

INDEX RESEARCH • MOTLEY FOOL INVESTMENT ANALYTICS

Inside the Motley Fool Next Index

# How analyst conviction reaches beyond the largest 100

SYSTEMATIC. TRANSPARENT. UNCONVENTIONAL.

The Motley Fool Next Index tracks the United States companies in the research universe of The Motley Fool, LLC that sit beyond the largest 100: 198 companies at the latest reconstitution, with a median market capitalization of \$10.0 billion. Like The Motley Fool 100 Index, it draws on the published conviction of a working research organization rather than a market segment or a factor screen. This paper sets out how that universe is assembled, how each of its two sources contributes to membership and weight, and how the index's return decomposes across them over its full published history.

| INDEX, ANNUALIZED                                                     | RETURN PER UNIT OF RISK                   | UPSIDE CAPTURE                                                | DOWNSIDE CAPTURE                                                |
|-----------------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|
| <b>12.23%</b><br>Russell Midcap Growth 10.61%<br>over the same period | <b>0.54</b><br>Russell Midcap Growth 0.49 | <b>130%</b><br>of benchmark gains, across<br>86 rising months | <b>101%</b><br>of benchmark losses, across<br>55 falling months |

Total return for both series over the index's full published history, December 2014 to 30 September 2026, against the Russell Midcap Growth Index Total Return. The index began live calculation on 22 December 2021, and figures before that date are back-tested and hypothetical. Return per unit of risk is annualized excess return over annualized volatility; capture ratios compound each series over the months the benchmark rose and fell. The index has been the more volatile of the two, at 22.0% against 21.0%. Past performance does not predict future returns.

## The research of 90 analysts, expressed as a rule

The conviction behind this index is not a model output. It is what **90 scored analysts at The Motley Fool, LLC\*** actually believed, recorded as **1,687 live ratings across 559 companies**, refreshed every day. An index makes a research organization of that size available as one rules based decision, held to a published methodology rather than to anyone's judgment.



The Motley Fool Next Index and the Russell Midcap Growth Index, both total return and rebased to 100 in December 2014. Everything left of the marker is back-tested and hypothetical, the index having begun live calculation on 22 December 2021. Across the deeper-shaded first 9 months the universe is entirely companies under a dated open recommendation, so what is retrospective there is the index calculation and not the stock selection. From September 2015 the analyst conviction sleeve joins the back-test. Past performance does not predict future returns.

## HOW THE UNIVERSE IS SOURCED

Two independent sources of analyst opinion from The Motley Fool, LLC feed the index universe, the same universe The Motley Fool 100 Index draws on. The first is the **recommendation universe**: every United States company under an open recommendation in a flagship publication of The Motley Fool, LLC, a dated long-horizon call that leaves the universe at the next reconstitution once it closes.

The second is the **analyst research platform**, the internal database in which analysts record conviction. Each allocates up to 100 conviction points across as many companies as they choose, with negative points available for the opposite view, and the 150 highest scoring enter alongside.

\* Analyst pool, live ratings and covered companies are as of the 21 Sep 2026 Weighting Date.

## FROM ANALYST OPINION TO INDEX MEMBERSHIP

Each quarter the two sources are combined, screened for eligibility and ranked by size. The largest 100 form The Motley Fool 100 Index, and every eligible company beyond them forms The Motley Fool Next Index, so the two indexes together hold the whole eligible universe. Every step is a published rule, and none of them involves a discretionary judgment about a company on the day.

### Service recommendations

Open recommendations in flagship publications of The Motley Fool, LLC.

### Analyst conviction scores

Top 150 companies by crowdsourced analyst conviction score, with a 30% continuity buffer applied.

### Eligibility screens

United States domiciled, at least \$1 million average daily traded value over the preceding three months, current pricing available, and an eligible security type. Common stocks, REITs, tracking stocks and holding companies qualify. Depositary receipts, preferred stock, closed end funds, exchange traded funds and derivatives do not.

### Membership and weighting

Every eligible company outside The Motley Fool 100 Index, whose membership is set by market capitalization with a 30% continuity buffer. Constituents are weighted by market capitalization, subject to the same concentration rules.

## The Motley Fool Next Index

Reconstituted and reweighted quarterly on the second to last Monday of each calendar quarter, on the same schedule as The Motley Fool 100 Index.

## Why the buffers exist

Conviction scores move every day and market values move with them, so an unbuffered ranking would churn both indexes for no economic reason. Two continuity rules absorb that noise. The first decides which companies are in the universe at all. The second decides where the line between the two indexes falls: a company near the 100th place keeps whichever index it is already in until it moves decisively.

### Analyst conviction universe buffer ranked by conviction score



### The line between the Fool 100 and Fool Next ranked by market capitalization



Where each buffer applies. A company entering the universe has to reach the top 105 by conviction score, while one already there survives to 195. On market capitalization, the largest 70 are in The Motley Fool 100 Index on rank alone, a Fool 100 member keeps its place down to 130, and every other eligible company is in The Motley Fool Next Index. The size buffer has applied since December 2021.

