

STOXX[®] Equity Factor Indices

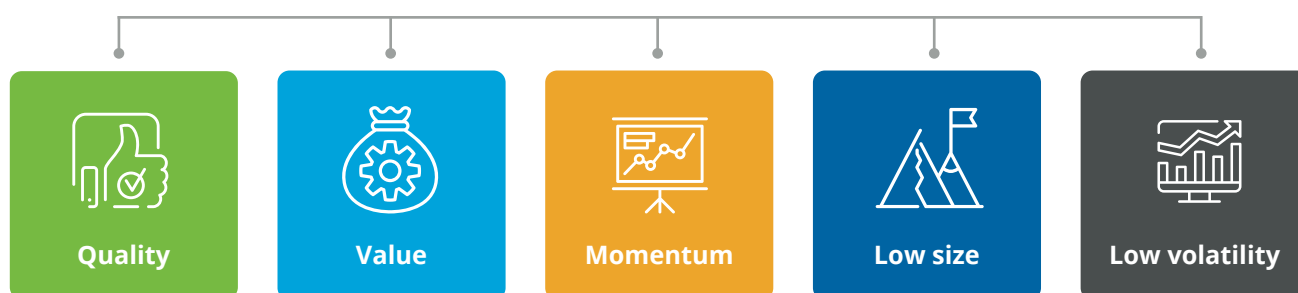
Index methodology overview

The **STOXX Equity Factor Indices** are core equity indices that seek above average exposure to five factors – quality, value, momentum, low size and low volatility while being mindful of diversification considerations across sector, countries, individual companies, and other systematic exposures. The indices also offer low turnover and low tracking error relative to the broad market.

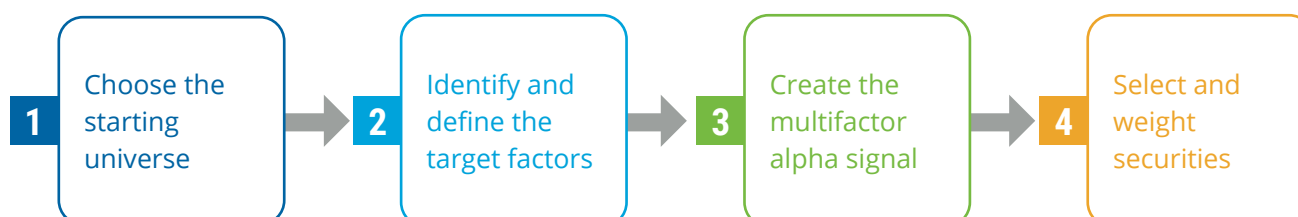
Key benefits

Core investment	Upgrade your core equity building blocks with multifactor indices designed with enhanced diversification and risk considerations.
Factor expertise	Access Qontigo's factor investing and portfolio construction expertise with factor indices that combine the robust indexing capabilities of STOXX with Axioma portfolio construction tools.
Modern index design	Efficiently capture the potential return enhancing benefits of multifactor investing through diversified exposure to a combination of five target style factors: momentum, quality, value, low size and low volatility.

Target factors



Methodology summary



Methodology details

1 Choose the starting universe

EQUITY FACTOR INDEX	PARENT INDEX
STOXX U.S. Equity Factor Index	STOXX USA 900 Index
STOXX International Equity Factor Index	STOXX Global 1800 ex USA Index
STOXX U.S. Small-Cap Equity Factor Index	STOXX US Small Cap Index
STOXX Emerging Markets Equity Factor Index	STOXX Emerging Markets Index
STOXX International Small-Cap Equity Factor Index	STOXX International Developed Markets Small Cap Index
STOXX Global Equity Factor Index	STOXX World AC Index

2 Identify and define the target factors

FACTOR	DESCRIPTION	DEFINITION
Quality	Companies exhibiting strong balance sheets and good health.	Accruals, Dilution, Gross Profitability, Change in Net Operating Assets (NOA), Carbon Emissions Intensity, and Science Based Targets (SBTI).
Value	Companies that are inexpensive compared to their fundamentals.	Book to Price, Cash Flow Yield, Time Series Normalized Cash Flow Yield, Dividend Yield and Earnings Yield.
Momentum	Companies demonstrating an upward price trend.	Earnings Announcement Drift, Earnings Momentum, and Price Momentum.
Low size	Smaller companies.	Total market capitalization in USD.
Low volatility	Companies that tend to be less risky than the broader market.	Standard deviation of monthly total returns over last 12 months.

3 Create the multifactor alpha signal

The multifactor alpha signal is created by combining the five factors:



4 Select and weight securities

The indices leverage the Axioma portfolio optimizer to select and weight securities. The objective of the optimization is to maximize exposure to the multifactor alpha signal. To ensure diversification and control for unintended systematic exposures and turnover the following constraints are applied:

- > Individual security and issue weights
- > Active single factor exposures
- > Tracking error
- > Active sector and country exposures
- > Turnover
- > Predicted beta

5 Index maintenance

The index is rebalanced quarterly in March, June, September, and December.

For full index methodology, please refer to the [STOXX® Index Methodology Guide](#).

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