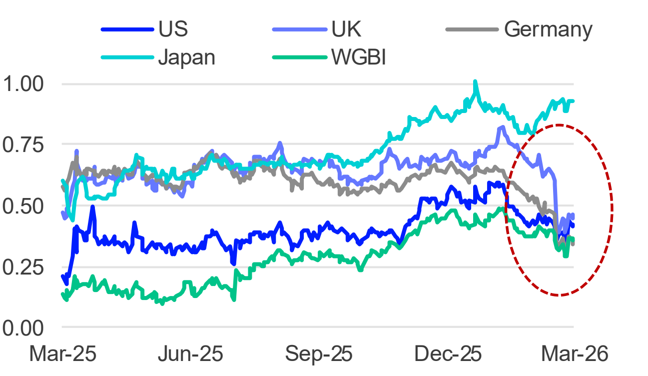


Chart 5: Government bond yield curve slope, 7-10 yr--1-3 yr (%)

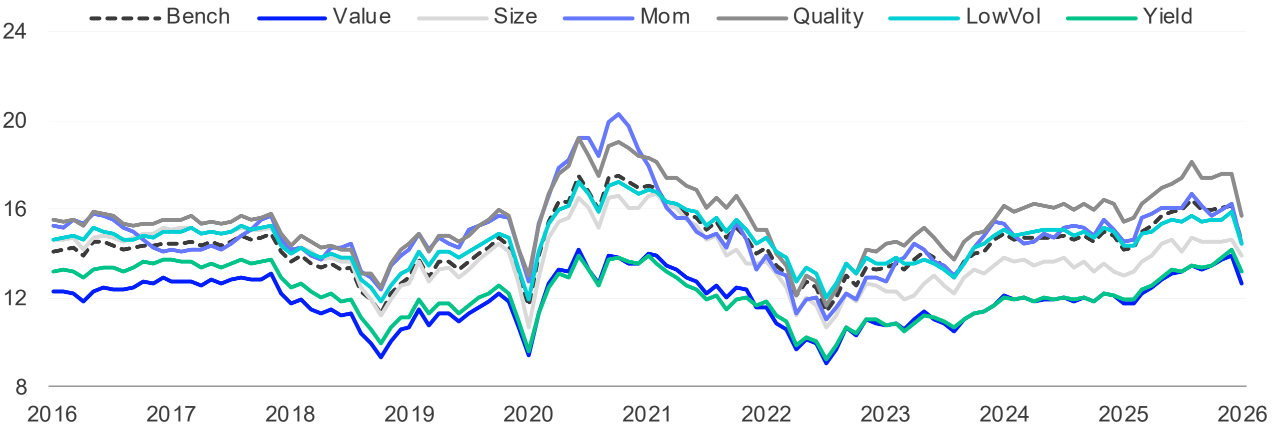


Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

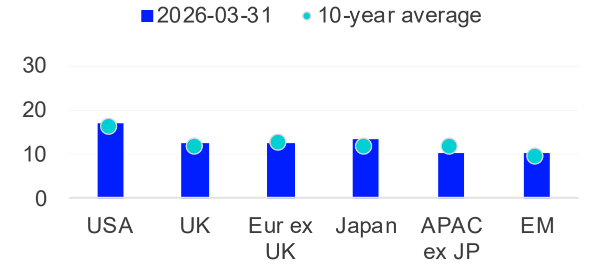
Global View – Factor Valuations

Since end-2022, average factor forward P/Es have rerated broadly reflecting the multi-year global equity rally. Over 12M, secular trends such as AI investment, demand for precious and industrial metals, and easing financial conditions provided tailwinds to prices and bolstered earnings. However, equity indices turned sharply lower in March in response to the Middle East conflict and average factor valuations declined. They mostly remained in line with 10yr averages.

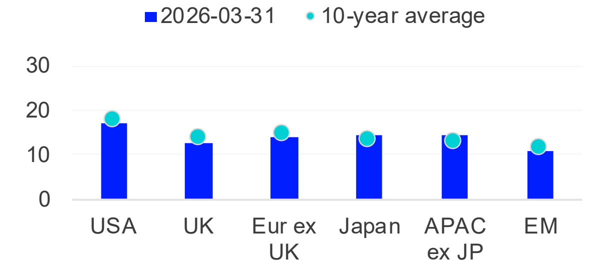
12-month forward factor P/E ratios, average of six regions



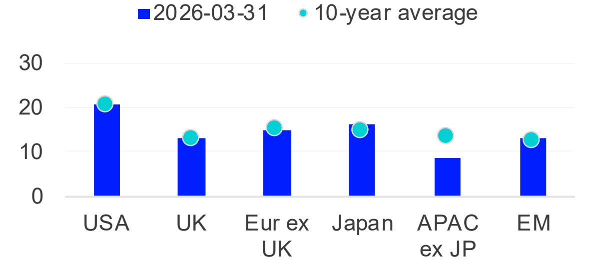
Value - 12M forward P/E



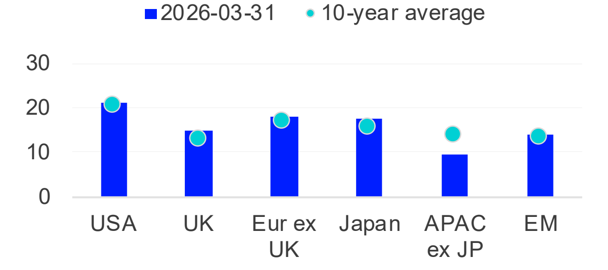
Size - 12M forward P/E



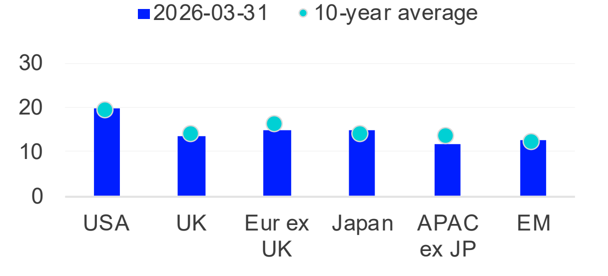
Momentum - 12M forward P/E



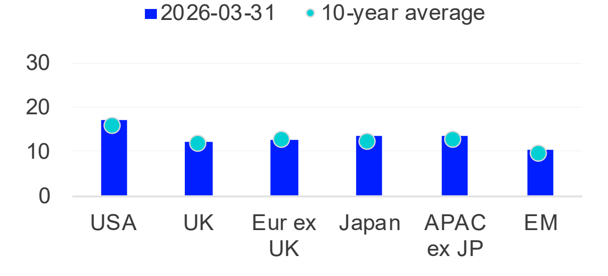
Quality - 12M forward P/E



Low Volatility - 12M forward P/E



Yield - 12M forward P/E



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

US Equity Factor Insights

FIRST QUARTER | 2026

Key Observations

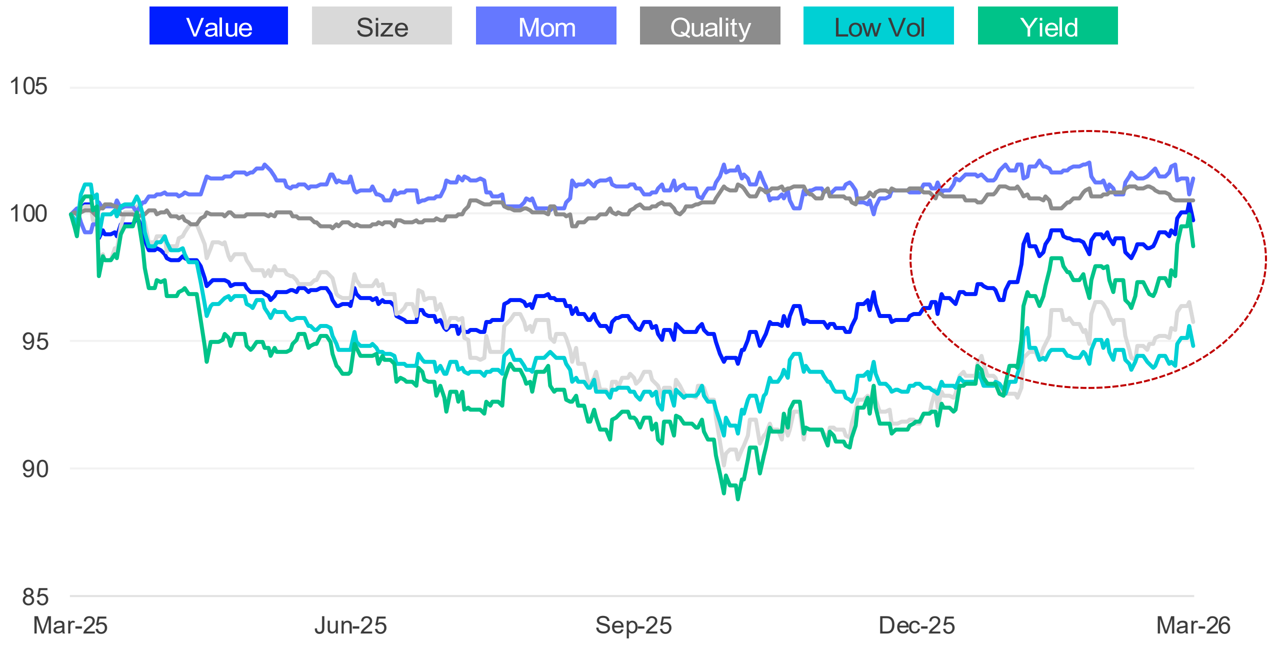
– In Q1, Quality was the sole US factor to lag the benchmark, reversing its performance from the previous quarter. Value and Yield continued to outperform as in Q4 2025. They were joined by Size with large positive relative returns.

– Allocation effects from Tech and Energy largely drove factor relative returns. Size and Momentum also saw positive selection within Tech, suggesting markets favored smaller Tech equities in lieu of the mega caps whose performance had been moderating since Q4 on valuation concerns.

– Over 12M, Momentum and Quality led the benchmark, with Low Vol and Size lagging the most, indicative of Tech's dominance of the US index's weight and performance over the longer timeframe.

– Absolute factor forward P/Es for Quality and Momentum continued to derate over Q1 as in Q4. In March, all factor valuations compressed. US Size traded below its 10-year average P/E at quarter-end. In benchmark-relative terms, Value and Yield were more expensive compared to history.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

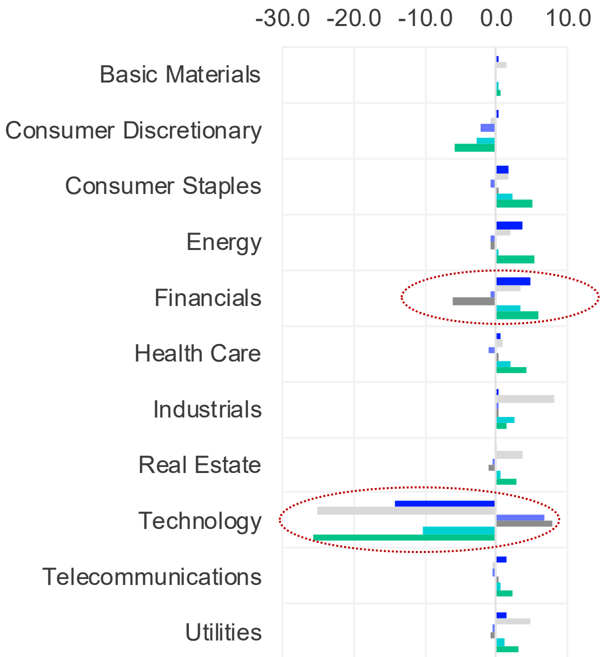
US Factor Performance & Industry Attributions — 3M

Tech and Energy drive Size, Value and Yield's outperformance during Q1

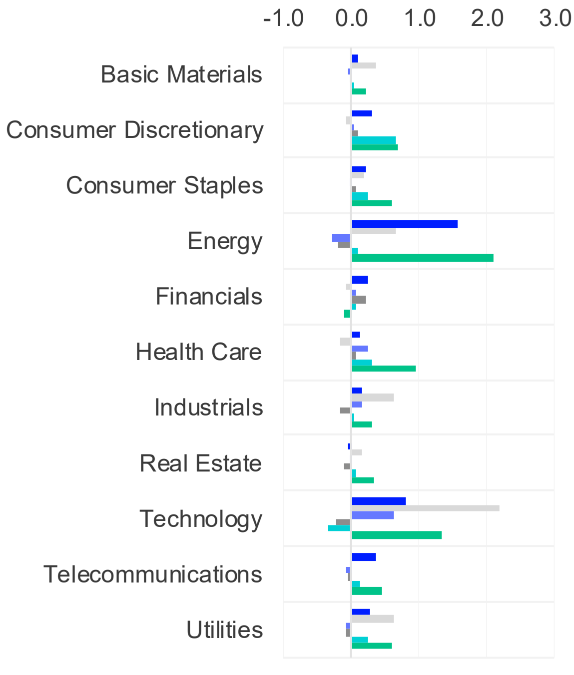
In Q1, Size, Value and Yield strongly outperformed, alongside Low Vol and Momentum. Quality lagged, in a reversal from Q4 2025. This pattern was largely due to Tech moderating, notably in February on AI disruption fears, and Energy outperforming in March. Size, Value and Yield saw strong positive allocation from Tech and Energy. Size and Momentum also saw large positive selection within Tech, suggesting smaller Tech equities were favored in lieu of the mega caps.