## WEIGHTING AND CONCENTRATION CONTROL

Index weights are set on the Weighting Date in proportion to each constituent's share of aggregate index market capitalization, then price drifted to the Reconstitution Date. The index carries the Fool 100's concentration rules: any single issuer above 24% of the index is reduced to 22%, and if issuers holding positions above 4.8% together exceed 48%, that combined weight is cut to 44%. With 110 to 209 constituents weighted by size, no Fool Next constituent has come near either limit: the largest weight at any reconstitution has been 2.5%.

Values are calculated every weekday on both a price return and a total return basis in United States dollars and disseminated end of day. Ordinary dividends are reinvested in proportion to prevailing weights.

### What the buffers do to turnover

Across 47 consecutive quarterly reconstitutions the index has replaced a median of **14 of its 194 constituents** per quarter. Weight turnover has averaged 18% a quarter before the size buffer began in December 2021 and **8%** since. A market value that crosses the 100th place on a Tuesday does not move a company between the two indexes.

## RECONSTITUTION MECHANICS

### Scheduled changes

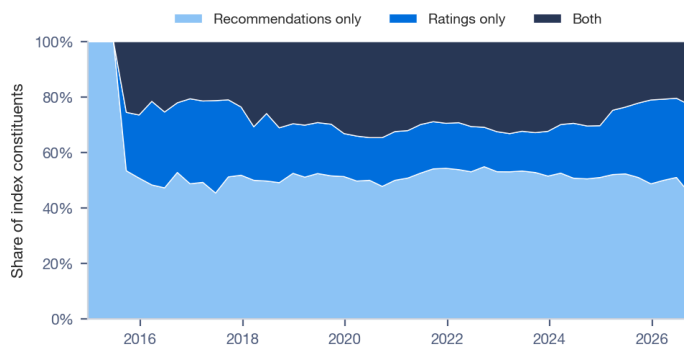
Additions occur at the quarterly reconstitution. Because the two indexes divide one universe by size, a company that grows into the largest 100 leaves Fool Next for the Fool 100 at a reconstitution, and one that shrinks out of the Fool 100 can join Fool Next, without leaving the research universe.

### Corporate actions

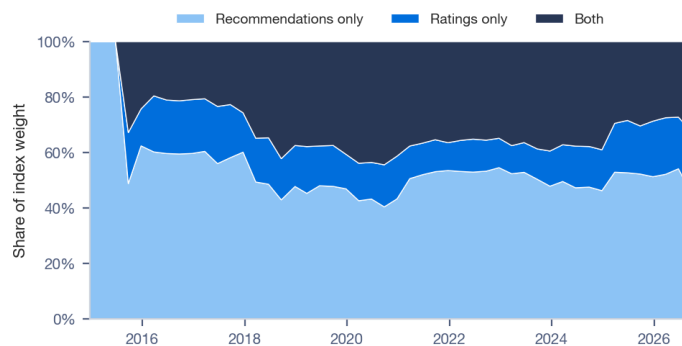
Spin offs, acquisitions, delistings and share class changes are handled under the index's published methodology, which governs every rule summarized on this page.

## WHAT EACH SLEEVE CONTRIBUTES

Because a company can arrive through either source, every constituent carries one of three provenances: it is an open recommendation only, it is a top 150 analyst-rated name only, or it is both. A company that is simultaneously a published recommendation and a top ranked conviction score has cleared two independent bars. Beyond the largest 100 the recommendation list does most of the work: recommendations only carry 51% of Fool Next's weight on average, against 33% for the double screened names.



Share of index constituents by the sleeve that screened them in, at each quarterly Weighting Date. Before September 2015 the universe is recommendations only.



Share of index weight by sleeve. Figures before December 2021 are back-tested.

| UNIVERSE SLEEVE      | CONSTITUENTS AVERAGE | CONSTITUENTS RANGE | WEIGHT AVERAGE | WEIGHT RANGE | CONSTITUENTS CURRENT | WEIGHT CURRENT |
|----------------------|----------------------|--------------------|----------------|--------------|----------------------|----------------|
| Both sleeves         | 28%                  | 20% to 35%         | 33%            | 20% to 44%   | 23%                  | 32%            |
| Analyst ratings only | 21%                  | 14% to 33%         | 15%            | 10% to 22%   | 32%                  | 22%            |
| Recommendations only | 51%                  | 45% to 55%         | 51%            | 40% to 62%   | 45%                  | 45%            |

Measured across 45 quarterly Weighting Dates since the analyst conviction sleeve joined the universe, Sep 2015 to Sep 2026. Shares are of index constituent count and of index weight respectively.

### The analyst ratings reach where the list does not

If the analyst ratings simply restated the recommendation list, the ratings only sleeve would be empty. It is not. Across the smaller and mid-sized companies it has supplied 21% of Fool Next's constituents and 15% of its weight on average, companies analysts at The Motley Fool, LLC back that the published recommendation list does not carry at that moment.

