



iShares

iShares MSCI USA Value Factor Index ETF



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Value Factor Index ETF

Key benefits:

- Exposure to the value factor
- Simple rule-based strategy using intuitive stock selection
- Diversified sector exposure

ETF Characteristics

Number of holdings: 1

Aggregate number of underlying holdings: 148¹

Management fee: 0.30%

Benchmark index: MSCI USA
Enhanced Value Index

Benchmark parent index: MSCI
USA Index

Distribution frequency: Quarterly

Accessing undervalued U.S. companies with ease

The iShares MSCI USA Value Factor Index ETF (XVLU) aims to capture the performance of U.S. large- and mid-capitalization companies with stronger value characteristics.

1. Exposure to the value factor

- Value investing is a strategy that targets stocks that are low in price relative to their fundamentals and peers. The concept of value investing has been around for decades.
- Value stocks are pro-cyclical in nature, and have tended to benefit during market recoveries. XVLU simplifies the process of accessing a diversified portfolio of value stocks for investors.

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

- XVLU selects stocks with strong value characteristics based on:
 - › **Price-to-Forward Earnings (Forward P/E)**: calculates the stock price as a multiple of company earnings. Research shows that using forward earnings has helped provide protection against value traps.
 - › **Price-to-Book Value (P/B)**: calculates the stock price as a multiple of book value.
 - › **Enterprise Value-to-Cash flow from Operations ratio (EV/CFO)**: using whole-firm valuation measures, such as enterprise value, has helped to reduce concentration in highly leveraged companies.
- Using these three fundamental variables to capture the value factor is grounded in decades of rigorous scientific research, while at the same time they are simple and intuitive metrics for investors to understand.

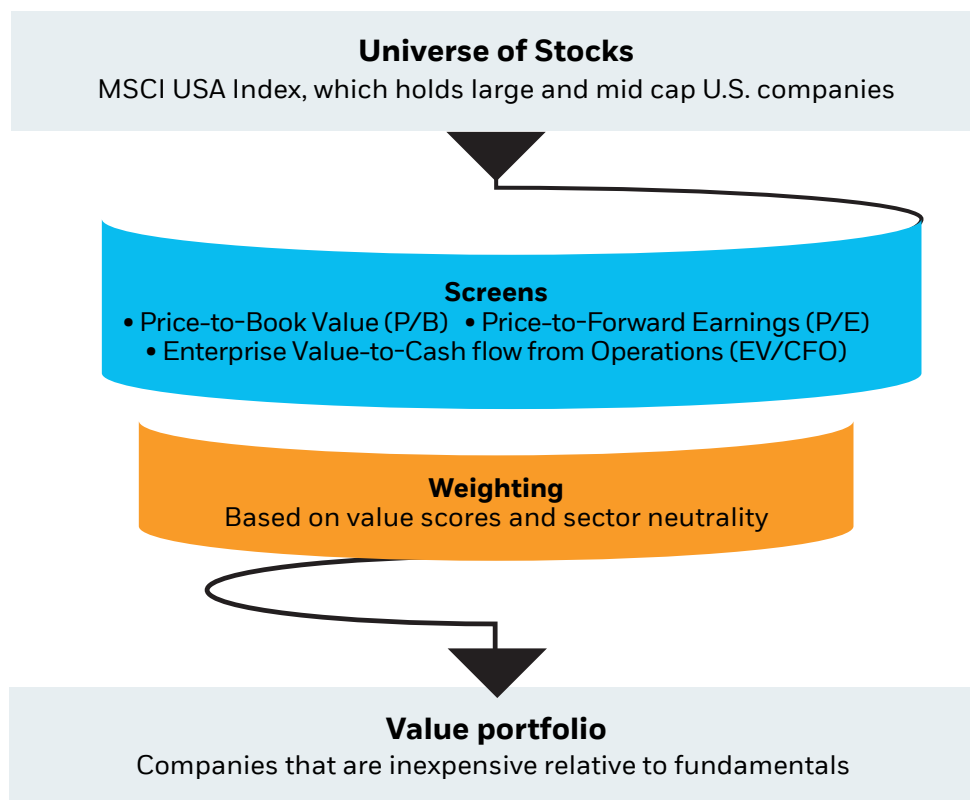
3. Diversified sector exposure

- 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. XVLU adopts sector neutral weights, which avoids large sector over/underweights and gains diversified sector exposure.

¹Data as of Oct. 31, 2023

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Index Methodology



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