2026 Q1	Relative to Benchmark (TR %)					
FTSE USA	Value	Size	Mom	Quality	Low Vol	Yield
-4.7%	3.6	4.2	0.5	-0.5	1.5	7.2

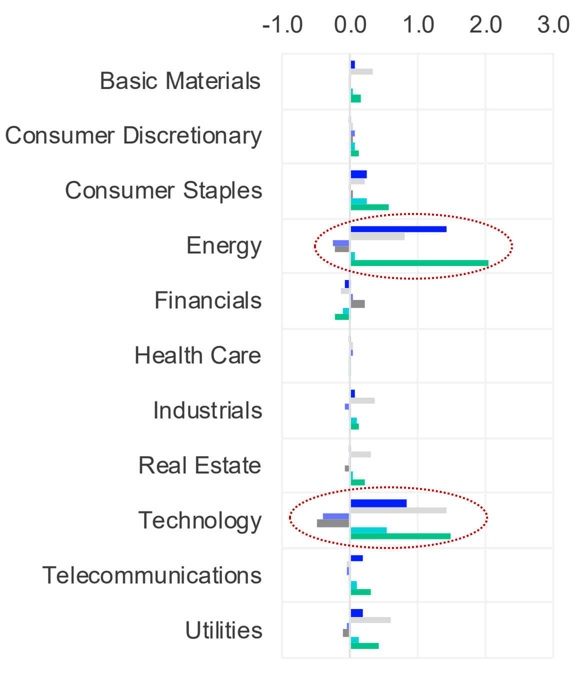
Industry active weights, 3M average



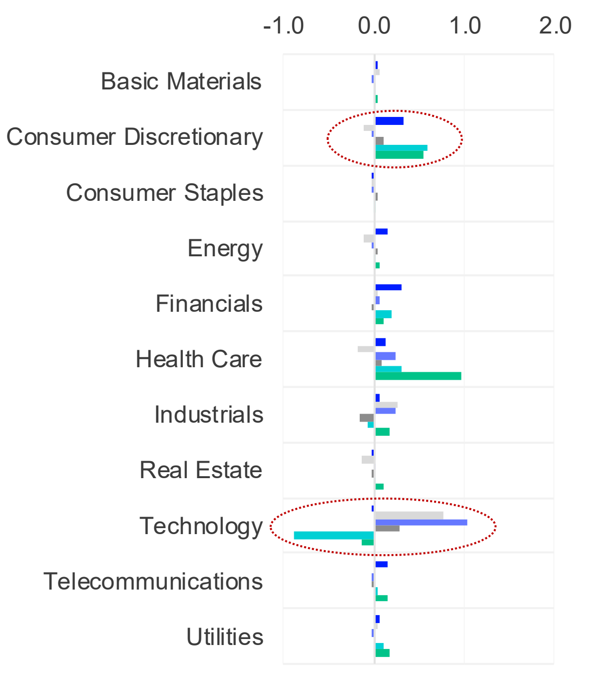
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M

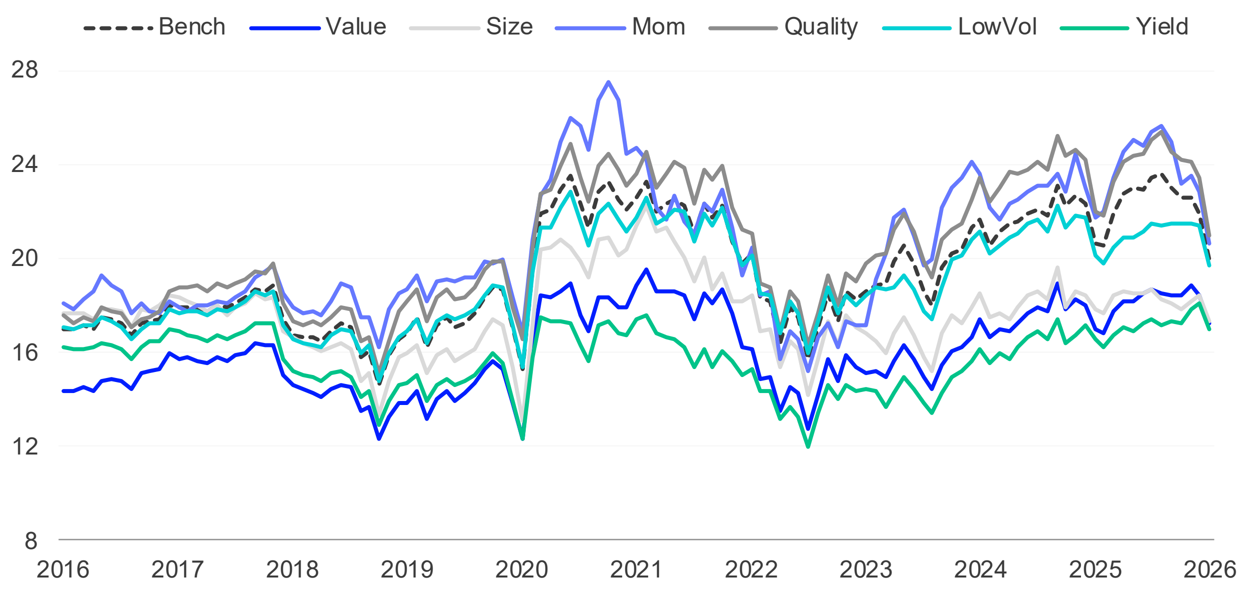


Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

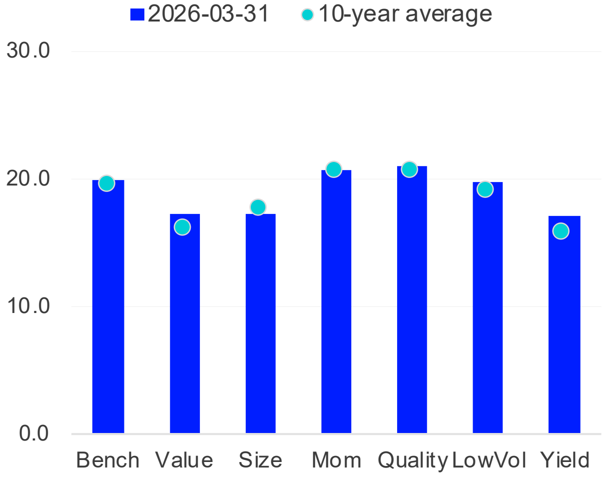
US Factor Valuations

US factor forward P/Es had rerated since April 2025 when equity markets pulled back in response to announced high reciprocal tariffs on US trading partners. However, since October, when the tech rally moderated in response to valuation and financing concerns, absolute 12M forward P/Es for Quality and Momentum (that are overweight Tech) declined notably. They continued to decline in Q1, when AI disruption fears further challenged Tech returns. In March, all factors saw valuations decline as equity benchmarks pulled back in response to the Middle East conflict and energy supply disruption. At the end of Q1, all US factors except Size remained expensive relative to their 10-year history. In relative-to-benchmark terms, Value and Yield traded above their historical averages.

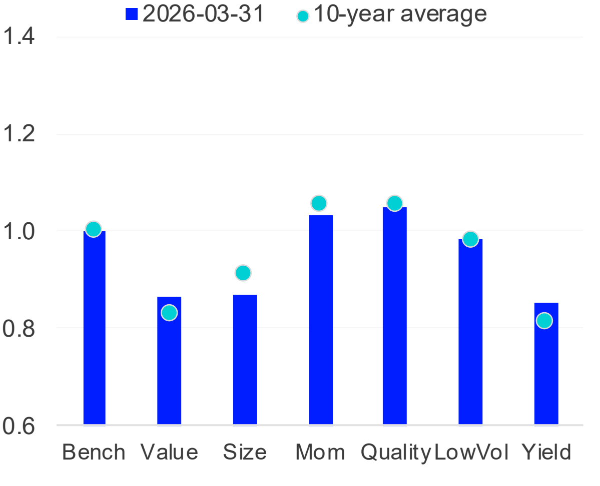
FTSE USA – Absolute 12M forward P/Es



Current Absolute 12M forward P/E vs history



Current Relative 12M forward P/E vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

UK Equity Factor Insights

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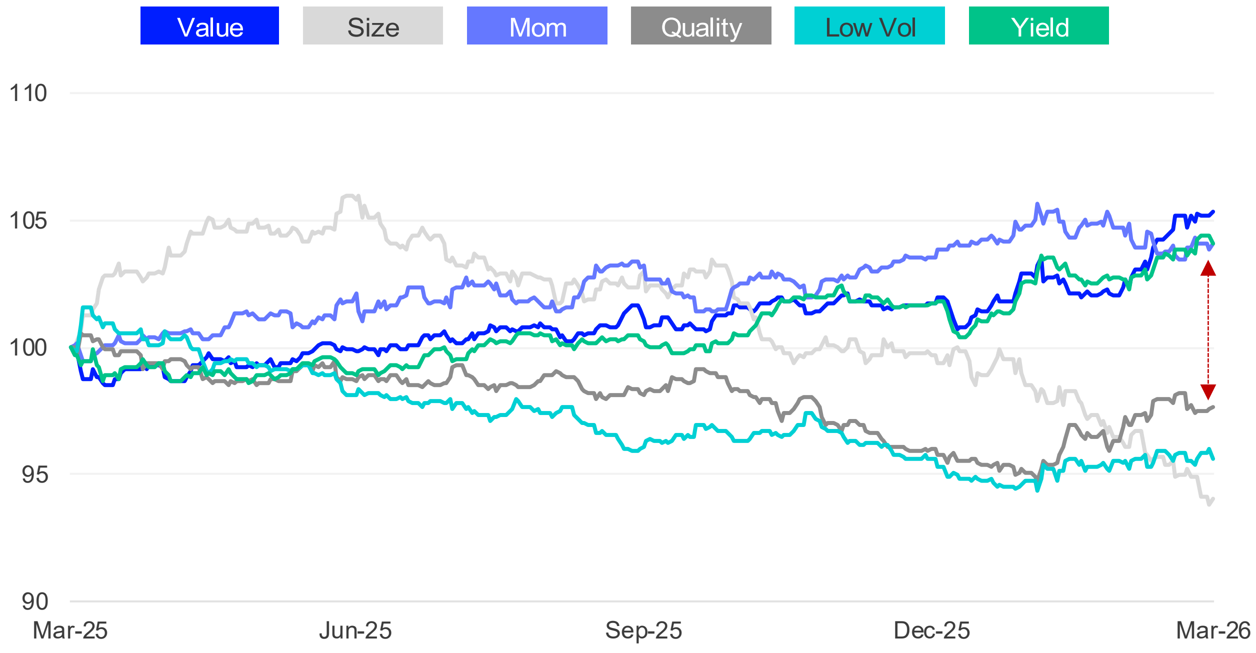
Key Observations

- In Q1, Value, Momentum and Yield continued to outperform while Quality reversed its performance from the previous quarter to lead the index. Size continued to lag steeply.
- Positive allocation effects from Energy helped factor relative returns. Quality also benefitted from its underweight to Financials which was hurt in Q1 by rising yields and a flattening of the yield curve. Investor preference for larger equities hurt Size through negative selection in a number of industries.
- Over 12M, the divergence in relative performance between Value, Yield and Momentum that outperformed, and Size, Quality and Low Vol that lagged was maintained at quarter-end, despite Quality gaining ground in Q1.
- UK factor forward P/Es broadly de-rated in March. Size and Low Vol that have lagged for a couple of quarters were trading below their 10-year average forward P/Es at quarter-end in both absolute and relative terms. UK Value and Yield were expensive relative to their 10-year average P/Es.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

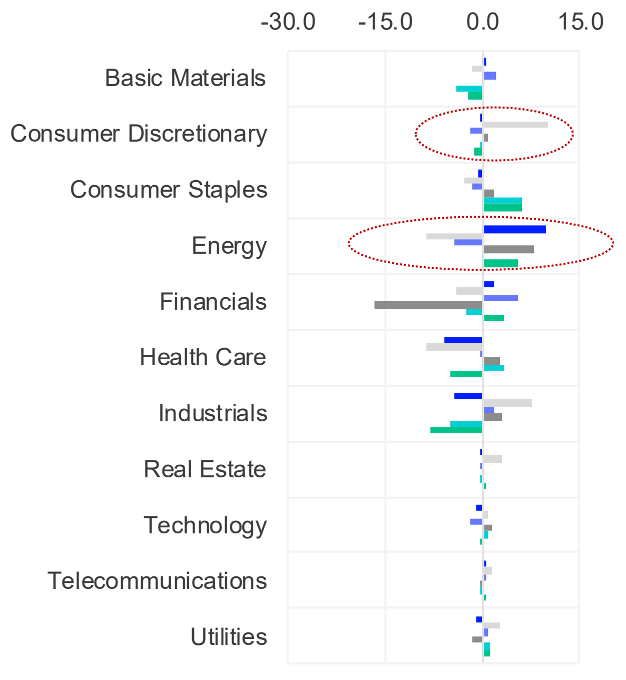
UK Factor Performance & Industry Attribution — 3M

Value continues to lead just as Size lags steeply

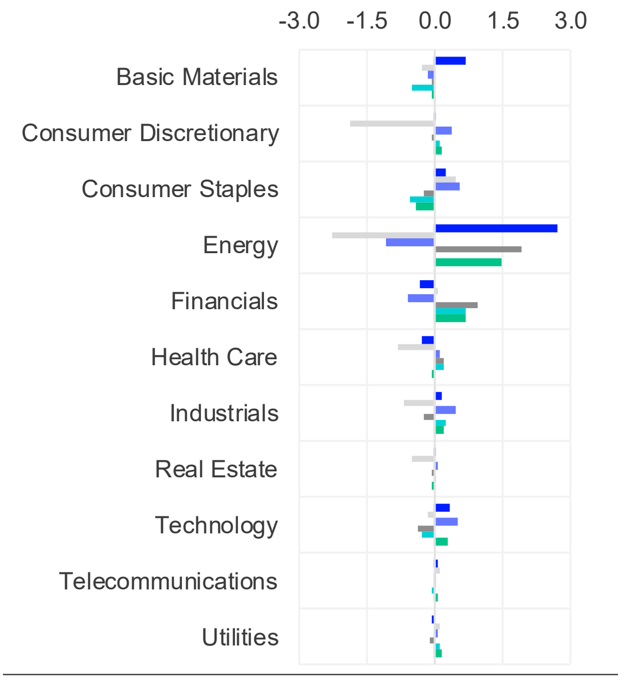
In Q1, Value, Momentum and Yield outperformed the benchmark as in the previous two quarters, alongside Quality that reversed its performance from Q4. An overweight to Energy, the strongest contributor to index returns, helped Quality, Value and Yield. Size lagged steeply. Besides negative allocation effects from Energy and Discretionary, among others, Size saw negative selection within a number of industries, indicating a preference for larger equities.