## THE TWENTY LARGEST CONSTITUENTS AND WHERE THEY CAME FROM

The swatch carries the universe sleeve. The service column names the research publication of The Motley Fool, LLC holding an open recommendation at the Weighting Date: **RB** for Rule Breakers, **SA** for Stock Advisor. A dash means the company entered through the analyst conviction sleeve without an open service recommendation behind it.

| BOTH SLEEVES |                                       |                           | ANALYST RATINGS ONLY |       |         | RECOMMENDATIONS ONLY |                                       |                            |        |       |         |
|--------------|---------------------------------------|---------------------------|----------------------|-------|---------|----------------------|---------------------------------------|----------------------------|--------|-------|---------|
| #            | SYMBOL                                | COMPANY                   | WEIGHT               | CUM.  | SERVICE | #                    | SYMBOL                                | COMPANY                    | WEIGHT | CUM.  | SERVICE |
| 1            | <div><div></div><div>P</div></div>    | Everpure                  | 1.89%                | 1.9%  | SA      | 11                   | <div><div></div><div>RKT</div></div>  | Rocket Companies           | 1.41%  | 17.1% | RB      |
| 2            | <div><div></div><div>ILMN</div></div> | Illumina                  | 1.79%                | 3.7%  | SA      | 12                   | <div><div></div><div>DXCM</div></div> | DexCom                     | 1.41%  | 18.5% | SA      |
| 3            | <div><div></div><div>OKTA</div></div> | Okta                      | 1.58%                | 5.3%  | SA      | 13                   | <div><div></div><div>ZS</div></div>   | Zscaler                    | 1.41%  | 19.9% | SA      |
| 4            | <div><div></div><div>ODFL</div></div> | Old Dominion Freight Line | 1.56%                | 6.8%  | SA      | 14                   | <div><div></div><div>RMD</div></div>  | ResMed                     | 1.37%  | 21.3% | RB, SA  |
| 5            | <div><div></div><div>HEI</div></div>  | HEICO                     | 1.56%                | 8.4%  | SA      | 15                   | <div><div></div><div>EQT</div></div>  | EQT                        | 1.32%  | 22.6% | SA      |
| 6            | <div><div></div><div>UI</div></div>   | Ubiquiti                  | 1.49%                | 9.9%  | RB      | 16                   | <div><div></div><div>RBLX</div></div> | Roblox                     | 1.31%  | 23.9% | RB, SA  |
| 7            | <div><div></div><div>AXON</div></div> | Axon Enterprise           | 1.49%                | 11.4% | RB      | 17                   | <div><div></div><div>GEHC</div></div> | GE HealthCare Technologies | 1.28%  | 25.2% | SA      |
| 8            | <div><div></div><div>BIIB</div></div> | Biogen                    | 1.45%                | 12.8% | RB      | 18                   | <div><div></div><div>CB0E</div></div> | Cboe Global Markets        | 1.25%  | 26.4% | SA      |
| 9            | <div><div></div><div>EME</div></div>  | EMCOR Group               | 1.44%                | 14.2% | SA      | 19                   | <div><div></div><div>CCI</div></div>  | Crown Castle               | 1.23%  | 27.6% | -       |
| 10           | <div><div></div><div>ALNY</div></div> | Alnylam Pharmaceuticals   | 1.43%                | 15.7% | RB      | 20                   | <div><div></div><div>MDB</div></div>  | MongoDB                    | 1.22%  | 28.9% | RB      |

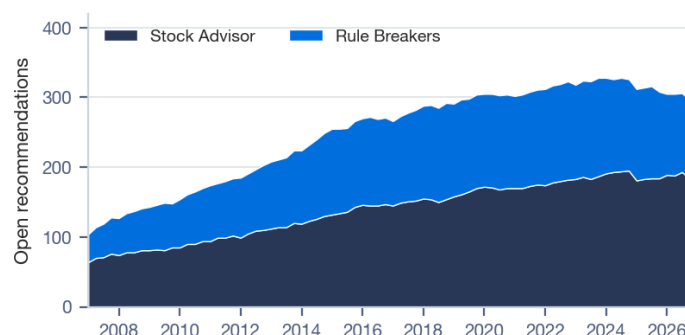
Index constituents by weight at the 21 September 2026 Weighting Date. The ten largest account for 15.7% of index weight and the twenty largest for 28.9%. Of the twenty, 8 carry an open Rule Breakers recommendation, 13 an open Stock Advisor recommendation, and 1 are carried by the analyst conviction sleeve alone. Inclusion in an index is not a recommendation to buy, sell or hold any security.

## THE PUBLISHED RECOMMENDATION LIST

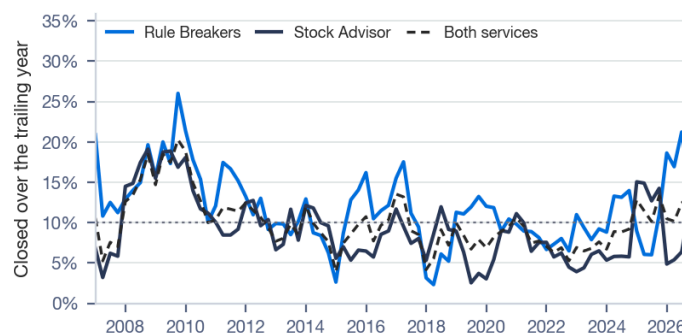
The larger of the two sleeves is the oldest thing in the index. Research publications of The Motley Fool, LLC have been issuing dated buy recommendations since 2002, and two feed the universe: **Stock Advisor** and **Rule Breakers**. A company enters the recommendation universe when a service opens a recommendation on it and leaves at the next reconstitution after that recommendation is closed. Nothing about that process was designed for an index, which is the point: the calls were published to subscribers, dated, in real time, for years before anyone calculated an index from them.

