

Intuition of Factor investing

is part of your daily life

Many investors choose stocks based on the "factors," or characteristics, that help explain investment performance. They aim for:



While you may not have actively incorporated factor investing in your portfolio, you probably practice its underlying concepts in real life.

Factors in Day-to-day Life

Here are four common factors, and scenarios where you likely experience their principles in your own life.



Value

What is it?

The value factor attempts to capture excess returns to stocks that have low prices relative to their fundamental value.



Everyday analogy

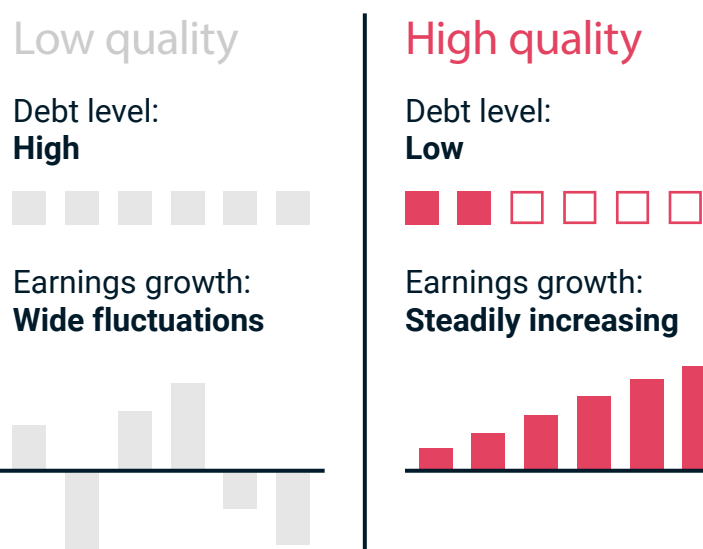
If you want to get a good deal, you may look for items that are on sale.



Quality

What is it?

The quality factor attempts to capture excess returns to stocks that are characterized by low debt, stable earnings growth and other "quality" metrics.



Everyday analogy

When you're purchasing new tires for your car, you might consider the following characteristics:

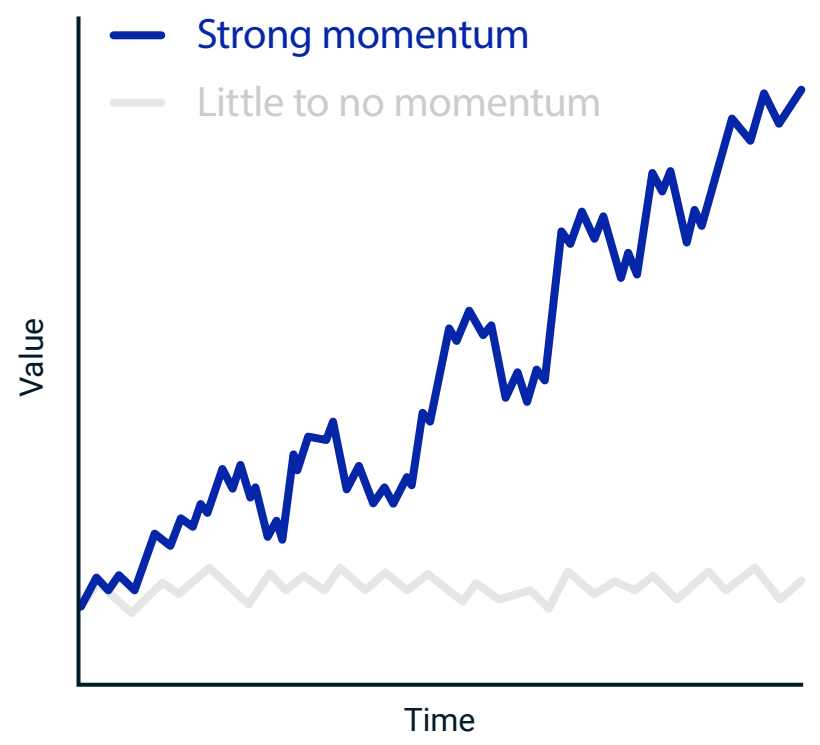
	Tire A	Tire B
Tread longevity	★ ★ ★	★ ★ ★
Warranty	★ ★ ★	★ ★ ★
Safety ratings	★ ★ ★	★ ★ ★
Traction	★ ★ ★	★ ★ ★
Fuel economy	★ ★ ★	★ ★ ★
Noise level	★ ★ ★	★ ★ ★



Momentum

What is it?