2026 Q1	Relative to Benchmark (TR %)					
FTSE UK	Value	Size	Mom	Quality	Low Vol	Yield
3.6%	3.7	-5.9	0.6	1.8	0.0	2.5

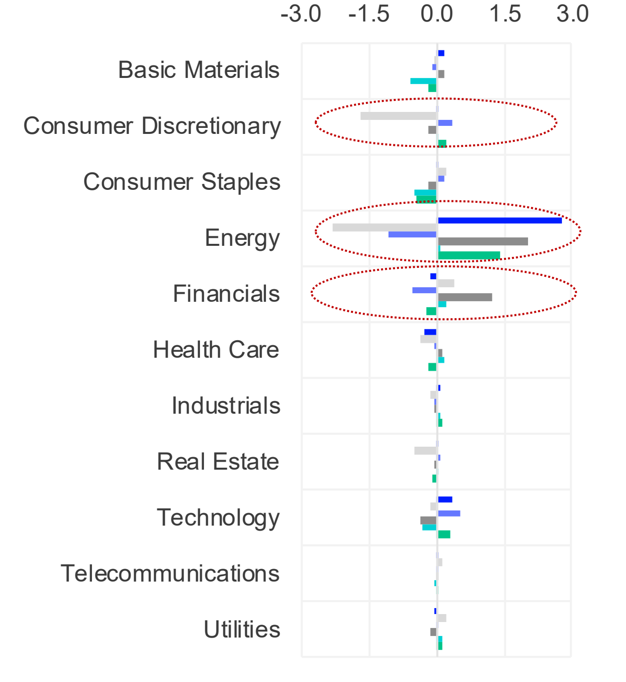
Industry active weights, 3M average



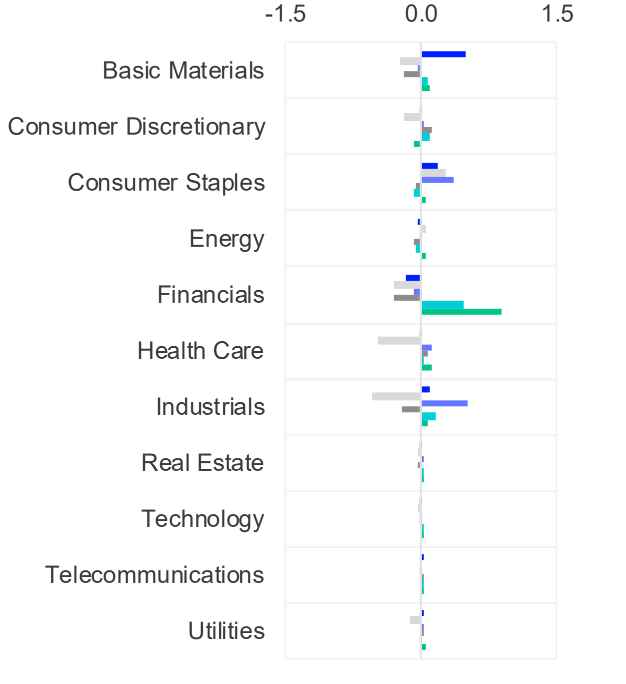
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M



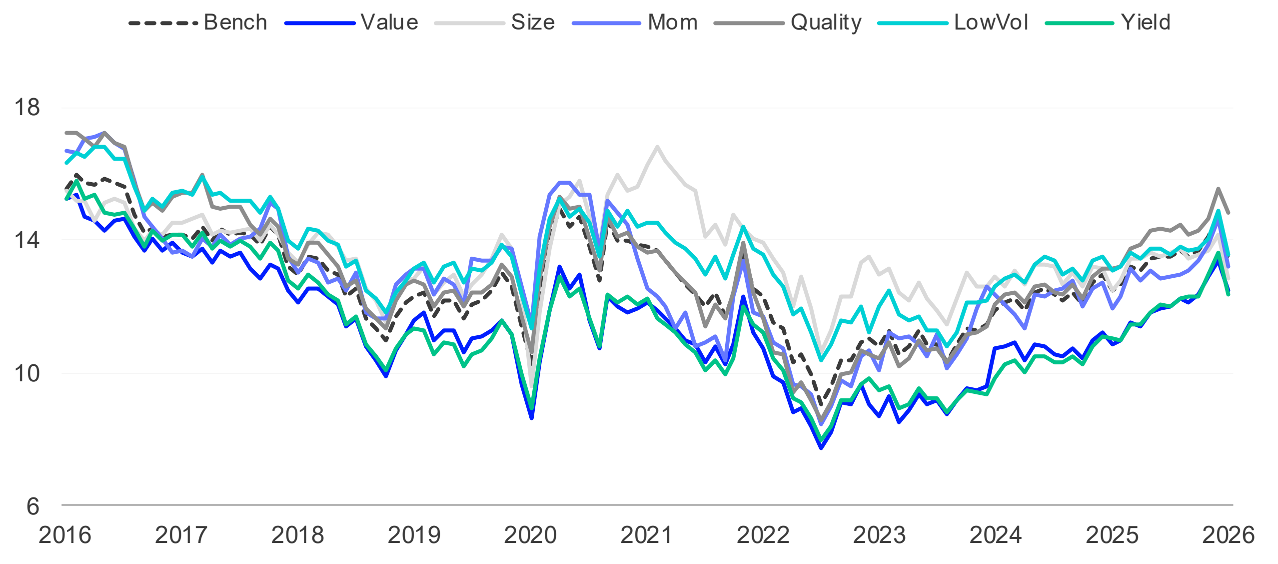
Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

UK Factor Valuations

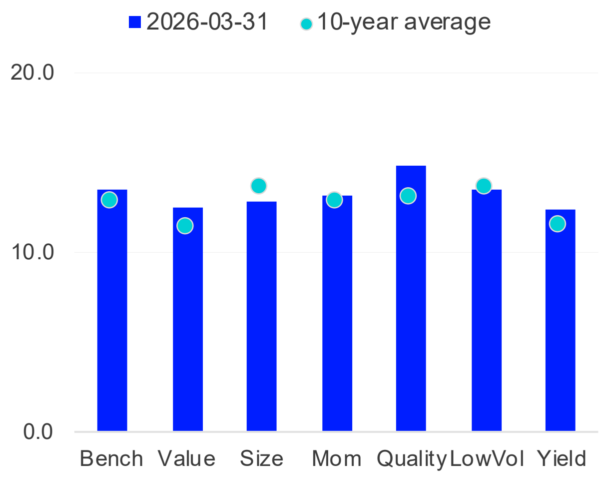
UK factor forward P/Es have re-rated since end-2022 but saw a broad decline in March with the impact of the Middle East conflict and energy supply shock on benchmark indices. Size and Low Vol, which have trailed the benchmark for a couple of quarters, were specifically hurt by negative or neutral weights to Energy in Q1. They were trading below their 10-year average forward P/Es at quarter-end.

While Quality tends to be expensive, UK Value and Yield were also dear relative to their history, in both absolute and relative terms. In benchmark-relative terms, Size and Low Vol were fairly cheap compared to their history.

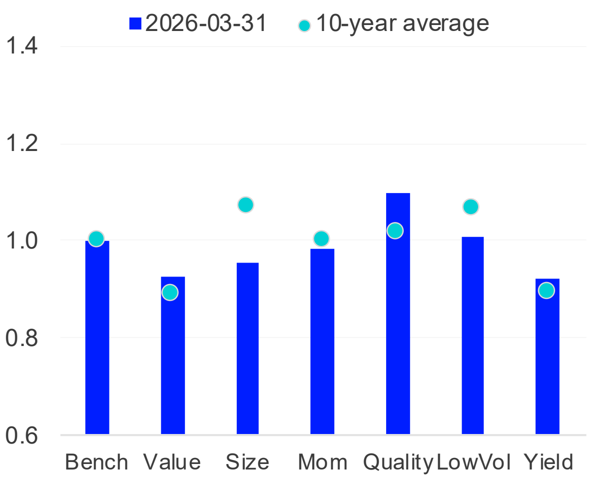
FTSE UK – Absolute 12M forward P/Es



Current Absolute 12M forward P/Es vs history



Current Relative 12M forward P/Es vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Europe ex UK Equity Factor Insights

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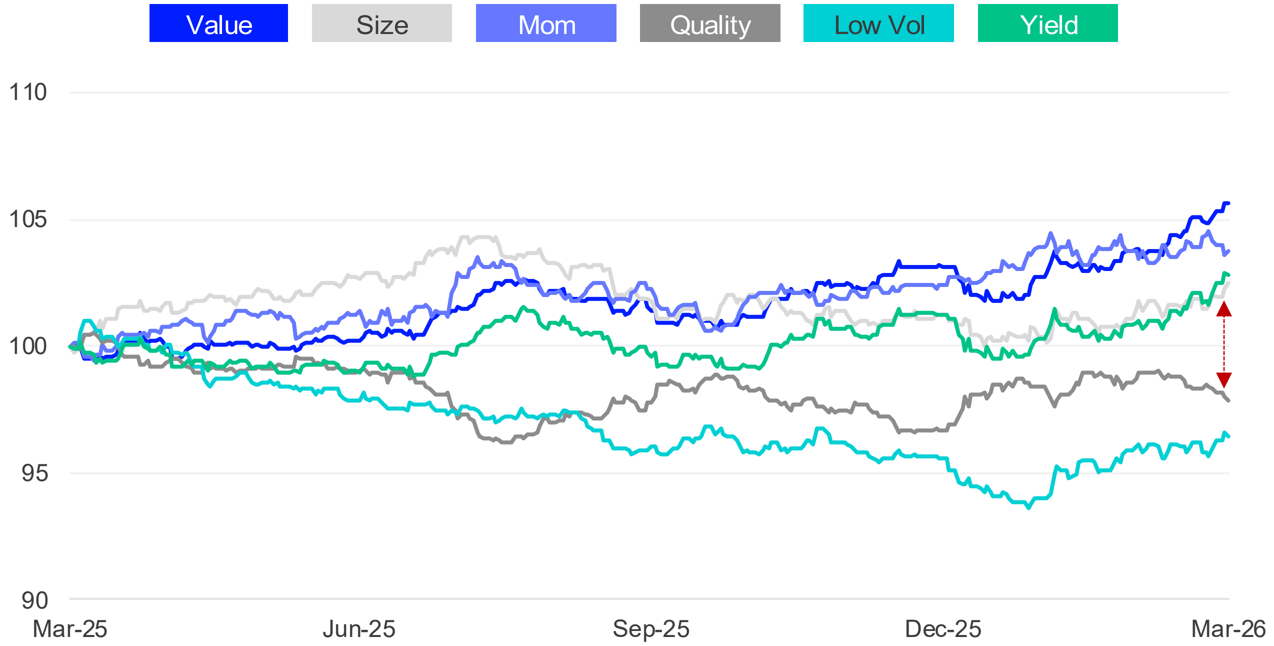
Key Observations

- In Q1, Value led factor relative returns which were broadly positive. There was only a small spread among the relative performance of other factors.
- Unlike in Q4, when Value's exposure to Financials helped its performance, in Q1, Financials exposure resulted in negative allocation effects. Value was mainly helped by positive allocation and selection effects from Energy.
- Over 12M, Value, Momentum, Yield and Size beat the benchmark while Quality and Low Vol lagged steeply, although the latter gained ground in Q1 helped by positive selection within several industries.
- In March, absolute factor valuations contracted sharply and ended the quarter lower than three months ago, except for Momentum which had expanded notably during January and February.
- In relative terms, Value and Quality were expensive relative to their history while Low Vol was cheap.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