A company can also be recommended more than once, and much of the conviction in the list shows up that way rather than in the headcount. The universe rule counts a company once however often it has been recommended, so none of that repetition reaches the index, but it says something the counts do not: these services return to the names they believe in rather than rotating through new ones.

| OPEN RECOMMENDATIONS                                  | DISTINCT COMPANIES                                   | RECOMMENDATIONS PER COMPANY                                       | MEDIAN AGE                                                  | OLDEST STILL OPEN                                                  |
|-------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------|
| <b>296</b><br>184 Stock Advisor,<br>112 Rule Breakers | <b>257</b><br>39 of them carried<br>by both services | <b>2.05</b><br>137 carry more than one<br>within a single service | <b>6.5 yrs</b><br>31% have been open<br>more than ten years | <b>24 yrs</b><br>42 new recommendations<br>opened in the last year |



Open recommendations at each quarter end, by service. A company carried by both services counts once in each, so the top of the stack is 296 recommendations against 257 distinct companies. The universe has grown from 104 companies in 2006, and the series runs through Sep 2026.



Share of the recommendation universe closed over the trailing year, against the average number live across that year, Dec 2006 to Sep 2026. The dashed line is both services together.

### A 10 year average holding period

Turnover has averaged 10% a year across both services, which is another way of saying the average recommendation stays open about 10 years. That patience is what makes the list usable as an index universe: a research process replacing a third of its names a year would hand the index a turnover problem no buffer could absorb.

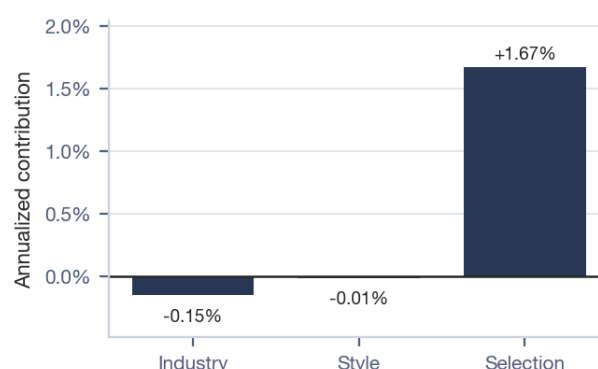
## WHERE THE RECOMMENDATION UNIVERSE ADDS VALUE

The recommendation universe has a far longer history than the analyst ratings, so it can be examined over the full span of the index universe. Holding every open recommendation at equal weight, rebalanced monthly, produces an annualized return of **13.78%** against **12.35%** for the S&P 500 Total Return index over 238 months (Dec 2006 to Sep 2026), an excess of **143 bps** a year. The basket held 224 companies on average, across every size the list covers.

Decomposing that basket through the factor model separates what came from tilting toward particular industries or styles from what came from picking particular companies. Industry and style tilts contributed **-0.15%** and **-0.01%** a year. Company specific selection contributed **167 bps** a year and carries much the highest information ratio of the three.

| SOURCE                 | ANNUALIZED    | INFORMATION RATIO |
|------------------------|---------------|-------------------|
| Industry tilts         | -0.15%        | -0.06             |
| Style tilts            | -0.01%        | -0.00             |
| <b>Stock selection</b> | <b>+1.67%</b> | <b>+0.58</b>      |

Annualized contribution and information ratio, Dec 2006 to Sep 2026.



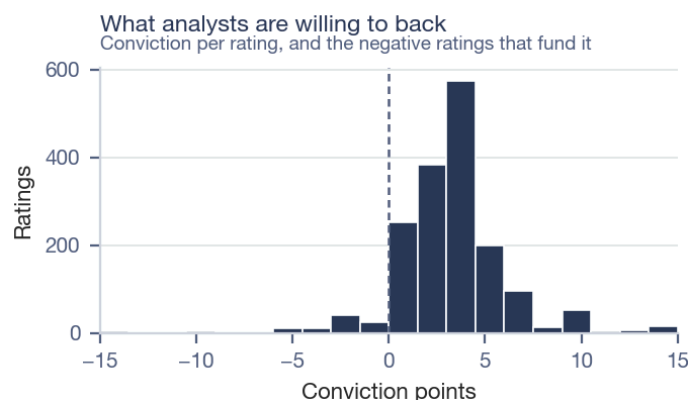
Annualized contribution to the equal weighted recommendation basket by source, Dec 2006 to Sep 2026.

The value the recommendation universe adds is concentrated in company selection, the part a market capitalization weighted index can carry into a replicable portfolio, rather than in factor tilts an allocator can obtain more cheaply elsewhere.

