

Inside the Motley Fool Innovative Growth Index

Growth investing with a Foolish twist

The Motley Fool Innovative Growth Index holds 100 United States companies drawn from the research of The Motley Fool, LLC and ranked on a composite measure of growth. It looks past expensive earnings trends to the drivers of durable growth: compounding gross profits, improving fundamentals and investment in the intangible assets that fuel future growth. This paper covers where the growth premium comes from, how the score is built, and how the index is constructed and has behaved.

Index Foolishly.

Growth investing is not buying expensive earnings trends. The index expresses that view as a systematic strategy, built from the bottom up and held to a published methodology.

WHAT IS GROWTH INVESTING?

Growth investing is the strategy of buying companies expected to expand earnings, revenues or cash flows faster than the market. The core idea is simple: **pay more for something that is growing faster than the market anticipates**. Growth investors look for innovation, expanding markets and accelerating fundamentals, and growth has historically captured long-term returns tied to innovation cycles and compounding fundamentals.

Growth tends to outperform when...	Rates are falling or stable, risk appetite is high, and markets reward long-term profits, innovation and investment.
Growth tends to underperform when...	Rates rise sharply, inflation expectations climb, or markets rotate toward near-term profits and balance-sheet strength.
Growth tends to have a volatility profile that is...	Typically higher than the market. It can deliver long runs of strong returns but sharper drawdowns in valuation selloffs.

WHERE DOES GROWTH COME FROM?

Growth arises from structural and behavioral forces that reward reinvestment and innovation:

- **Innovation.** Companies that invest successfully in new products, technologies or markets can earn excess returns as they capture expanding profit pools (Chan, Lakonishok and Sougiannis, 2001).
- **Behavioral biases.** Investors tend to underreact to early signs of sustainable growth, or misjudge how long it will last (La Porta, 1996).
- **Reinvestment advantage.** Companies that reinvest profits at high marginal returns compound value internally, leading to durable earnings expansion.

WHAT MAKES MOTLEY FOOL INNOVATIVE GROWTH DIFFERENT?

The index is built around what is likely to work in the future rather than what has worked so far. Its composite score blends three measures of durable growth:

- **Gross Profit Growth.** The five-year average change in gross profits over assets: top-line compounding, closer to how analysts at The Motley Fool, LLC assess growth.
- **Gross Profit Acceleration.** The change in that growth from one quarter to the next, to catch inflection points early.
- **Growth Potential.** Investment in intangible assets, through research, brand and people, that builds capacity for future growth.

In a nutshell

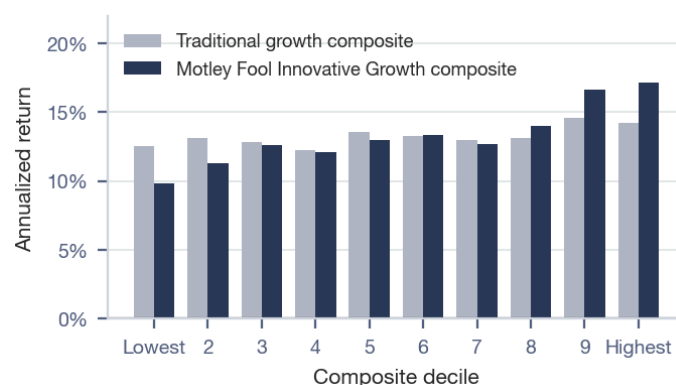
Motley Fool Innovative Growth rebuilds the standard growth measures with accounting adjustments and modern research. Across 373 month ends its highest decile returned 17.1% a year against 9.8% for its lowest, a spread of 7.3 points, where the traditional composite spread 1.6.

WHAT DO GROWTH INVESTORS OFTEN GET WRONG?

Many growth approaches fail to discipline their optimism, which leaves them exposed to **growth traps**:

- **Overpaying for narratives.** Stories of disruption can crowd out tangible indicators of future growth potential.
- **A narrow focus on EPS growth.** Bottom-line growth often signals falling risk, which can point to lower expected returns (Penman, 2022).
- **Ignoring optionality.** Screens on current profits pass over companies that give up profit today to invest in higher-return growth tomorrow.