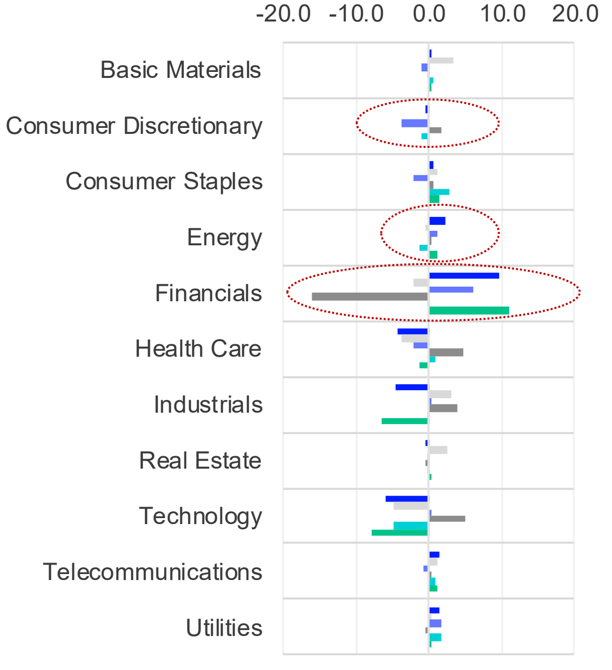
Europe ex UK Factor Performance & Industry Attribution — 3M

Value and Momentum maintain their edge

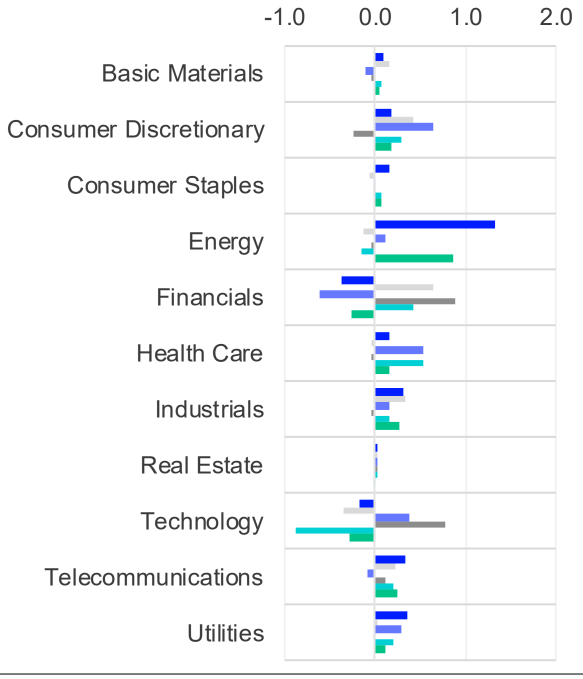
In Q1, factor relative returns were positive in the context of benchmark losses, with Value leading. Energy was most accretive to benchmark returns, while Discretionary and Financials were a drag; relative exposures to these mattered. Value saw strong positive allocation from Energy and negative allocation from its Financials overweight. Low Vol, that lagged other factors, saw positive selection within Health Care, Financials, Energy and Industrials, among others.

2026 Q1	Relative to Benchmark (TR %)					
FTSE Dev Europe ex UK	Value	Size	Mom	Quality	Low Vol	Yield
-2.2%	2.4	1.2	1.3	1.2	0.9	1.5

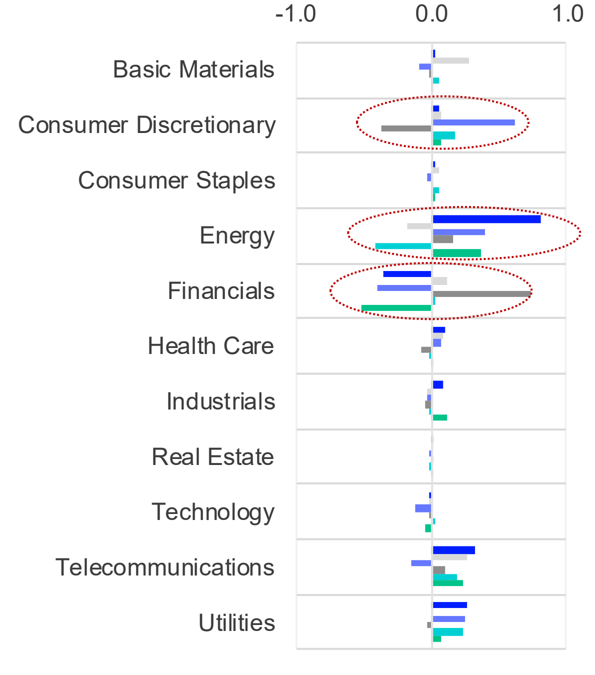
Industry active weights, 3M average



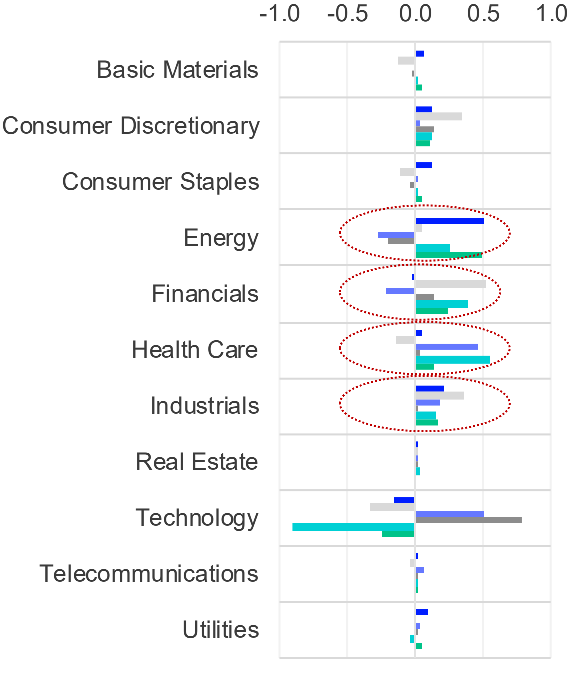
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M



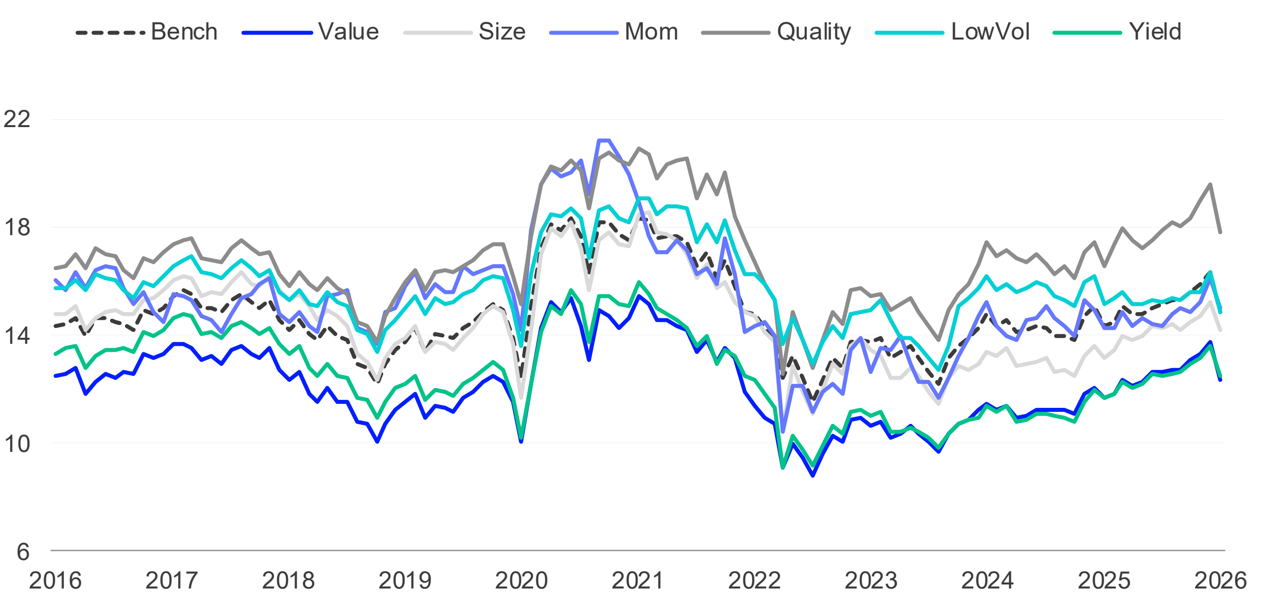
Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Europe ex UK Factor Valuations

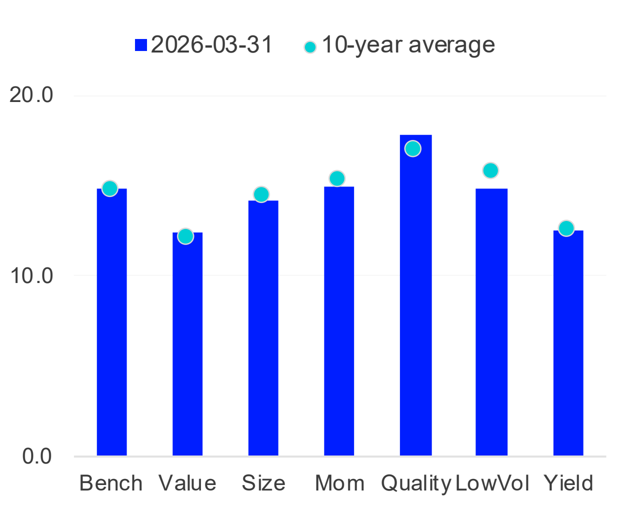
Absolute factor forward P/Es de-rated sharply in March and were lower quarter-on-quarter except for Momentum whose valuation expanded notably during January-February. At quarter-end, Value and Quality were trading above their 10-year average forward P/Es, while Low Vol traded at the deepest discount. Value, with a large overweight to Financials, had experienced tailwinds over the last 12M from the monetary easing cycle.

In benchmark-relative terms, Europe Value and Quality were dear compared to their 10-year average while Low Vol was cheapest relative to its history.

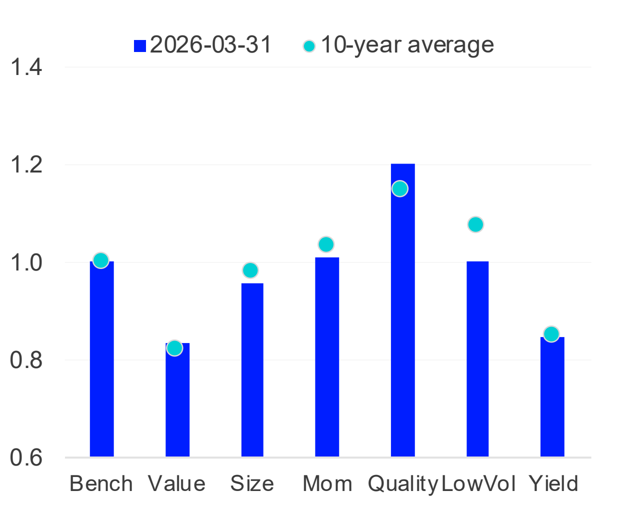
FTSE Europe ex UK – Absolute 12M forward P/Es



Current Absolute12M forward P/Es vs history



Current Relative 12M forward P/Es vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

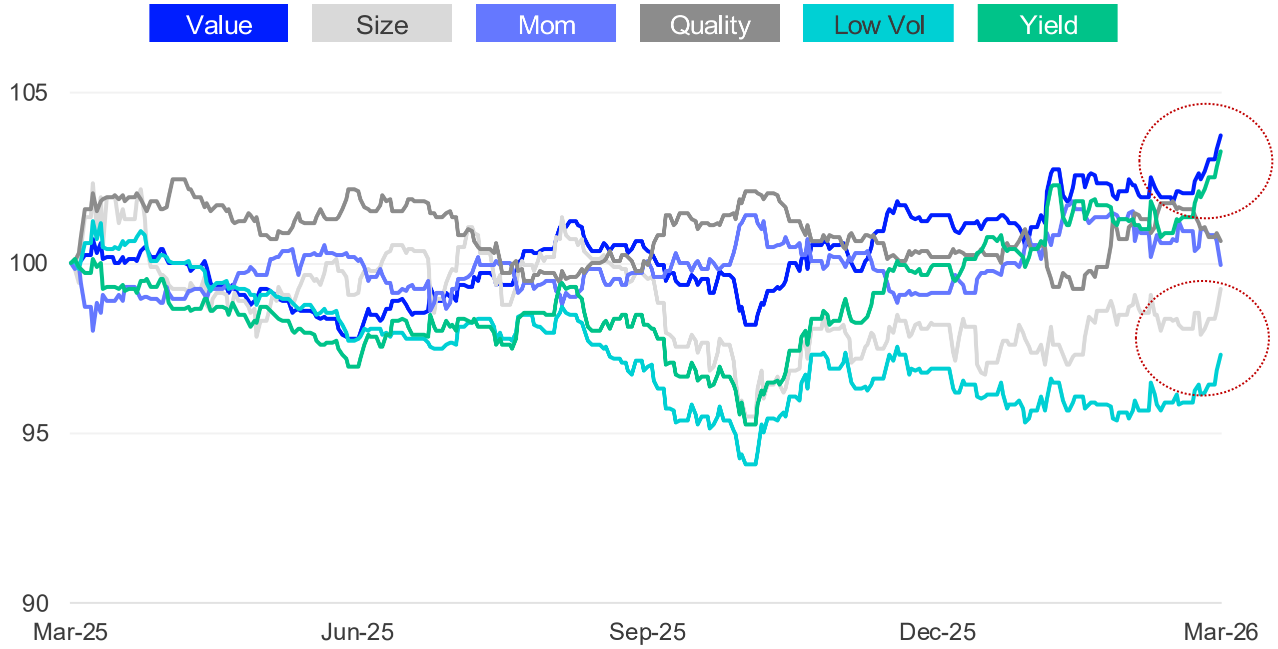
Japan Equity Factor Insights

FIRST QUARTER | 2026

Key Observations

- In Q1, Value and Yield continued to outperform as they did over Q4 2025. They led factor relative returns which were broadly positive.
- Industrials was a strong contributor to benchmark returns for the quarter, and Value, Yield and Momentum benefitted from positive selection effects within Industrials. Size and Quality were helped by positive selection effects within Discretionary and Tech, respectively.
- Over 12M, Value and Yield led factor relative returns helped by their outperformance since Q3 2025, while Size and Low Vol have more consistently lagged over that timeframe.
- Valuation changes over the quarter varied among Japan factors. Value, Momentum and Quality re-rated notably until February after which they compressed sharply. At quarter-end, all Japan factor forward P/Es were expensive compared to history, but not so in benchmark-relative terms.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