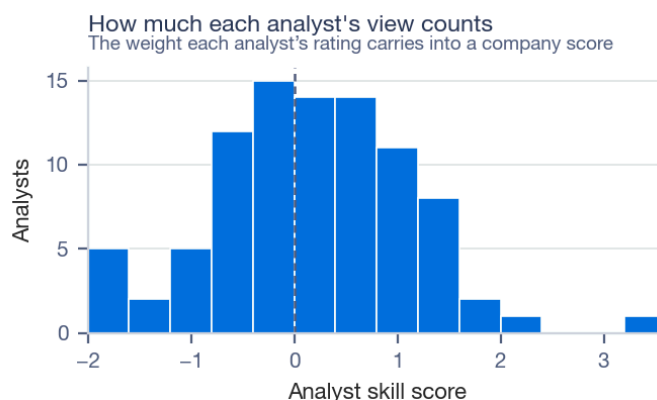
## HOW CONVICTION BECOMES A SCORE

The analyst research platform records what analysts at The Motley Fool, LLC actually believe, in a form that can be scored. Each analyst allocates up to 100 conviction points across any number of companies. Allocating more than 100 is permitted provided the analyst funds it with offsetting negative points, so the database captures conviction against a company as well as conviction for one.

The scoring figures in this section and the next are shown on the 21 Sep 2026 Weighting Date, the date on which these scores determined universe membership. On that date there were 1,687 live ratings from 90 scored analysts across 559 companies, and 94% of those ratings were positive, with a median allocation of 3 points.



Conviction points allocated on the 21 Sep 2026 Weighting Date. Allocations beyond plus or minus 15 points are shown at the boundary.



Analyst skill scores on the 21 Sep 2026 Weighting Date. 51 of 90 scored analysts, or 57%, carried a positive score.

### Why the score measures stock picking and nothing else

Analysts at The Motley Fool, LLC are generalists. Some carry an industry focus, but none is confined to one, so a naive track record would reward an analyst who happened to cover a sector that went up. To remove that, every rated company's return is decomposed each day through an in house fundamental factor model into the part explained by common factors, meaning market exposure, style tilts and industry membership, and the part that is specific to the company itself. Only the company specific part is carried into an analyst's skill score.

An analyst's score is that company specific return stream, accumulated over a rolling five year window, expressed as a risk adjusted statistic and scaled by the number of observations behind it. An analyst needs at least 100 observations before a score is published. The effect is that an analyst is measured on the decisions attributable to them, not on the habitat they happen to work in, and an analyst who runs into a sustained drawdown across their allocated positions sees their score decline and their influence on company scores fall with it.

A company's overall conviction score is then the sum, across every scored analyst with a live rating on it, of that analyst's skill score multiplied by the direction of their conviction:

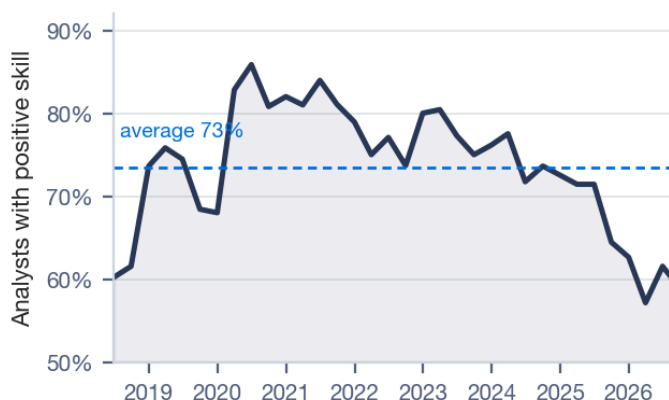
$$\text{Score} = \sum (\text{Skill}_a \times \text{sign}(\text{Points}_a))$$

summed over every scored analyst with a live rating

Using only the direction of the allocation and not its size is deliberate. It caps how far any single analyst can move a company's score, which keeps the measure robust to an outsized allocation from one person. It also means that when an analyst's own score falls below zero, the construction begins to weigh against the companies they favor.

### Average skill is not the requirement

Analysts at The Motley Fool, LLC have on the whole carried positive skill scores over the measured history, but the score does not depend on it. Where a record is negative the construction takes the other side of it. What the score does require is dispersion: analysts who follow a persistent process of their own, processes that differ from one another, and ratings that differ as a result.



Share of scored analysts carrying a positive skill score, measured quarterly, Jun 2018 to Sep 2026.

Across that period the share has averaged 73% and has ranged from 57% to 86%. The measure is cyclical: the five year window means a broad drawdown in the kinds of company analysts at The Motley Fool, LLC favor lowers many scores at once, and a sustained recovery lifts them together.

### A score is an opinion weight, not a forecast

The conviction score ranks companies by the accumulated stock picking record of the analysts who hold a view on them. It is an input to a rules based universe definition. It is not a price target, a valuation, or a statement about the advisability of investing in any security.