TRADITIONAL GROWTH AGAINST MOTLEY FOOL INNOVATIVE GROWTH



Equal weighted decile portfolios of United States all-cap stocks, formed at every month end from 06/30/1995 to 06/30/2026 (373 formation dates, about 2,375 stocks each) and held three months, shown as the average three-month return annualized. Traditional growth is an equal weighted composite of 1-year and 3-year EPS growth, 3-year change in sales turnover, sustainable growth rate and expected long-term growth. Motley Fool Innovative Growth is an equal weighted composite of the three metrics the index scores on. Both are ranked on the same stocks on the same dates. Hypothetical and gross of all costs, for illustration only.

MEET THE MOTLEY FOOL INNOVATIVE GROWTH INDEX



The Motley Fool Innovative Growth Index (total return) against the Russell 1000 Growth TR and Nasdaq-100 TR indexes, each rebased to 100 at the start of the published series in January 2015. Everything left of the marker is back-tested: the index began live calculation on 7 November 2025, and the 11 years of published history before that date apply the index rules retrospectively. Back-tested performance is hypothetical. Past performance does not predict future returns.

FROM RESEARCH UNIVERSE TO INDEX

Each quarter the index is rebuilt from the research of The Motley Fool, LLC in six published steps. None of them involves a discretionary judgment about a company on the day.

STEP 1

Start with the best ideas

The Motley Fool Index universe: open recommendations in flagship publications of The Motley Fool, LLC and the 150 companies with the highest analyst conviction, after liquidity screens.

STEP 2

Estimate growth

Gross profit trends are tracked over five years, and research, advertising and stock-based compensation are measured against assets.

STEP 3

Build the score

The three metrics are normalized across the index universe and averaged into a single Innovative Growth Composite Score.

STEP 4

Pick the top 100

Companies are ranked on the composite and the top 100 are selected, with a 30% continuity buffer.

STEP 5

Weight by size and score

Each company is weighted by market capitalization, scaled up for a positive composite score and down for a negative one. No company may exceed 4.8% of the index at a reconstitution.

STEP 6

Rebalance quarterly

The index is reconstituted at each quarter end. Concentration limits are tested between reconstitutions and can trigger an interim rebalance.

WHY THE BUFFER EXISTS

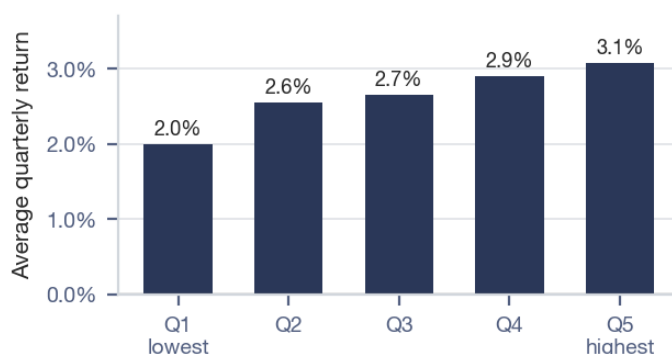
Index membership buffer ranked by Innovative Growth Composite Score



A company near the cut can move a few places either side of it from one quarter to the next without anything about it having changed. The buffer stops that noise from turning into trades. At each reconstitution the 70 highest ranked companies enter on rank alone, current members ranked down to 130 keep their places, and the remaining places go to the highest ranked newcomers. The buffer has applied since December 2021.

Quarterly one-way turnover has averaged **39%** without the buffer and **25%** with it. Figures before November 2025 are back-tested.

POWERED BY THE INNOVATIVE GROWTH COMPOSITE SCORE



United States all-cap stocks (about 2,386 a quarter) sorted into quintiles on the production Innovative Growth Composite Score at each of 47 quarterly Weighting Dates from Dec 2014 to Jun 2026, equal weighted and held three months. Hypothetical and gross of all costs.

Across the all-cap universe the highest quintile of the score averaged **3.1%** a quarter against 2.0% for the lowest. The appendix repeats the test for each sub-score and in narrower universes, including the one the index actually selects from.

THE MOTLEY FOOL INDEX UNIVERSE

The power of dozens of analysts in every constituent

Before any score is applied, every company in The Motley Fool Innovative Growth Index has been chosen by the research of The Motley Fool, LLC: 25 years of published recommendations and the live conviction of its analysts, a research universe only Fool Indices can draw on.