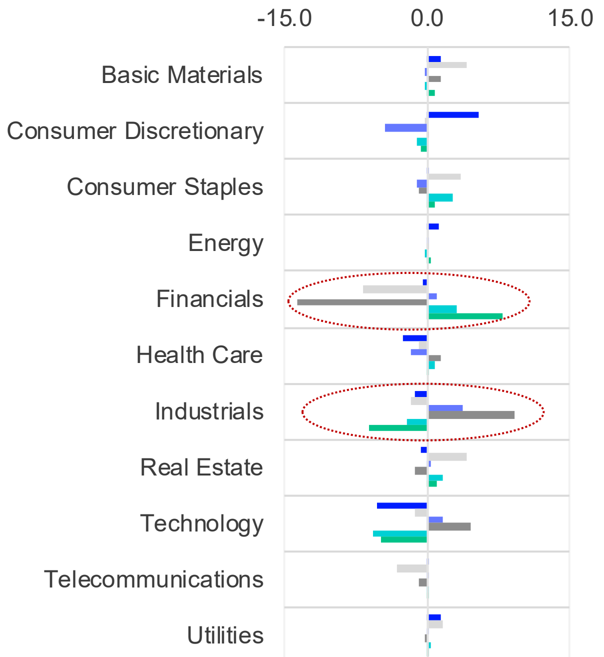
Japan Factor Performance & Industry Attribution — 3M

Value and Yield continue to lead in Q1

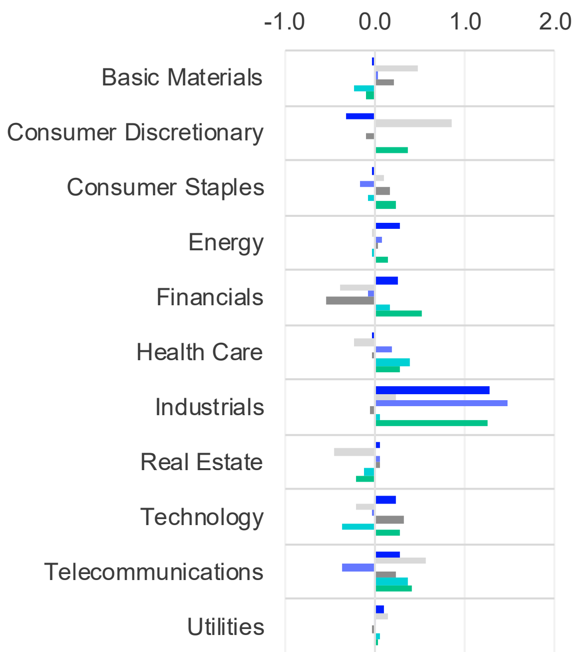
Factor relative returns were broadly positive with Value and Yield leading; they had outperformed over H2 2025 as well. Along with Momentum, they saw strong positive selection within Industrials which was a key contributor to index returns over the quarter (despite being a major drag in March). An underweight to Financials, which outperformed the index, hurt Size and Quality. But, Size saw positive selection effects within Discretionary, and Quality within Tech.

2026 Q1	Relative to Bechmark (TR %)					
FTSE Japan	Value	Size	Mom	Quality	Low Vol	Yield
3.3%	2.3	1.1	0.9	0.5	0.4	3.5

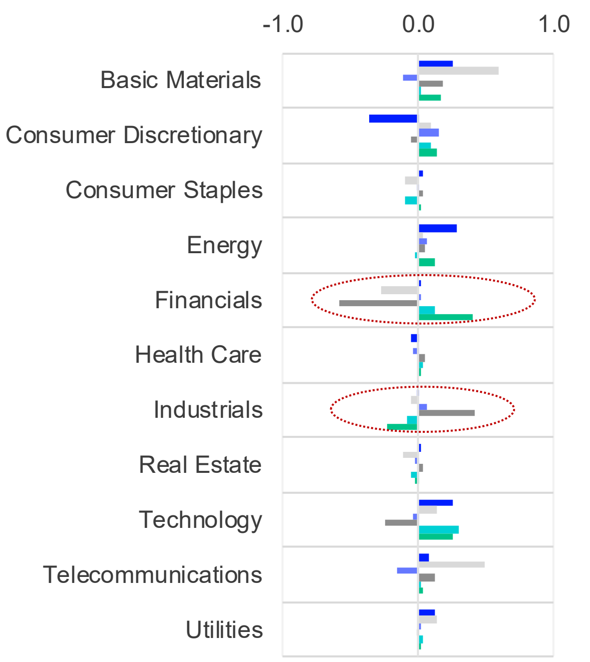
Industry active weights, 3M average



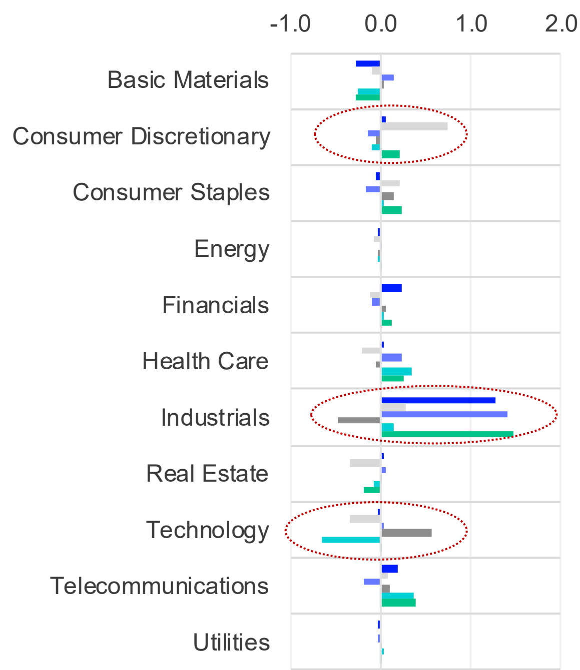
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M



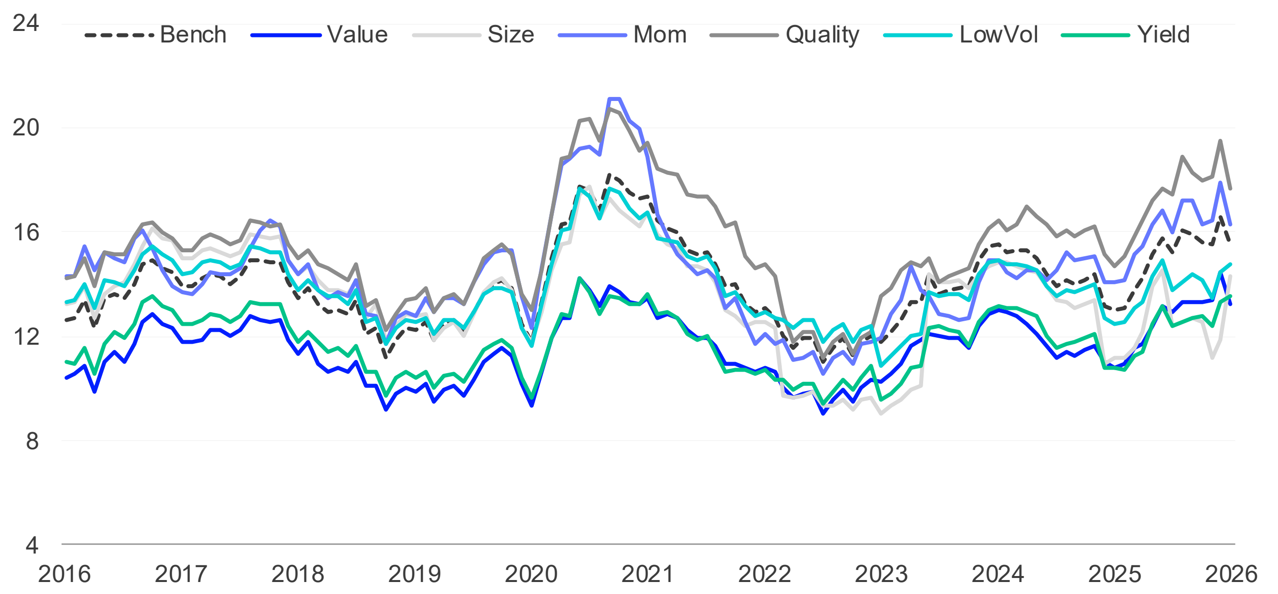
Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Japan Factor Valuations

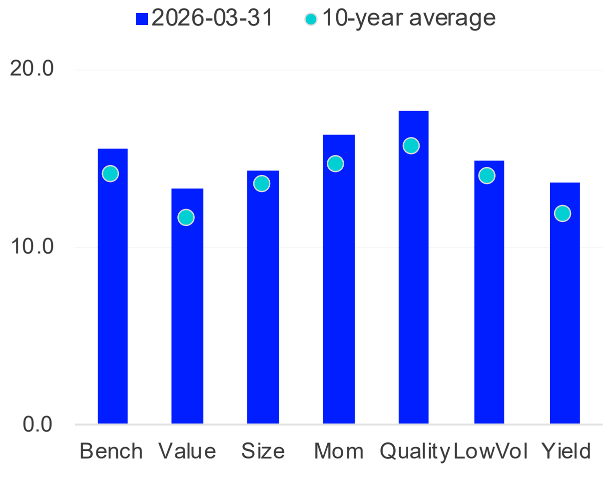
There was a split in valuation trends among Japan factors. Absolute factor forward P/Es for Size, Low Vol and Yield expanded in March after compressing in January. Overall, they had re-rated over Q1. P/Es for Value, Momentum and Quality contracted in March and over Q1, but they had re-rated notably through February.

At quarter-end, all Japan factor forward P/Es were expensive compared to their 10-year averages, but in benchmark-relative terms they were more in line with history.

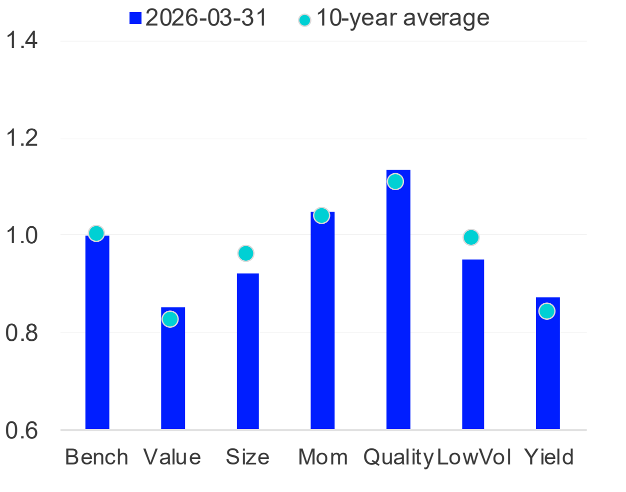
FTSE Japan – Absolute 12M forward P/Es



Current Absolute 12M P/Es vs history



Current Relative 12M P/Es vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

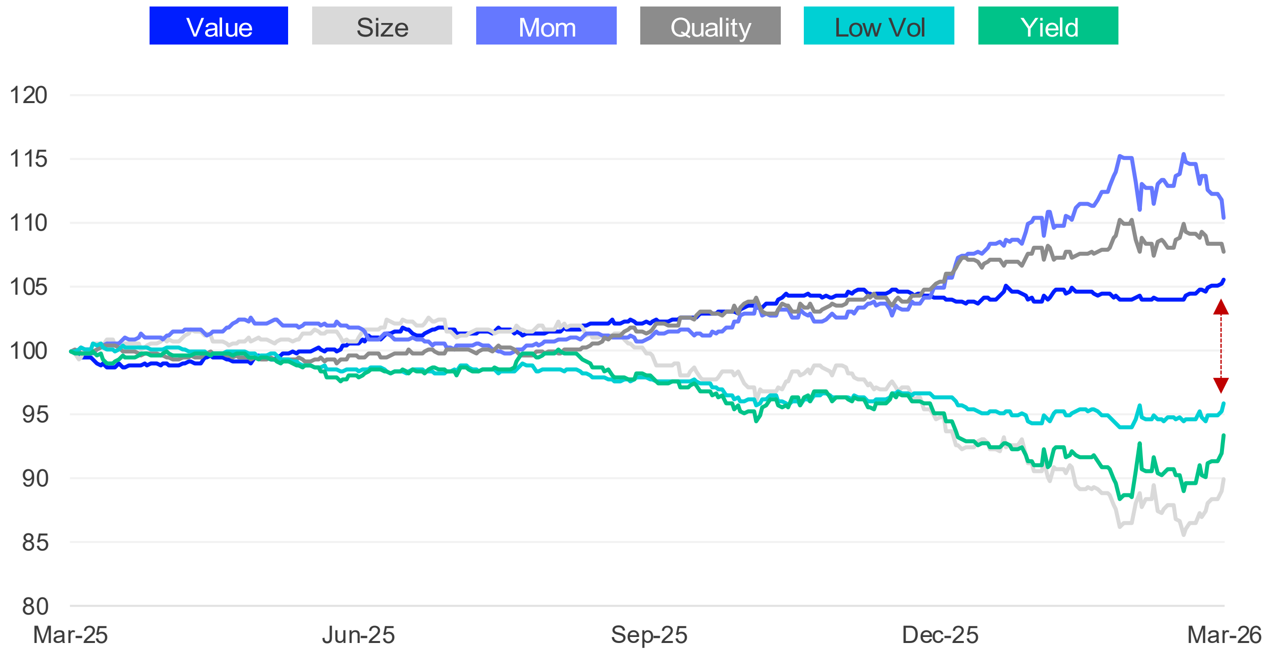
Asia Pacific ex Japan Equity Factor Insights