## ONE CONSTITUENT, SCORED LINE BY LINE

The clearest way to show the construction is to take it apart on a single company. Of the index's own constituents on the 21 Sep 2026 Weighting Date, the highest conviction score belonged to **Everpure (P)**: **7.62**, which ranked it **8 of 559** scored companies. 5 scored analysts held a live rating on it. The table lists each of them: the analyst's own skill score, the conviction points they allocated, the direction of that allocation, and the resulting contribution to the company's score.

| ANALYST                                       | SKILL | POINTS | DIR. | CONTRIBUTION | ANALYST | SKILL                       | POINTS | DIR. | CONTRIBUTION |
|-----------------------------------------------|-------|--------|------|--------------|---------|-----------------------------|--------|------|--------------|
| 47                                            | +0.25 | 1      | +1   | +0.25        | 418     | +1.55                       | 1      | +1   | +1.55        |
| 2                                             | +1.05 | 1      | +1   | +1.05        | 1013    | +3.50                       | 2      | +1   | +3.50        |
| 251                                           | +1.27 | 5      | +1   | +1.27        |         |                             |        |      |              |
| P overall conviction score, 5 scored analysts |       |        |      |              | 7.62    | Rank among scored companies |        |      | 8 of 559     |

### Reading the table

Of the 5 analysts with a live rating, 5 carried a positive skill score and 0 carried a negative one. 5 expressed a favorable view and 0 an unfavorable one.

A **skilled analyst** adds their full score when favorable and subtracts it when not, which is how genuine disagreement inside the research organization reaches the number. An **unskilled analyst** does the reverse, because the construction takes the other side of a poor track record.

### Where the cut falls

On that Weighting Date the score required to sit inside the top 150 was **1.05**, and the highest scoring analyst in the pool carried a skill score of **3.50**. A single favorable rating from that analyst on a previously unrated company would, on its own, place that company inside the top 150 and trigger the buffer rules.

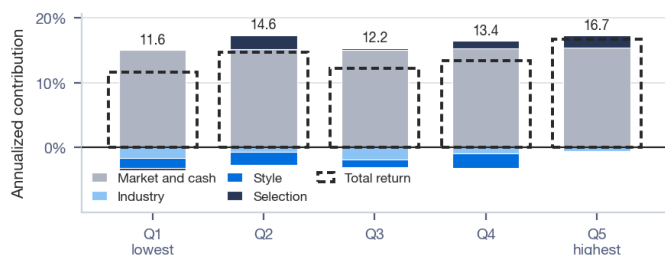
Analysts scoring that highly are rare, and in practice a company enters on the accumulated records of many rather than the action of one, which is what the buffer and the sign based construction both protect.

### Scores respond to outcomes, and they propagate

When a widely held company falls sharply, the analysts who favored it see their skill scores decline, and so do the scores of every other company they rate. That is the mechanism by which the universe steps back from a view that has stopped working, without anyone intervening.

## WHY THE SCORE EARNS ITS PLACE

A universe rule is only worth having if the score behind it separates companies. Every scored company is ranked into quintiles of about 112 names at each of 96 month ends, held three months, and decomposed the way the index itself is later in this paper. Q1 is the bottom of the score, Q5 the top.



Annualized return by score quintile with its sources, May 2018 to Jun 2026 formation dates, equal weighted, three-month holding period.

Component averages are scaled so they annualize while still summing to the total. Returns beyond minus one hundred to plus one thousand percent are dropped as pricing artifacts, and overlapping windows are not independent. Hypothetical and gross. Past performance does not predict future returns.

**Conviction pays, and it pays at the top.** The highest quintile returned 16.66% a year against 11.57% for the lowest, a gap of roughly 5.1 points, and that top band is the part of the distribution the top-150 cut is built to capture.

**And it pays for the right reason.** Market exposure is common to all five quintiles, so none of the advantage is leverage. It comes from analysts being right about individual businesses, worth +1.82% a year at the top against -0.29% at the bottom.

**The claim is a narrow one, by design.** The middle of the distribution is noisier and the inner quintiles do not step down in order. What it offers is a filter for the top of a large, liquid opportunity set, the job the universe asks of it.

## RETURN BY UNIVERSE SLEEVE

The same provenance tag that splits index membership can be applied to index return. Each sleeve is treated as its own sub basket, carrying the index weights it actually holds renormalized to 100% and drifting between Weighting Dates, and its monthly returns are chained across the index's full published history. The sub baskets are analytical decompositions of the index rather than published indices, and they are shown gross.



Cumulative gross total return by universe sleeve, Jan 2015 to Sep 2026. The dashed line is the index across all constituents. The analyst conviction sleeve joins in September 2015, and figures before December 2021 are back-tested and hypothetical.

| BASKET                             | CUMULATIVE  | ANNUALIZED    | VOLATILITY   | RETURN PER UNIT OF VOLATILITY |
|------------------------------------|-------------|---------------|--------------|-------------------------------|
| Both sleeves                       | 338%        | 13.39%        | 22.7%        | 0.59                          |
| Analyst ratings only               | 281%        | 12.05%        | 20.9%        | 0.58                          |
| Recommendations only               | 254%        | 11.35%        | 19.0%        | 0.60                          |
| <b>Index (all constituents)</b>    | <b>297%</b> | <b>12.46%</b> | <b>19.9%</b> | <b>0.63</b>                   |
| Russell Midcap Growth Total Return | 230%        | 10.69%        | 18.1%        | 0.59                          |

141 months, Jan 2015 to Sep 2026. Sleeve baskets are gross of any costs and are not published indices. The index line reconstructs the published index from constituent returns and tracks it within 23 bps a year over this period. Back-tested performance is hypothetical. Past performance does not predict future returns.