Newsletter recommendations

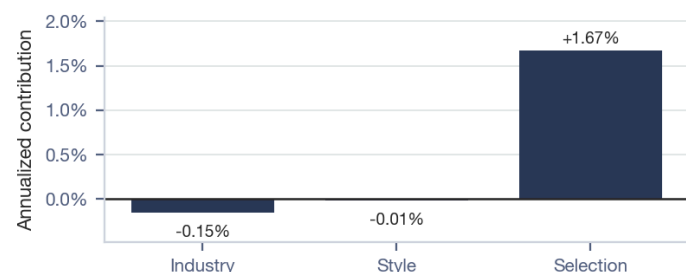
Open buy recommendations in **Stock Advisor** and **Rule Breakers**, flagship publications of The Motley Fool, LLC, dated and published to subscribers in real time for years before any index was calculated from them. The list is patient, so the universe changes slowly underneath the index.

Analyst conviction

The 150 companies with the highest conviction scores from analysts at The Motley Fool, LLC. Each analyst's view is weighted by their own five-year stock-picking record, measured on company-specific returns only, so a score reflects who has been right about individual businesses rather than who happened to cover a rising sector.

OPEN RECOMMENDATIONS	MEDIAN AGE	AVERAGE HOLDING PERIOD	SCORED ANALYSTS
296 across 257 distinct companies	6.5 yrs 31% open more than ten years	~10 yrs implied by turnover since 2006	90 1,687 ratings on 559 companies, Sep 2026

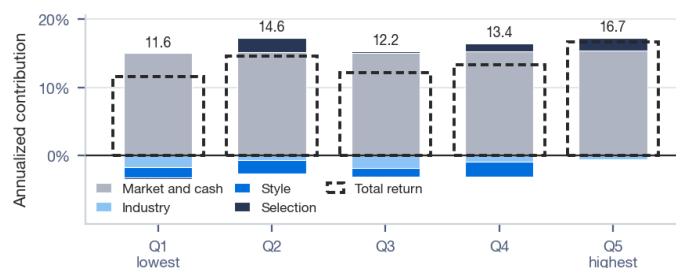
RECOMMENDATIONS ADD COMPANY SELECTION



Annualized contribution to the equal weighted basket of open recommendations by source, Dec 2006 to Sep 2026.

Held at equal weight and rebalanced monthly, the open recommendations returned **13.8%** a year against 12.4% for the S&P 500 Total Return index over 238 months, about 224 companies at a time. Through the factor model, industry tilts contributed -0.15% and style tilts -0.01% a year. Company selection contributed **+1.67%**, with an information ratio of 0.58.

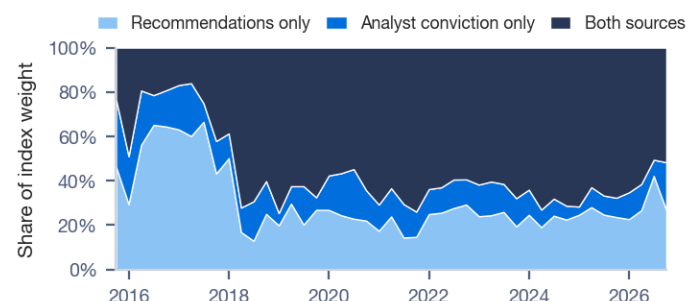
CONVICTION PAYS AT THE TOP



Annualized return by analyst conviction quintile with its sources, May 2018 to Jun 2026 month-end formation dates, about 112 companies each, equal weighted, three-month holding period.

The highest conviction quintile returned **16.66%** a year against 11.57% for the lowest. Market exposure is common to all five, so the gap is not leverage: company selection was worth +1.82% at the top and -0.29% at the bottom. The top-150 cut is built to take that top band.

WHERE MOTLEY FOOL INNOVATIVE GROWTH'S CONSTITUENTS COME FROM



Share of index weight by the universe source that made each constituent eligible, at every reconstitution since September 2015, when the analyst conviction source joined the universe. Figures before November 2025 are back-tested.

UNIVERSE SOURCE	CONSTITUENTS	WEIGHT	WEIGHT CURRENT
Both sources	41%	56%	52%
Analyst conviction only	18%	13%	22%
Recommendations only	41%	31%	27%

Averages across 45 reconstitutions since September 2015.

Companies carried by both sources have cleared two independent bars before the score is applied. They have averaged 41% of the index's constituents and 56% of its weight. The analyst conviction source alone has supplied another 13% of the weight, companies the recommendation list did not carry at the time.