FIRST QUARTER | 2026

Key Observations

- In Q1, Momentum and Quality led factor relative returns, despite reversals in March from the Middle East energy supply shock. Their quarterly performance reflects the longer-term return drivers of large, AI-themed equities.
- Momentum and Quality were helped by positive allocation and selection effects from Tech and Telecoms, while Size was hurt by the opposite.
- Over 12M, the split between Value, Quality and Momentum’s outperformance and Low Vol, Yield and Size’s underperformance remain, even though Momentum and Quality lost ground and Size and Yield gained at quarter-end.
- Absolute factor forward P/Es had seen considerable expansion over 12M, driven by the AI theme, but they saw a correction in November 2025 and then again in March 2026. Quality and Momentum, with an overweight to Tech and Telecoms saw the sharpest compression in valuations in Q1. At quarter-end, Momentum and Quality were trading the cheapest relative to their history in absolute and relative terms.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

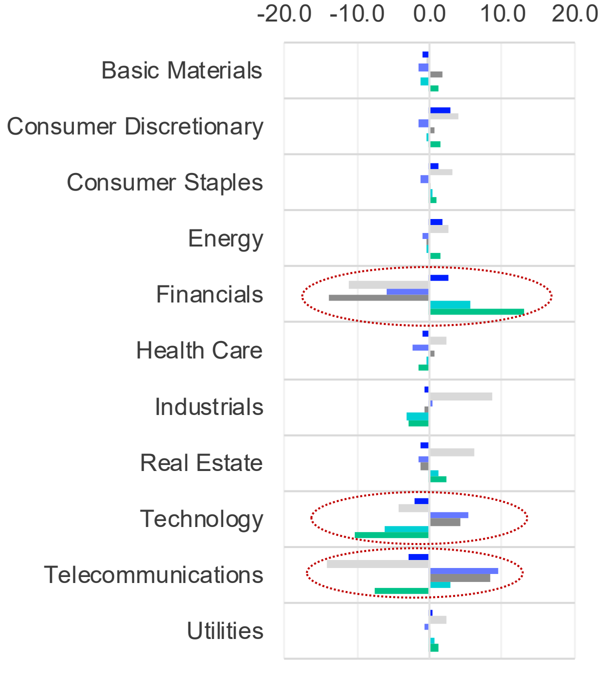
Asia Pac ex Japan Factor Performance & Industry Attribution — 3M

Momentum on top for Q1 despite March's reversal

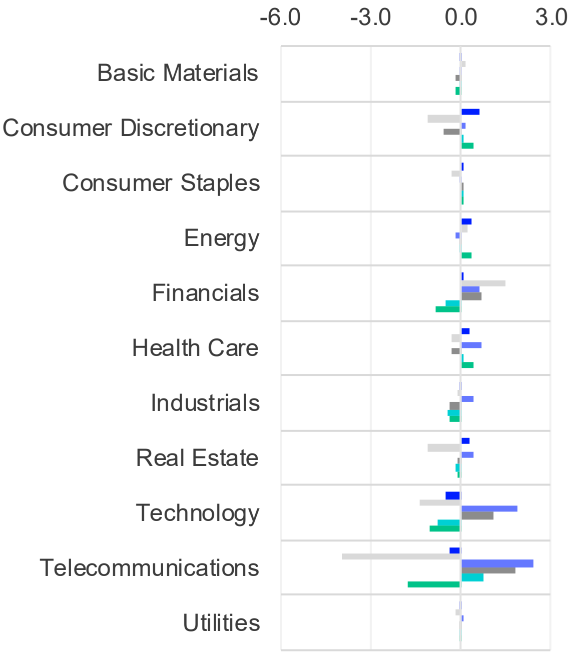
In Q1, Momentum led factor relative returns, followed by Quality. Size lagged the most. Momentum and Quality's outperformance came from large positive allocation effects from Telecoms and selection effects within Tech. Conversely, Size was hurt by negative allocation from Telecoms and negative selection within Tech, Telecoms and Discretionary, among others. This is reflective of the longer-term drivers being larger, AI-themed equities.

2026 Q1	Relative to Benchmark (TR%)					
FTSE Dev Asia Pacific ex JP	Value	Size	Mom	Quality	Low Vol	Yield
9.6%	1.5	-5.6	5.6	2.4	-0.6	-1.9

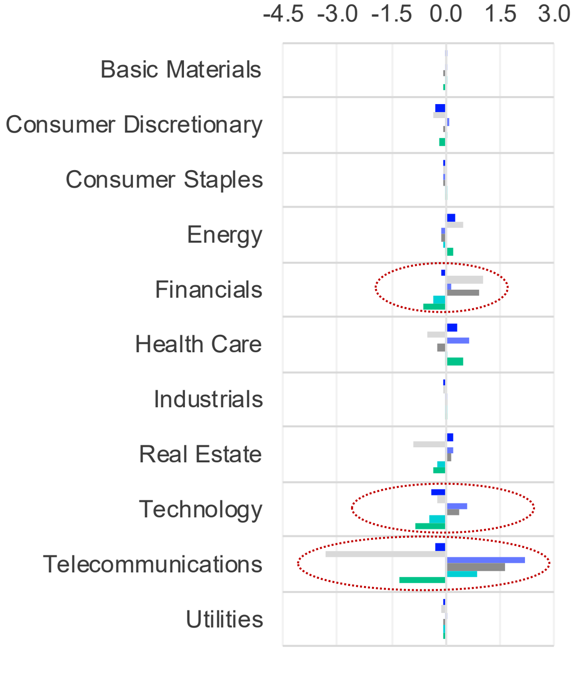
Industry active weights, 3M average



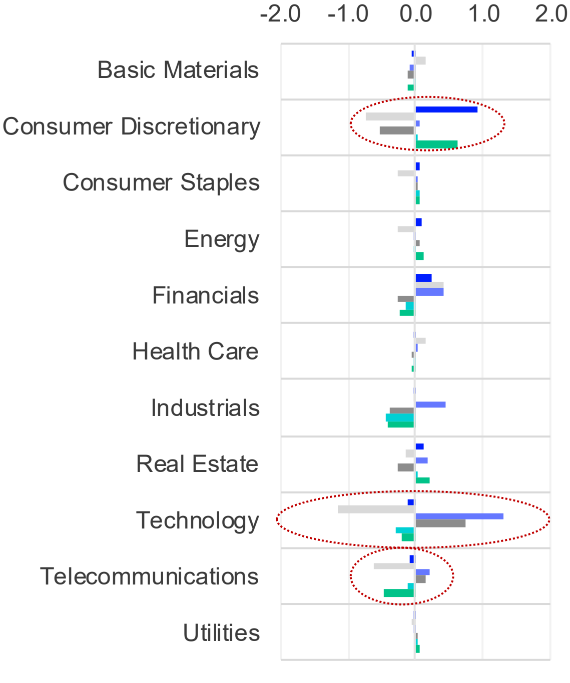
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M



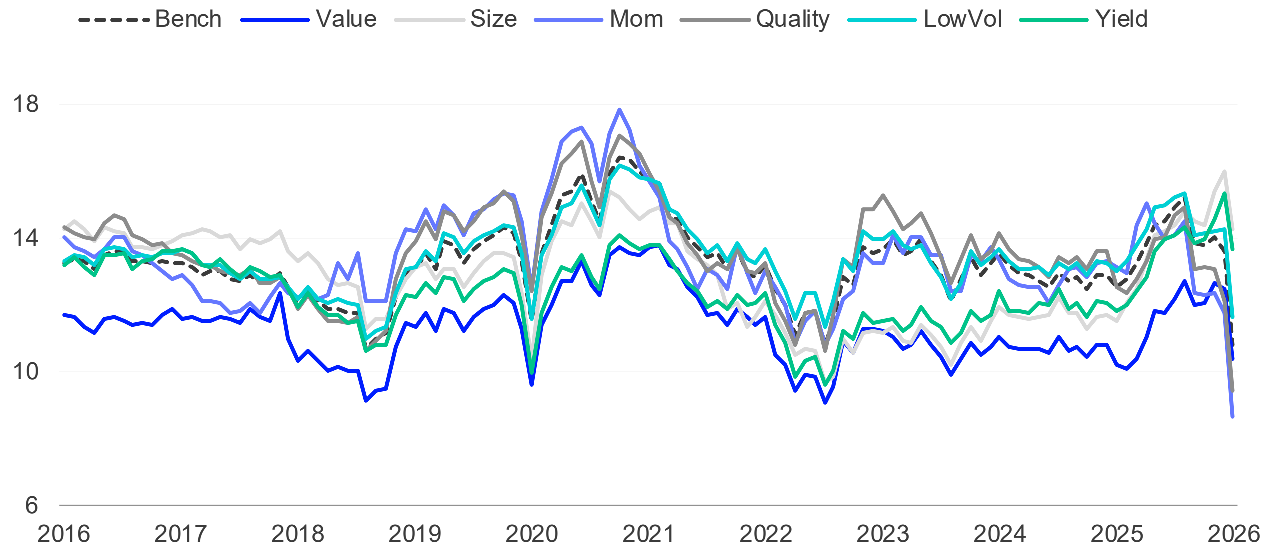
Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Asia Pacific ex Japan Factor Valuations

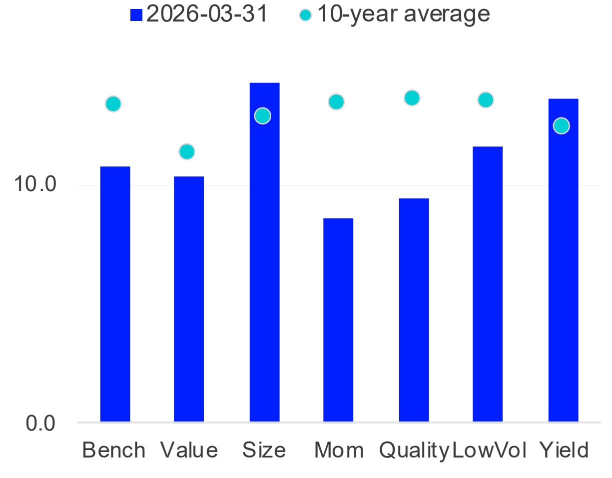
Over the last 12M, Asia Pacific ex Japan factor forward P/Es re-rated considerably riding on AI tailwinds that benefitted equities more broadly than Tech, especially Telecoms. P/Es saw a correction in November 2025 when valuation fears surfaced in the AI ecosystem, but they recovered early in Q1 as the software-hardware divide within tech left the Asia Pacific equity rally untouched. However, March saw a broad-based compression in valuations as the benchmark pulled back sharply on exposure to the Middle East energy supply disruption. Interestingly, Quality and Momentum, with an overweight to Tech and Telecoms saw some of the sharpest compression in valuations in March and over Q1.

At quarter-end, Momentum and Quality were trading the cheapest relative to their history in absolute and relative terms.