### Double screened names lead

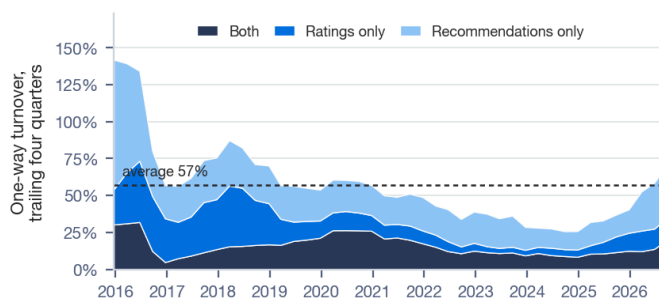
Companies carried by both sources have produced the highest return of the three provenances over the full history, 13.4% a year against 12.0% for the ratings only sleeve and 11.3% for recommendations only, the practical case for building the universe from two independent expressions of analyst conviction rather than one.

## WHAT THE INDEX ASKS AN IMPLEMENTER TO TRADE

Return is one half of what a licensee needs to know. The other is how much trading the rules generate. One-way turnover measures the new target weights at each Weighting Date against the previous quarter's weights as they had drifted by then, so it is the trade the index actually asks for rather than a change in the formula.

Before the size buffer began in December 2021, every move across the 100th place moved a company between the two indexes, and turnover averaged 18% a quarter. Since then it has averaged 8%.

Split by sleeve, 47% of the turnover comes from recommendations only, 27% from the double screened names and 26% from the ratings only sleeve. Against the weight each carries, the ratings only sleeve trades the most, 26% of turnover on 15% of weight, and the double screened names the least.



One-way index weight turnover over the trailing four quarters, stacked by the sleeve each name sits in after the reconstitution. A name that changes sleeve without changing weight adds no turnover.

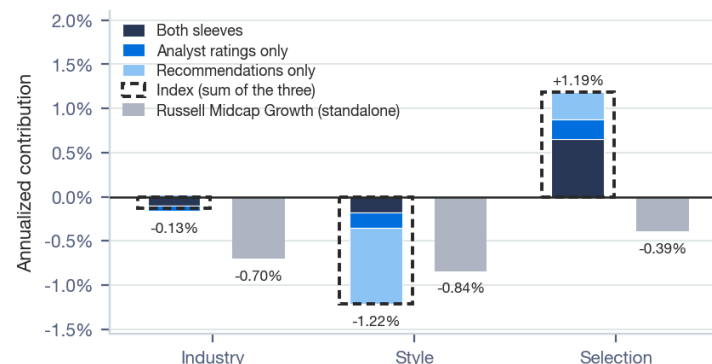
## WHERE EACH SLEEVE'S RETURN COMES FROM

The baskets charted on the previous page are the ones decomposed here, month by month across the full published history, off the same panel and the same weights, so the two pages cannot disagree. Monthly contributions are Carino linked, which means they compound the way returns do rather than simply adding up, and the five sources therefore sum to the annualized return in the last column. Sleeve rows are contributions to the index: each name enters at the index weight it actually carries rather than being renormalized, so the three sleeves add to the index exactly, in every column.

| BASKET                            | INDEX WEIGHT | CASH          | MARKET         | INDUSTRY      | STYLE         | SELECTION     | CONTRIBUTION  | STANDALONE RETURN |
|-----------------------------------|--------------|---------------|----------------|---------------|---------------|---------------|---------------|-------------------|
| Both sleeves                      | 33%          | +0.77%        | +3.54%         | -0.10%        | -0.18%        | +0.65%        | 4.67%         | 13.39%            |
| Analyst ratings only              | 15%          | +0.33%        | +1.89%         | -0.06%        | -0.17%        | +0.23%        | 2.21%         | 12.05%            |
| Recommendations only              | 55%          | +1.13%        | +4.98%         | +0.03%        | -0.86%        | +0.31%        | 5.58%         | 11.35%            |
| <b>Index</b>                      | <b>100%</b>  | <b>+2.22%</b> | <b>+10.40%</b> | <b>-0.13%</b> | <b>-1.22%</b> | <b>+1.19%</b> | <b>12.46%</b> | <b>12.46%</b>     |
| Russell Midcap Growth (reference) | -            | +2.20%        | +10.43%        | -0.70%        | -0.84%        | -0.39%        | 10.69%        | 10.69%            |

Carino-linked annualized contribution to index return by source, 141 months, Jan 2015 to Sep 2026. The five sources sum to the total, and the three sleeves sum to the index. The standalone column is each basket's own compounded return, which is the line charted on the previous page. The Russell Midcap Growth is a reference row, not part of the sum: it is a separate portfolio linked on its own returns. Sleeve baskets are analytical decompositions of the index, not published indices, and are shown gross. Back-tested performance is hypothetical. Past performance does not predict future returns.

The three sources that differ between the baskets. Cash and market exposure are left out: every basket earns essentially the same from them, so they explain none of the differences.