The universe and the score do different jobs

The universe decides which companies are eligible, and the Innovative Growth Composite Score decides which of them the index holds and at what weight. The universe's contribution has come from company selection rather than industry or style tilts, so it does not duplicate the growth tilt the score adds: it is what separates Motley Fool Innovative Growth from a growth strategy run across the whole market.

Baskets are hypothetical, gross of costs and not published indices. Inclusion in an index is not a recommendation to buy, sell or hold any security. Past performance does not predict future returns.

PERFORMANCE

Figures cover the full published history of The Motley Fool Innovative Growth Index, from its inception in January 2015 to 30 September 2026. The index began live calculation on 7 November 2025; its published levels before that date are back-tested, calculated by applying the index rules retrospectively.

SUMMARY STATISTICS	ANNUALIZED RETURN	ANNUALIZED VOLATILITY	SHARPE RATIO	MAX DRAWDOWN	UP CAPTURE	DOWN CAPTURE
Motley Fool Innovative Growth TR	19.1%	22.1%	0.81	-38.3%	126	99
Russell 1000 Growth TR	16.4%	20.5%	0.74	-32.7%	-	-
Nasdaq-100 TR	19.4%	22.1%	0.82	-35.0%	145	101

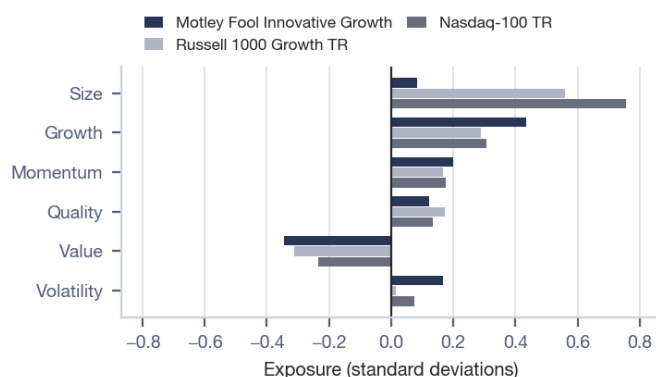
Total return, from the published index levels, January 2015 to 30 September 2026. Volatility and drawdown are measured on daily returns, and the Sharpe ratio is annualized excess return over the daily risk free rate divided by annualized volatility. Up and down capture are against the Russell 1000 Growth TR, compounding each series over the 90 months it rose and the 51 it fell. Performance before 7 November 2025 is back-tested and hypothetical. Past performance does not predict future returns.

TRAILING PERFORMANCE	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (2015)
Motley Fool Innovative Growth TR	9.0%	11.3%	27.0%	14.6%	20.5%	19.1%
Russell 1000 Growth TR	6.3%	7.5%	24.3%	13.7%	18.2%	16.4%
Nasdaq-100 TR	21.0%	24.0%	28.3%	16.6%	21.2%	19.4%

Periods of a year or more are annualized; the year to date is cumulative. Data through 30 September 2026. Performance before 7 November 2025 is back-tested and hypothetical.

Over 11.7 years the index returned **19.1%** a year, against 16.4% for the Russell 1000 Growth TR and 19.4% for the Nasdaq-100 TR, with annualized volatility of 22.1% against 20.5% and 22.1%. It captured 126% of the Russell 1000 Growth TR's gains in rising months and 99% of its losses in falling ones.

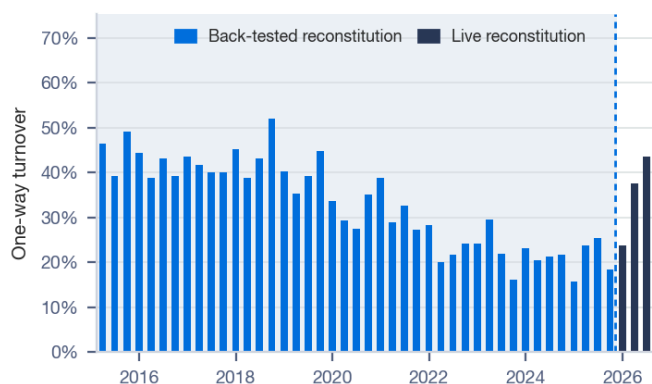
STYLE TILTS



Exposure from the in-house factor model. Bars average all 48 reconstitutions from Dec 2014 to Sep 2026, back-tested before November 2025. Benchmarks are read from the holdings of IWF and QQQ.

Across the history, the index's growth exposure averaged +0.43, against +0.29 and +0.31 for the Russell 1000 Growth TR and Nasdaq-100 TR.