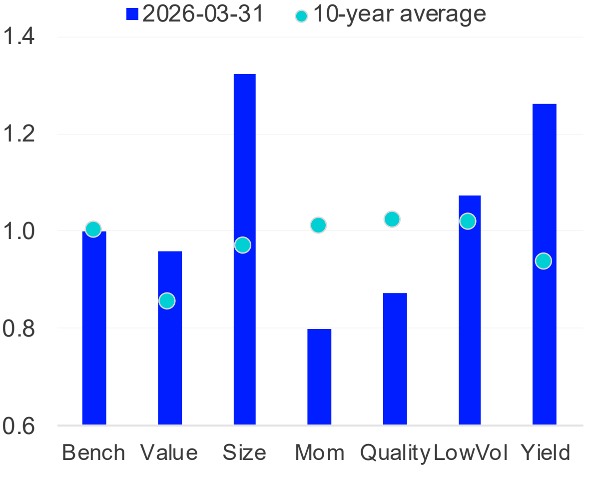
FTSE Asia Pacific ex Japan – Absolute 12M forward P/Es



Current Absolute 12M forward P/Es vs history



Current Relative 12M forward P/Es vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

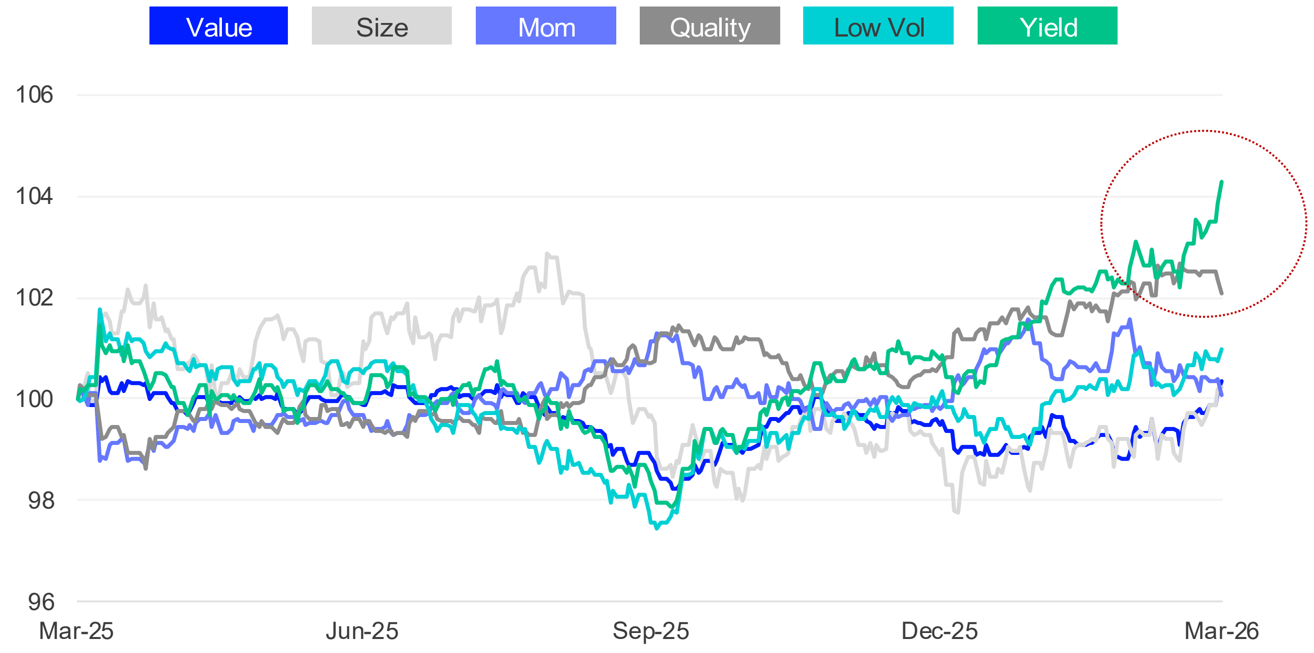
Emerging Markets Equity Factor Insights

FIRST QUARTER | 2026

Key Observations

- In Q1, factor relative returns were broadly positive, with Yield leading, followed by Size and Quality.
- Discretionary and Financials lagged over the quarter, while Energy outperformed. Relative exposures to these industries resulted in notable allocation effects for Yield and Quality. Size, Quality, Low Vol and Momentum also saw large positive selection effects within Tech.
- Over 12M, Yield and Quality notably outperformed helped by Financials and Tech exposures, but all factors beat the benchmark or were on par over the longer timeframe.
- Absolute factor forward P/Es had expanded notably over the last 12M until January, after which they contracted sharply in February and March, impacted both by the Tech software moderation and Middle East energy supply shock. Despite the sharp correction, most factors remained expensive compared to history.

Factor returns relative to benchmark (rebased)



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

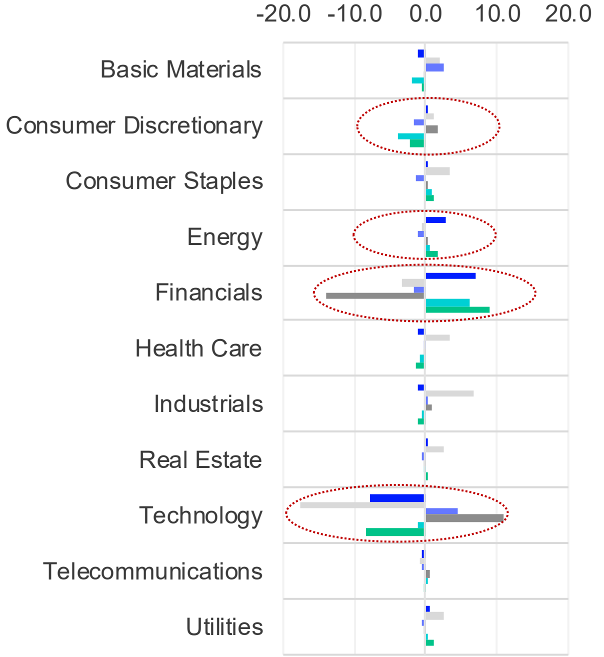
Emerging Markets Factor Performance & Industry Attribution — 3M

Broad factor outperformance amid muted benchmark returns

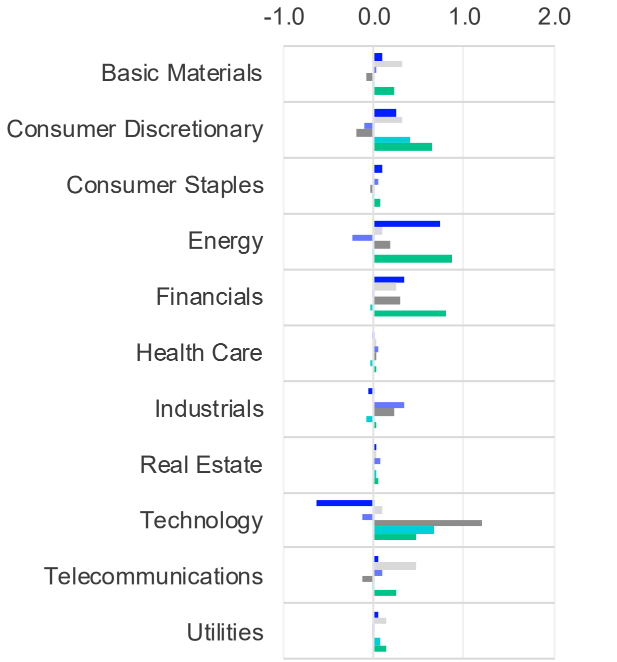
In Q1, Yield led factor relative returns followed by Size and Quality. Yield saw positive allocation effects from Consumer Discretionary (underweight) and Energy (overweight) and large positive selection effects within Energy, Financials, and Tech, among others. Quality saw positive allocation from Financials and Tech. While Tech was only modestly accretive over the quarter, within Tech, Size, Quality, Low Vol and Momentum saw strong positive selection effects.

2026 Q1	Relative to Benchmark (TR %)					
FTSE Emerging	Value	Size	Mom	Quality	Low Vol	Yield
-1.1%	0.9	1.4	0.3	1.4	0.9	3.4

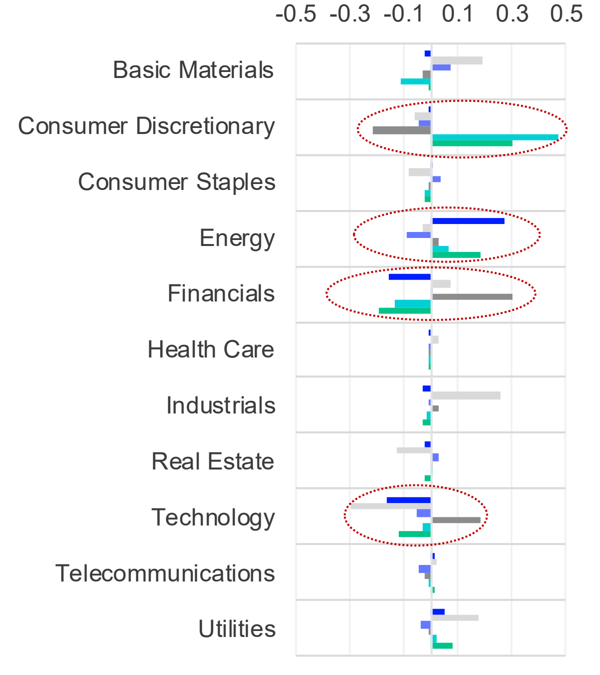
Industry active weights, 3M average



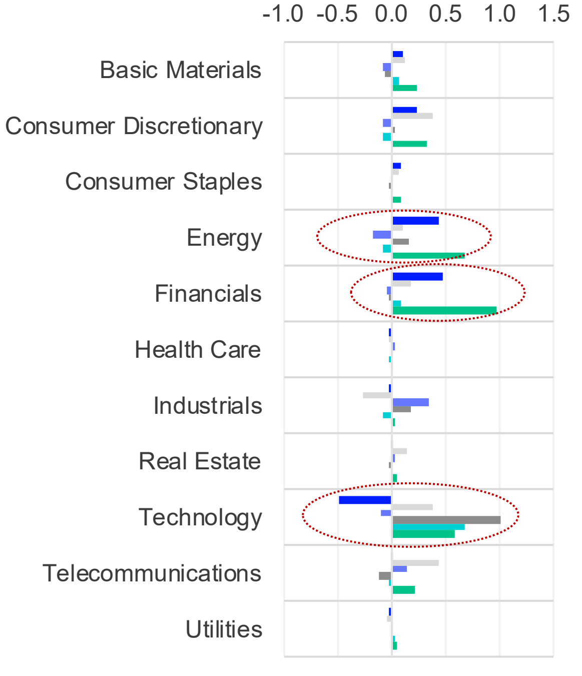
Total industry effects, 3M



Industry allocation effects, 3M



Stock selection within industry, 3M



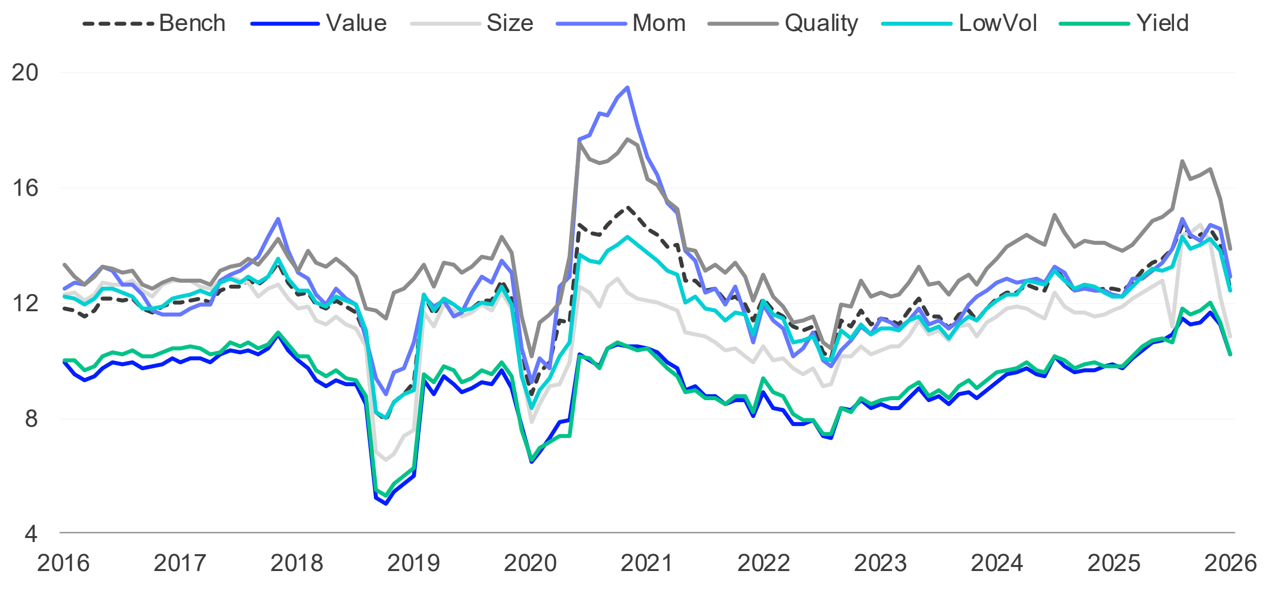
Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Emerging Markets Factor Valuations

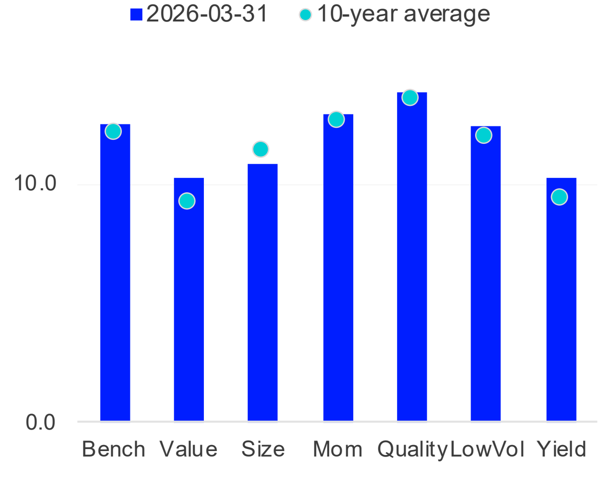
In Q1, absolute factor forward P/Es expanded in January but contracted sharply in February and March, impacted by the Tech software moderation and Middle East energy supply shock. Emerging factor P/Es had expanded considerably over the last 12M as the benchmark benefitted from the global tech rally and other secular themes. Therefore, they continued to be expensive compared to their 10-year averages, except for Size.

In benchmark-relative terms, Value and Yield were most expensive relative to history, while Size traded the cheapest.