Annualized contribution to index return, Jan 2015 to Sep 2026. The three sleeves stack, building up from zero where they contribute and down where they detract, so the net of each stack is the index total drawn over it as a dashed outline. That outline is the bar to read against the Russell Midcap Growth alongside, which is standalone.

**Selection is where the index differs.** Over the full history company specific selection contributed **+1.19%** a year to the index, against -0.39% for the Russell Midcap Growth. Industry contributed -0.13% against -0.70%, and style -1.22% against -0.84%.

**Every sleeve adds selection.** The double screened names contributed +0.65% from selection at 33% of index weight, the ratings only sleeve +0.23% at 15%, and recommendations only +0.31% at 55%. Because every name enters at the weight it actually carries, which part of the construction is doing which part of the work is visible directly rather than taken on trust.

**This is what a capitalization weighted benchmark cannot do.** The Russell Midcap Growth holds its segment rather than choosing within it. Over the same months it returned 10.69% a year. The Motley Fool Next Index has had a source of company selection the benchmark does not, and it arrives through the research the universe is built on.

## INDEX PERFORMANCE OVER THE FULL PUBLISHED HISTORY

|                       | ANNUALIZED RETURN | ANNUALIZED VOLATILITY | SHARPE RATIO | MAX DRAWDOWN  | UP CAPTURE | DOWN CAPTURE |
|-----------------------|-------------------|-----------------------|--------------|---------------|------------|--------------|
| <b>Fool Next TR</b>   | <b>12.2%</b>      | <b>22.0%</b>          | <b>0.54</b>  | <b>-39.5%</b> | <b>130</b> | <b>101</b>   |
| Russell Midcap Growth | 10.6%             | 21.0%                 | 0.49         | -38.7%        | -          | -            |

Total return from the published index levels, December 2014 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 Midcap Growth, compounded over the months it rose and fell. Figures before December 2021 are back-tested and hypothetical.

|                       | YTD         | 1-YEAR      | 3-YEAR       | 5-YEAR      | 10-YEAR      | SINCE INCEPTION (2014) |
|-----------------------|-------------|-------------|--------------|-------------|--------------|------------------------|
| <b>Fool Next TR</b>   | <b>9.6%</b> | <b>9.4%</b> | <b>17.5%</b> | <b>3.9%</b> | <b>14.0%</b> | <b>12.2%</b>           |
| Russell Midcap Growth | 1.0%        | -2.7%       | 15.4%        | 4.9%        | 11.9%        | 10.6%                  |

Total return to 30 September 2026. Periods of a year or more are annualized, and the year to date is cumulative. Past performance does not predict future returns.

## 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 Next Index began live calculation on 22 December 2021. Performance and attribution in this paper cover the index's full published level series from its inception in December 2014. Published levels before the live date are back-tested: they apply the index rules retrospectively and are hypothetical.

### Holdings

From December 2021, 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 84 back-tested months, the index compounds to within 2 basis points a year of its published series, with a monthly correlation of 0.999.

### Universe provenance

Sleeve tags are taken from the index production record at each Weighting Date, matched on the trading item and then at the company level, so that a constituent held in a different share class than the universe row still resolves.

### Factor decomposition

Returns are decomposed with an in-house fundamental factor model estimated on a broad United States investable universe. Each period's asset return separates into a risk free component, a market component, style tilts, industry membership and a company specific residual. The components are additive within a period.

### Sleeve and universe baskets

Sleeve baskets and the equal weighted recommendation basket are analytical constructions used to attribute index behavior to its inputs. 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 the effect of trading, liquidity constraints or the timing of actual capital flows.

### Benchmark

The Russell Midcap Growth Index is shown for reference. Its levels are the published total return series, and its factor attribution is built from an exchange traded fund tracking the index, run through the same monthly factor model panel as the index, so that the two decompositions are stated on one basis.

## IMPORTANT INFORMATION

### About the index provider

Motley Fool Investment Analytics (MFIA) constructs, publishes, and licenses indices based on rule-based, quantitative methodologies. MFIA is not an SEC-registered investment adviser and does not provide investment advice, offer securities, or make representations regarding the advisability of investing in any instrument. Nothing in this document should be taken as constituting financial or investment advice. MFIA is not permitted to provide investment advice, and any decision to invest in a security should not be made in reliance on the information contained in this document. Inclusion of a security within a MFIA index is not a recommendation to buy, sell, or hold such security.

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### Performance

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 22 December 2021 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.

Where this document presents universe sleeves or equal weighted baskets, those are hypothetical analytical constructions used to explain index behavior. They are not indices, are not licensable, are gross of all costs, and could not have been invested in.

### Analyst data

Conviction points, analyst skill scores and company conviction scores are drawn from the internal analyst research platform maintained by The Motley Fool, LLC and used by MFIA as an input to rules-based universe determination. Analysts are identified in this document by numeric identifier only. Scores are historical measurements of company-specific return outcomes associated with prior expressed views. They are not forecasts, price targets, or assessments of the merits of any security, and they carry no implication that any analyst will produce comparable outcomes in future.

### Index data and third parties

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 Midcap Growth Index is a product of FTSE Russell, and the S&P 500 Total Return index of S&P Dow Jones Indices LLC. 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 Next 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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