TURNOVER



One-way turnover at each reconstitution from Mar 2015 to Sep 2026: half the summed change between the new target weights and the old basket as it had drifted by the trade. The shaded span is back-tested; from November 2025 the baskets are those the calculating agent published.

Quarterly one-way turnover has averaged 33% across the history, ranging from 16% to 52% (in September 2018). The index has held 100 companies at every reconstitution.

WHAT THE INDEX IS DESIGNED TO REPRESENT

The index is built to represent a particular view of markets:

- that markets underreact to innovation and do not fully price high-upside investment;
- that scalable, compounding businesses can be worth paying up for;
- that the strongest opportunities arise where fundamentals are improving fastest, not just where they are highest or cheapest.

Where a company is compounding gross profits, accelerating, and investing in the assets behind its next leg of growth, the index is designed to hold it, weighted by size and by the strength of its growth score. It carries higher risk in pursuit of higher return potential.

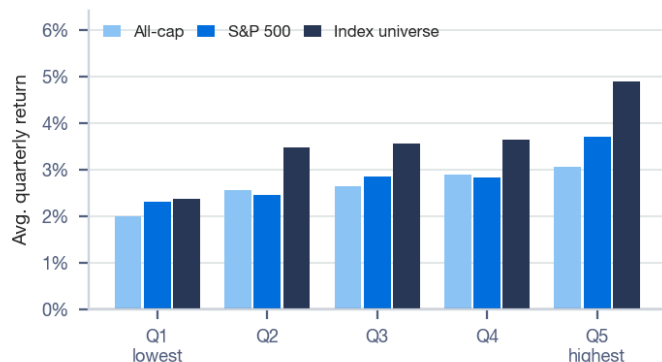
HOW EACH SCORE SORTS RETURNS

Each score below is the production score the index uses, normalized within each universe at every quarterly Weighting Date from Dec 2014 to Jun 2026. The left chart sorts the universe into quintiles and shows the average equal weighted return over the following three months, the index's own holding period. The right chart holds the top third and shorts the bottom third each quarter. All-cap is the factor model's United States estimation universe (about 2,386 companies); S&P 500 is the constituents of the S&P 500 (about 497 companies); Index universe is the research universe the index selects from (about 290 companies).

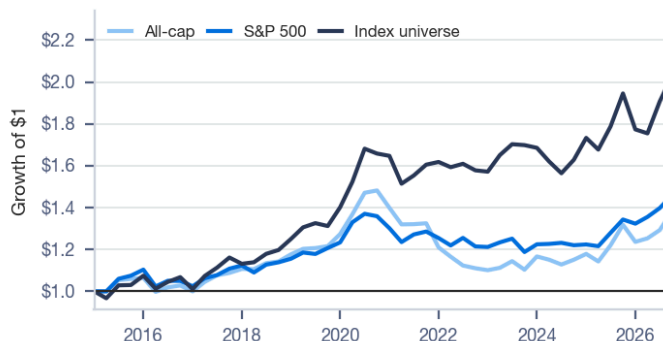
Innovative Growth Composite Score

The Innovative Growth Composite Score drives both membership and weight. It is an equal weighted blend of three sub-scores: **Gross Profit Growth**, **Gross Profit Acceleration** and **Growth Potential**. Each is normalized within its universe before the three are averaged.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



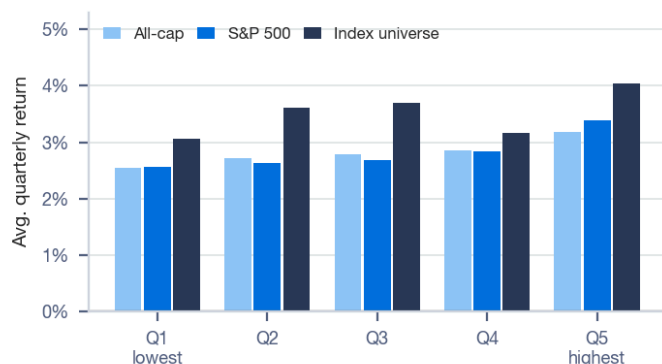
TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE