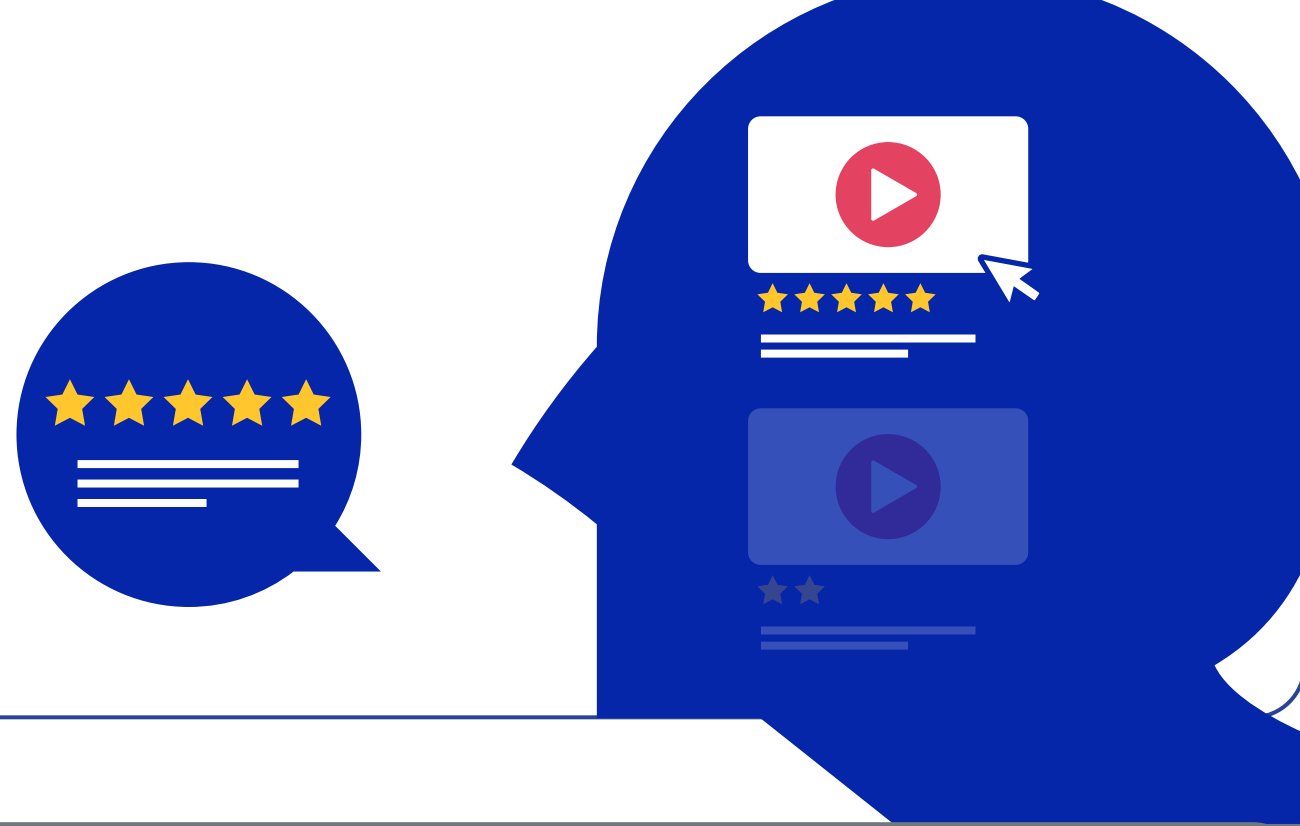
The momentum factor attempts to capture excess returns to stocks with stronger past performance.



Everyday analogy

When you're deciding what to watch, you may choose a TV show that has high audience ratings.