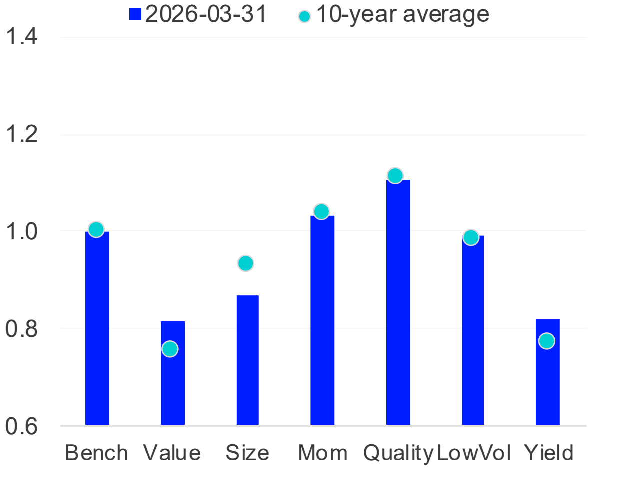
FTSE Emerging – Absolute 12M forward P/Es



Current Absolute 12M forward P/Es vs history

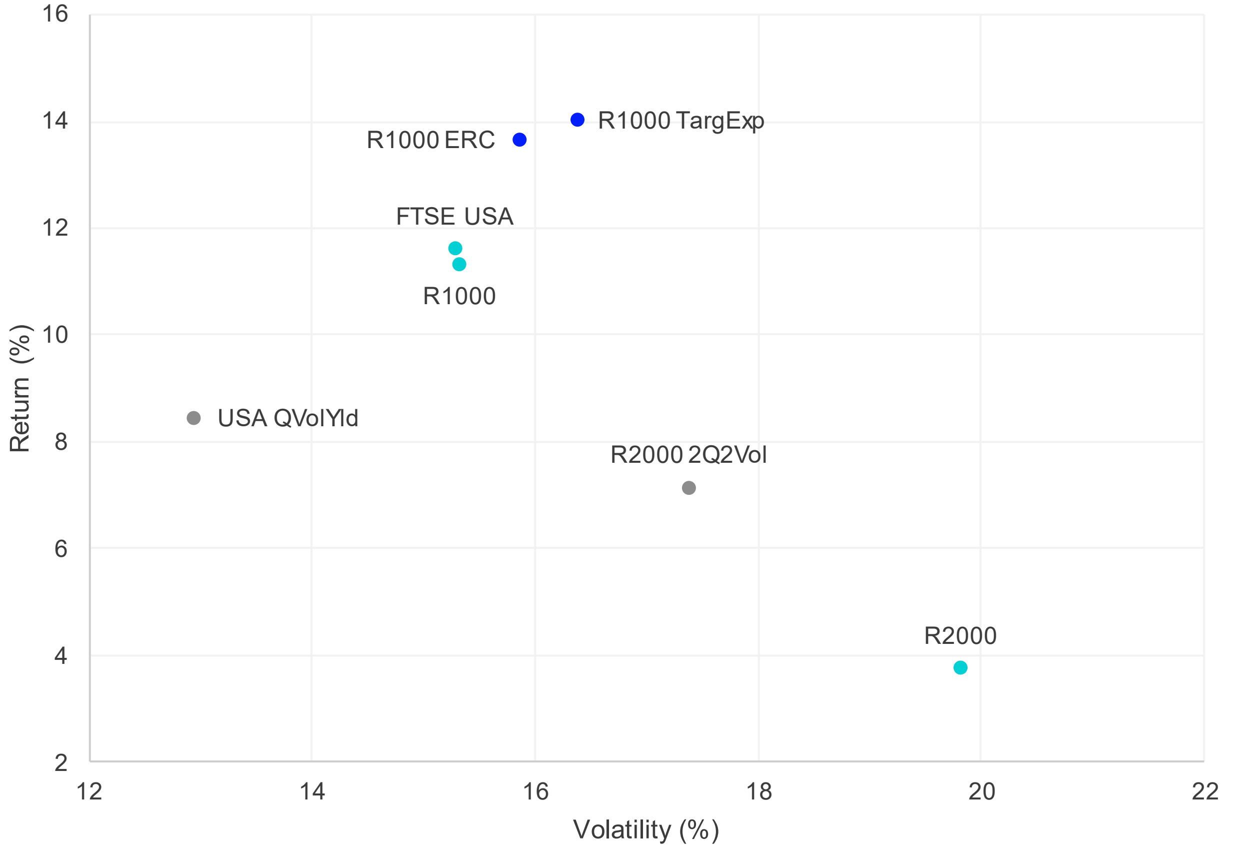


Current Relative 12M forward P/Es vs history



Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

5-Year Annualized Return and Volatility (USD)



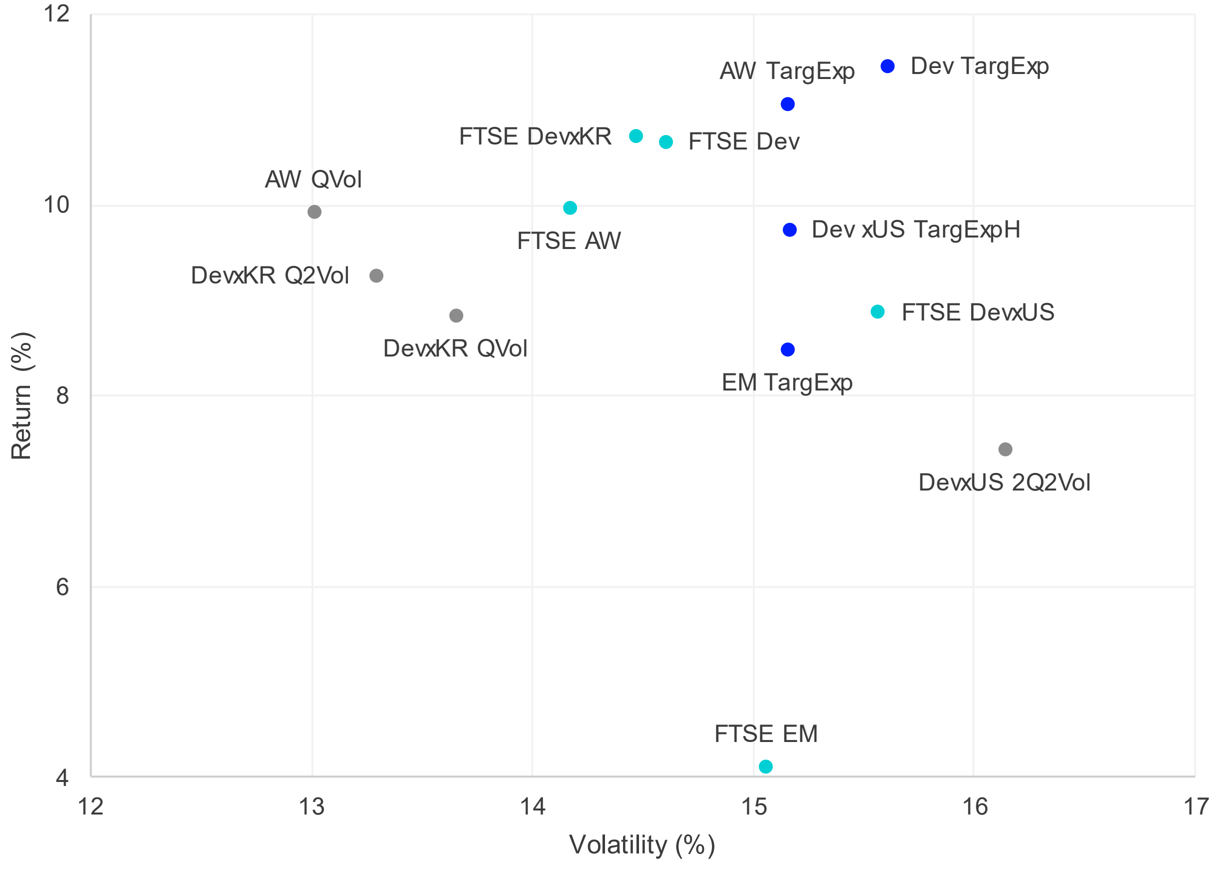
Annualized Returns and Volatility (USD %)

Label	Index	1-yr return	5-yr return	5-yr volatility
	Diversified Indices			
R1000 ERC	Russell 1000 Comprehensive Equal Factor Risk Contribution	24.1	13.6	15.8
R1000 TargExp	Russell 1000 Comprehensive Target Exposure Factor Index	31.8	14.0	16.4
	Defensive Indices			
R2000 2Q2Vol	Russell 2000 2Qual/2Vol 3% Capped Factor Index	15.8	7.2	17.4
USA QVolYld	FTSE USA Qual/Vol/Yield Factor Index	14.2	8.4	12.9
	Benchmarks			
FTSE USA	FTSE USA Index	17.5	11.6	15.3
R1000	Russell 1000® Index	17.7	11.3	15.3
R2000	Russell 2000® Index	25.7	3.8	19.8

Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

FTSE Russell Global Factor Index Risk/Return Performance

5-Year Annualized Return and Volatility (USD)



Annualized Return and Volatility (USD %)

Label	Index	1-yr return	5-yr return	5-yr volatility
	Diversified Indices			
AW TargExp	FTSE All-World Comprehensive Target Exposure Factor Index	27.0	11.1	15.2
Dev TargExp	FTSE Developed Comprehensive Target Exposure Factor Index	28.8	11.5	15.6
Dev xUS TargExpH	FTSE Developed ex US Comprehensive High Target Exposure	26.1	9.7	15.2
EM TargExp	FTSE Emerging Comprehensive Target Exposure Factor Index	27.5	8.5	15.2
	Defensive Indices			
AW Qvol	FTSE All-World Target Exposure Qual Vol Factor Index	15.1	9.9	13.0
DevxKR Q2Vol	FTSE Developed ex Korea Qual/2 Vol Factor Index	9.6	9.3	13.3
DevxKR QVol	FTSE Developed ex Korea Qual/Vol Factor Index	11.0	8.8	13.7
DevxUS 2Q2Vol	FTSE Developed ex US 2Qual/2Vol 5% Capped Factor Index	21.9	7.4	16.1
	Benchmarks			
FTSE AW	FTSE All-World Index	20.5	10.0	14.2
FTSE DevxKR	FTSE Developed ex Korea Index	19.5	10.7	14.5
FTSE DevxUS	FTSE Developed Ex US Index	27.5	8.9	15.6
FTSE Dev	FTSE Developed Index	20.6	10.7	14.6
FTSE EM	FTSE Emerging Index	20.3	4.1	15.1

Source: FTSE Russell and LSEG. All data as of March 31, 2026. Past performance is no guarantee of future results.

Notes and Glossary

Notes on Market Maps Factor Data

FTSE Russell employs a bottom-up “tilting” approach to create factor indices. Factor scores are calculated that range from 0 to 1, with higher scores being better. The underlying cap-weighted benchmark weights are multiplied by these scores, and this product is renormalized to give the factor index weights.

Intuitively, the index weights start with the benchmark weights and “tilt” towards stocks with better factor scores and away from stocks with worse factor scores. The magnitude of the index’s factor exposure can be controlled by raising the factor scores by an exponent, with higher exponents yielding higher factor exposure. All data in this Market Maps Equity Factor Insights report is based on hypothetical factor indicators that use an exponent (or tilt size) of 1 and are rebalanced monthly. For more Information on Factor Index Ground Rules and Construction Methodology, see: FTSE Global Factor Index Series Ground Rules v4.4, January 2019

The base indices used in this report are the FTSE USA, FTSE UK, FTSE Developed Europe ex UK, FTSE Japan, FTSE Developed Asia Pacific ex Japan, and FTSE Emerging indices.

Glossary of Terms

VALUE

Earnings Yield (E/P) – Latest reported annual earnings per share divided by full market capitalization. Earnings are based on net income from continuing operations, before amortization of goodwill and extraordinary items and after tax, minority interests, preferred dividend, at fiscal year end.

Cash-Flow Yield (CF/P) – Latest reported annual cash-flow yield is cash earnings per share divided by full market capitalization. Cash earnings are earnings plus depreciation, amortization, deferred taxes, other non-cash items, extraordinary item and changes in working capital for the most recent fiscal year.

Sales-to-Price (S/P) – Latest annual sales from continuing operations per share for the full fiscal year divided by full market capitalization. Sales values are generally as reported but occasional adjustments may be made. They are also computed for banks, insurance and other financial companies based on appropriate definitions. Sales are attributed across different share classes, where common equity is comprised of more than one share type.

MOMENTUM: Measure of changes in total stock returns in local currency terms over those of the previous year excluding the most recent month.

SIZE: Size is calculated as the natural logarithm of each company’s full market capitalization in US dollars.

QUALITY

PROFITABILITY

Return on Assets (ROA) − Net income divided by average total assets, calculated relative to the regional median stock level.

Delta Turnover − Net sales revenue divided by average total assets, calculated relative to the regional median stock level.

Accruals − Net operating assets (NOA) for the most recent reporting period minus NOA from the previous reporting period, as calculated with following formula: Change in working capital + change in non-current net operating assets + change in net financial assets ([short-term investments + long-term investments] – [long-term debt + short-term debt + preferred stock]), divided by average total assets. Calculated relative to the regional median stock level.

LEVERAGE

Leverage Ratio − Operating cash flow divided by total debt. A company whose net operating cash flow is greater than total debt or has no debt is assigned a maximum Leverage Ratio of one.

VOLATILITY (LOW): Standard deviation of five years of weekly local total returns prior to the rebalance month. A minimum of 52 weekly return observations are required to calculate volatility.

YIELD

Dividend Yield 12M − Calculated as the natural logarithm of each company’s 12-month trailing dividend yield.

Source: FTSE Russell and LSEG. All information as of March 31, 2026. Past performance is no guarantee of future results.

ABOUT FTSE RUSSELL
FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner, we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

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