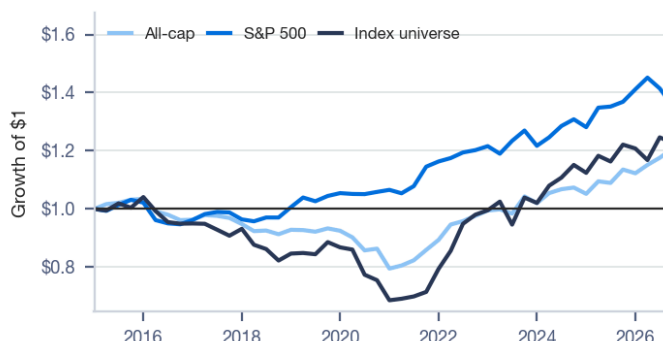
Gross Profit Growth

The strategy is framed around a measure of historical growth built on **gross profits over assets (GPOA)**, which compares businesses across sectors better than earnings-based measures. Many companies forgo profit today for better prospects tomorrow, and accounting rules that expense intangible investment make earnings a weaker growth signal for modern companies. Novy-Marx (2013) established the value of GPOA, and Oyeniyi (2018) the strength of GPOA growth as a signal. Gross profit (revenue less cost of goods sold) avoids penalizing asset-light industries; long-term growth is the five-year average, requiring at least eight quarters of data.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE

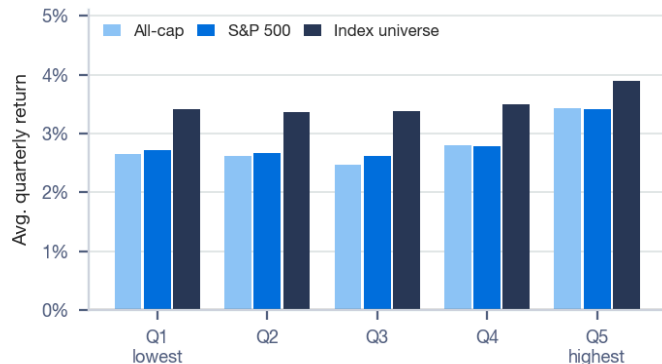


Hypothetical quintile and tercile portfolios, equal weighted, gross of all costs, taxes and fees, from Dec 2014 to Jun 2026, United States listed stocks only. They are analytical constructions used to show how each score behaves, not indices, and cannot be invested in. Returns outside -100% to +1,000% in a quarter are treated as pricing artifacts and excluded.

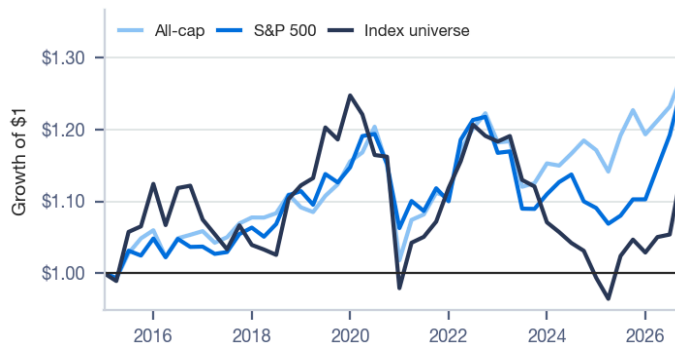
Gross Profit Acceleration

Historical growth alone can miss turns in the business cycle and structural shifts. **Gross Profit Acceleration** adds a measure of fundamental momentum that complements the forward-looking views of analysts at The Motley Fool, LLC. It starts from the growth in GPOA against the same quarter a year earlier and, extending He and Narayanamoorthy (2020), measures the change in that growth from the prior quarter.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE