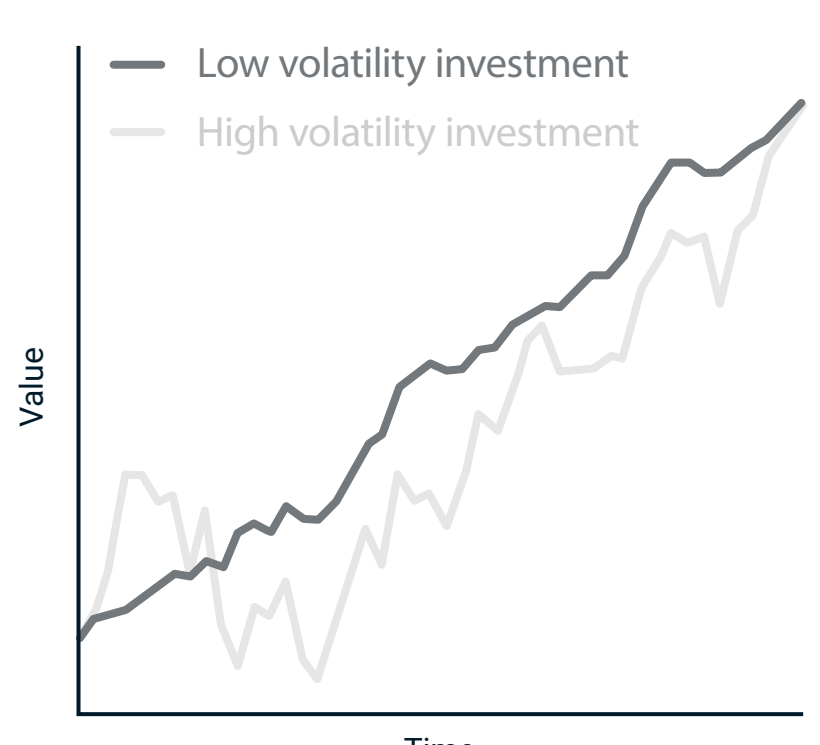
You'll likely also recommend it to your friends, which further boosts viewer numbers.



Low Volatility

What is it?

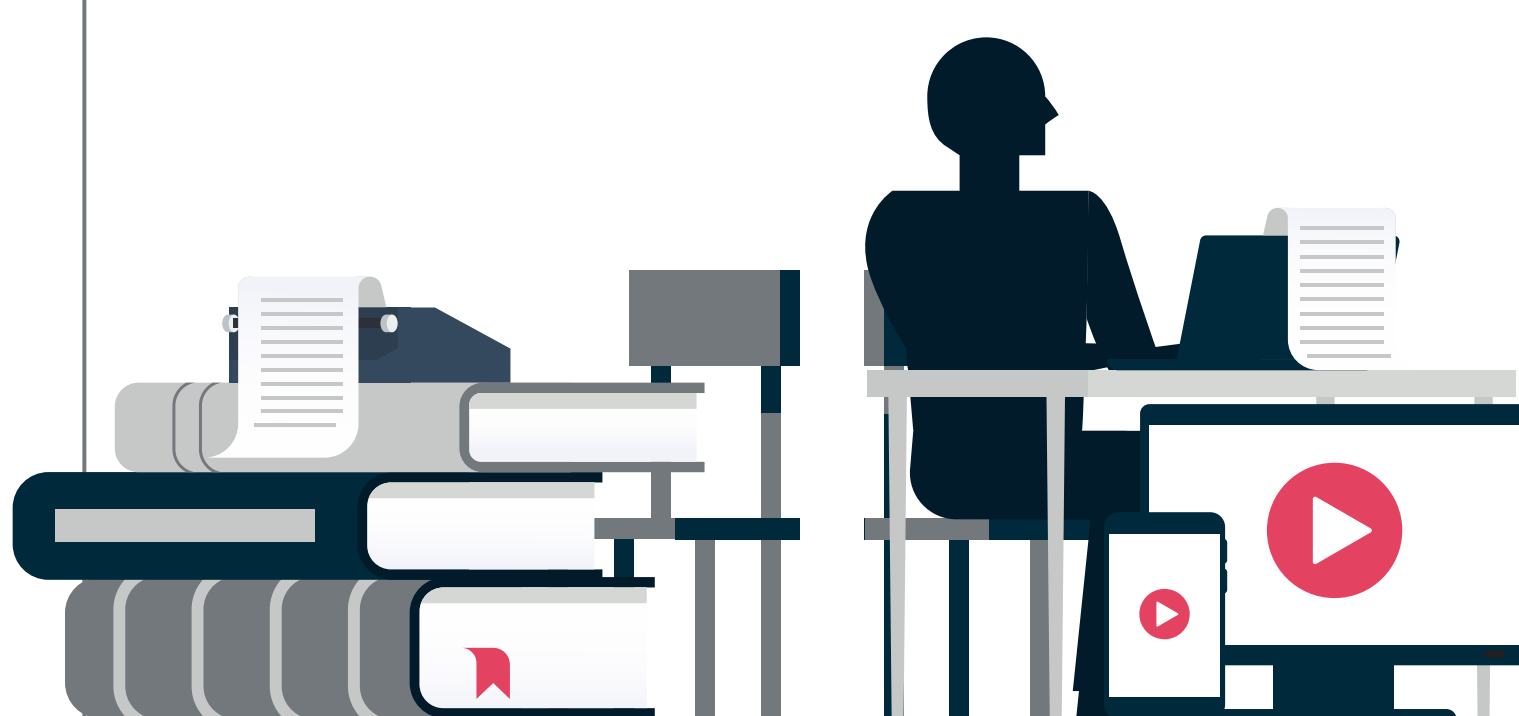
The low volatility factor attempts to capture excess returns to stocks with lower than average risk.



