



iShares

iShares MSCI USA Quality Factor Index ETF

XQLT

iShares MSCI USA Quality
Factor Index ETF

Key benefits:

- Exposure to quality factor premium
- Simple rule-based strategy using intuitive stock selection
- Diversified sector exposure

ETF Characteristics

Number of holdings: 1

Aggregate number of underlying holdings: 125¹

Management fee: 0.30%

Benchmark index: MSCI USA Sector Neutral Quality Index

Benchmark parent index: MSCI USA Index

Distribution frequency: Quarterly

Accessing high quality U.S. companies with ease

The iShares MSCI USA Quality Factor Index ETF aims to capture the performance of U.S. large- and mid-capitalization companies with strong fundamentals.

1. Exposure to the quality factor premium

- Quality has been identified as one of the persistent long-term drivers of excess returns.
 - › The MSCI USA Sector Neutral Quality Index has outperformed the MSCI USA Index by 0.78% annually over the past 25 years².
- Quality stocks are more defensive in nature, and have tended to perform best at the peak of an economic cycle or at the beginning of an economic slowdown.

2. Simple, rule-based strategy using intuitive screening stock selection

- XQLT selects high quality securities based on three intuitive screenings:
 - › **High Profitability:** is evaluated by return on equity ratio (ROE), which indicates how effectively a company uses investments to generate earnings growth.
 - › **Stable Earnings:** is evaluated by earnings variability, which shows how smooth earnings growth has been.
 - › **Low Leverage:** is evaluated by debt to equity ratio (D/E), a measure of company financial leverage
- Using these three fundamental variables to capture the quality factor is grounded in decades of rigorous scientific research, while at the same time captured by simple and intuitive metrics that investors understand.

3. Diversified sector exposure

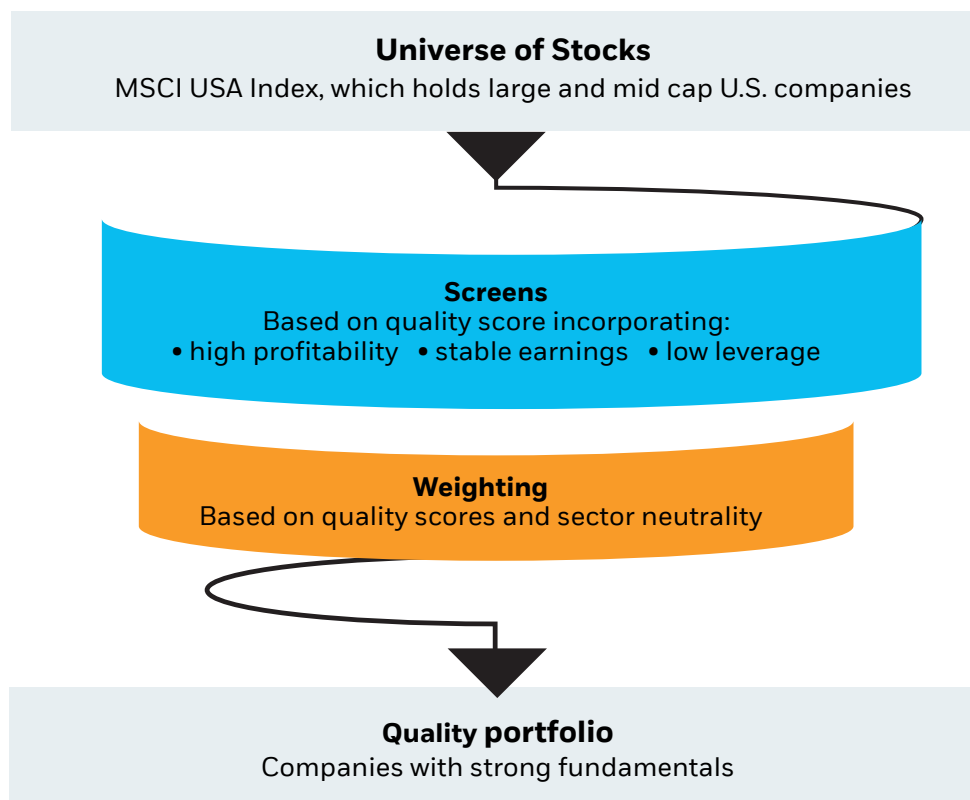
- Designed to keep the sector weights similar to the broad market, mitigating potential sector biases.
- Simple factor strategies can have large sector bets that persist through time. XQLT adopts sector neutral weight, which avoids large sector over/underweights and gains diversified sector exposure.

¹ Data as of Oct. 31, 2023

² Source: MSCI, Inc., Annualized return between Dec 1998 and Oct. 2023. The SA Sector Neutral Quality Index was launched on Dec 12, 2014. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance – whether actual or backtested – is no indication or guarantee of future performance.

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Index Methodology



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