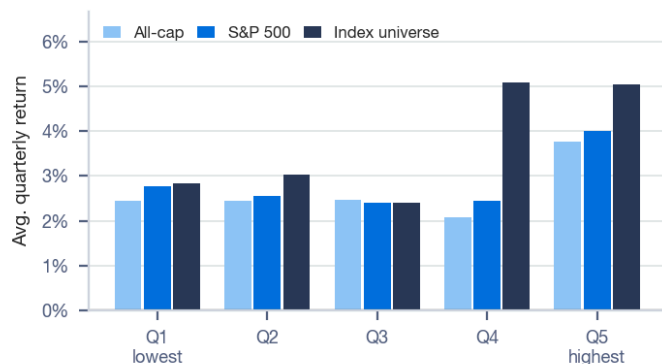


Growth Potential

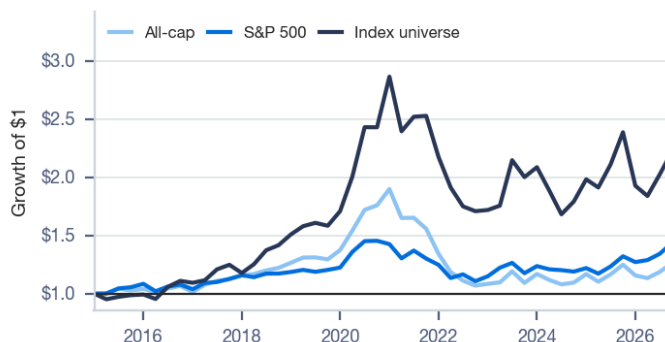
Growth investing also has to account for decisions made today that are expected to produce growth tomorrow. **Growth Potential** tracks investment intended to build intangible assets, rather than fixed capital, which Fama and French (2015) show tends to reduce risk and return. It scales the sum of the following trailing-year outlays by total assets:

- **Research and development**, as a proxy for investment in knowledge assets.
- **Advertising**, the effort to build a brand that earns economic rents.
- **Stock-based compensation**, a proxy for human capital, where people trade cash salary for upside.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE



Hypothetical quintile and tercile portfolios, equal weighted, gross of all costs, taxes and fees, from Dec 2014 to Jun 2026, United States listed stocks only. They are analytical constructions used to show how each score behaves, not indices, and cannot be invested in. Returns outside -100% to +1,000% in a quarter are treated as pricing artifacts and excluded.

METHODOLOGY NOTES

Measurement dates

Every figure in this paper is pinned to Q3 2026 (data through 30 September 2026). The paper is refreshed each quarter on the same basis.

Index history

The Motley Fool Innovative Growth Index began live calculation on 7 November 2025. Performance in this paper covers the index's full published level series from its inception in January 2015. Published levels before the live date are back-tested: they apply the index rules retrospectively and are hypothetical.

Holdings

From November 2025, constituents and weights are those published by the index's independent calculating agent. Before that date, the back-tested baskets are the index rules applied retrospectively by MFIA's production system. Rebuilt month by month from those baskets across 131 back-tested months, the index compounds to within 28 basis points a year of its published series, with a monthly correlation of 0.999, so the turnover and style figures describe the same portfolio the published history does.

Factor model

Style exposures come from an in-house fundamental factor model estimated on a broad United States investable universe. Each theme averages the style factors within it that point the same way.

Hypothetical portfolios

Decile, quintile and tercile portfolios are analytical constructions used to show how the scores behave. They are hypothetical, gross of all costs, taxes and fees, cannot be invested in, and are not published indices.

Hypothetical results have inherent limitations and do not reflect trading, liquidity constraints or the timing of actual capital flows.

Benchmarks

The Russell 1000 Growth TR and Nasdaq-100 TR are shown for reference. Their levels are the published total return series, and their style exposures are read from the holdings of an exchange traded fund tracking each.

IMPORTANT INFORMATION

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The Motley Fool Innovative Growth Index (the "Index") was established by Motley Fool Investment Analytics, LLC and is a proprietary, rules-based index designed to track the performance of 100 United States companies from the research universe of The Motley Fool, LLC, ranked by a composite growth score.

Past performance is not a guide to, and does not predict, future returns. Index performance does not reflect any management fees, transaction costs, taxes or expenses that would be incurred by a portfolio seeking to track the index, and an investor cannot invest directly in an index. Index returns quoted in this document are total return, meaning dividends are treated as reinvested. The published index level series extends before the commencement of live calculation on 7 November 2025 on a back-tested basis, and performance for that period is included in this document. Back-tested performance is hypothetical: it is prepared with the benefit of hindsight by applying the index rules to historical data, does not reflect actual trading or the financial risk of actual investing, and is not indicative of any actual investment result.

Company fundamental, pricing and classification data is sourced from S&P Global Market Intelligence. Published index levels are produced by MFIA's independent third-party calculation agent. The Russell 1000 Growth Index is a product of FTSE Russell, and the Nasdaq-100 Index is a product of Nasdaq, Inc. Both are shown for reference only, and neither their inclusion nor any comparison in this document implies any sponsorship, endorsement or affiliation.

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Licensing and methodology enquiries

Full methodologies for The Motley Fool Innovative Growth Index and every index in the index family of The Motley Fool, LLC are published in full, including membership criteria, weighting rules, reconstitution schedule and corporate action treatment.

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