Hypothetical performance for illustration purposes only.

Everyday analogy

If you want a writing career with relatively reliable income, you'll likely choose to be a marketer at a large company rather than a self-employed author.



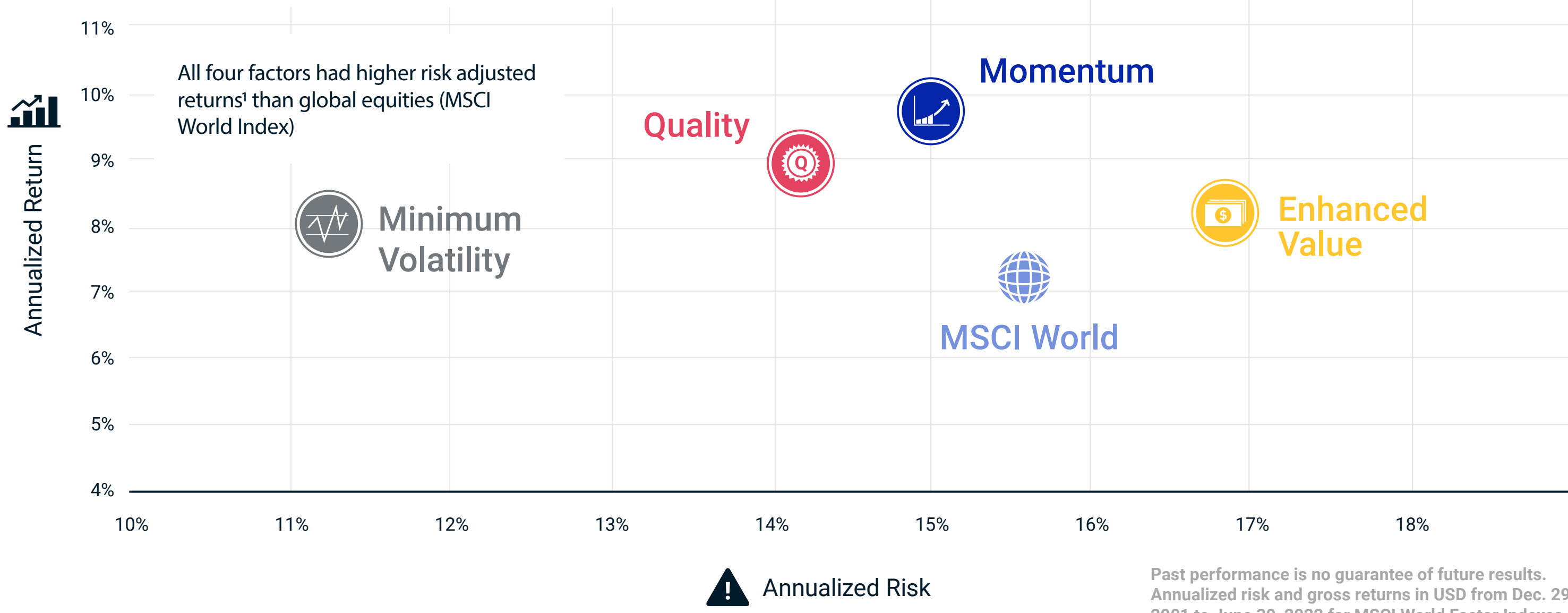
Understanding Your Investments

These simple concepts are at work in your everyday life and in your investments.

Targeting factors can help you work toward your investing goals, including maximizing return potential and managing risk.

Long-Term Factor Performance

From 2001 to June 2022



Past performance is no guarantee of future results. Annualized risk and gross returns in USD from Dec. 29, 2001 to June 30, 2022 for MSCI World Factor Indexes. 1 Based on NY FED Overnight SOFR

With factor investing, you can better understand what drives your portfolio's performance.