

Inside the Motley Fool Value Index

Value investing with a Foolish twist

The Motley Fool Value Index holds up to 100 United States companies drawn from the research of The Motley Fool, LLC and ranked on a composite measure of value. It asks not only what is cheap but why, and measures cheapness the way modern companies actually build and return value. This paper covers where the value premium comes from, how the score is built, and how the index is constructed and has behaved.

Index Foolishly.

Value investing is much more than discount shopping. The index expresses that view as a systematic strategy, built from the bottom up and held to a published methodology.

WHAT IS VALUE INVESTING?

Value investing is the strategy of buying assets that appear cheap relative to fundamental measures such as earnings, book value, dividends or cash flow. The core idea is simple: **pay less than something is worth**. Value has delivered a long-term premium across asset classes, on both theoretical and empirical foundations (Fama and French, 1992; Asness, Moskowitz and Pedersen, 2013).

Value tends to outperform when...	Growth is improving, rates are rising or stable, fundamental dispersion widens, and investors rotate toward stability.
Value tends to underperform when...	Markets favor high-growth or speculative assets, rates fall sharply, or momentum-driven rallies dominate index returns.
Value tends to have a volatility profile that is...	Often lower than the market. It may be more resilient in broad drawdowns but can lag in fast, risk-on rallies.

WHERE DOES VALUE COME FROM?

Value arises from structural and behavioral market inefficiencies:

- **Risk premia.** Cheap assets may be riskier, with less growth, profitability or stability, and investors require a premium to hold them (Fama and French, 1993).
- **Behavioral biases.** Investors tend to overreact to bad news, anchor on recent trends and avoid unloved assets, which leaves them mispriced (Lakonishok, Shleifer and Vishny, 1994).
- **Fundamental anchors.** Valuation gaps tend to close as profits and expectations normalize, pulling prices back toward long-term fundamentals.

WHAT MAKES MOTLEY FOOL VALUE DIFFERENT?

The index asks not just what is cheap but why. Its composite score blends three value ratios, each adjusted to reflect the most useful findings from research:

- **Adjusted Book-to-Price.** Book-to-price rebuilt with treatments for goodwill and fixed capital, and with estimates of research, brand and operating assets that accounting leaves off the balance sheet.
- **Gross Profits-to-Enterprise Value.** A top-line measure of earnings yield, which is closer to how analysts at The Motley Fool, LLC assess a business.
- **Total Shareholder Yield.** Dividends plus net buybacks and net debt repayment: the full incremental return of capital to shareholders.

In a nutshell

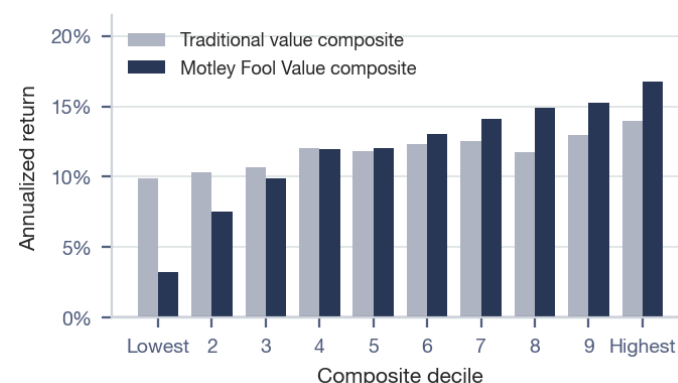
Motley Fool Value rebuilds the standard value ratios with accounting adjustments and research best practice. Across 373 month ends its highest decile returned **16.7%** a year against **3.2%** for its lowest, a spread of 13.5 points, where the traditional composite spread 4.0.

WHAT DO VALUE INVESTORS OFTEN GET WRONG?

Many value approaches have not modernized, which leaves them exposed to **value traps**:

- **Over-reliance on book fundamentals.** Standard ratios ignore intangibles, off-balance-sheet investment and spending that accounting rules expense rather than capitalize.
- **A narrow focus on dividends.** Dividend yield misses the other ways a company returns capital to shareholders.
- **Mispricing of growth.** Ratios built on current or retained earnings say little about a company's capacity to grow them.

TRADITIONAL VALUE AGAINST MOTLEY FOOL VALUE



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 2,786 stocks each) and held three months, shown as the average three-month return annualized. Traditional value is an equal weighted composite of book-to-price, earnings-to-price and dividends-to-price. Motley Fool Value 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 VALUE INDEX



The Motley Fool Value Index (total return) against the Russell 1000 Value TR and S&P 500 Value 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

Screen in value

Only companies with a positive adjusted book-to-price, a positive gross profits-to-enterprise value and a non-negative total shareholder yield go forward, so every candidate is cheap on all three measures.

STEP 3

Build the score

The three metrics are normalized across the screened universe and averaged into a single Value 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. Where fewer than 100 pass the screen, all of them are held.

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

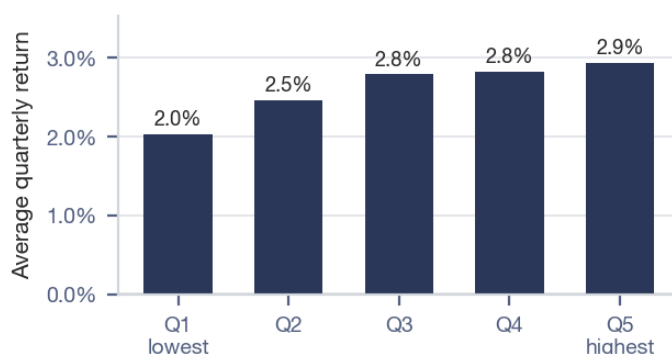
Index membership buffer ranked by Value Composite Score



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 **30%** without the buffer and **15%** with it. Figures before November 2025 are back-tested.

POWERED BY THE VALUE COMPOSITE SCORE



United States all-cap stocks (about 2,393 a quarter) sorted into quintiles on the production Value 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 **2.9%** 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 Value 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

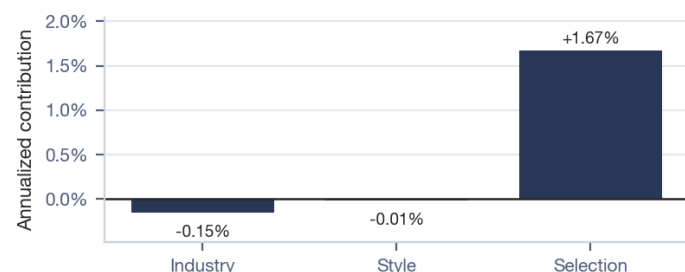
Open buy recommendations in **Stock Advisor** and **Rule Breakers**, flagship publications of The Motley Fool, LLC, dated and published to subscribers in real time for years before any index was calculated from them. The list is patient, so the universe changes slowly underneath the index.

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

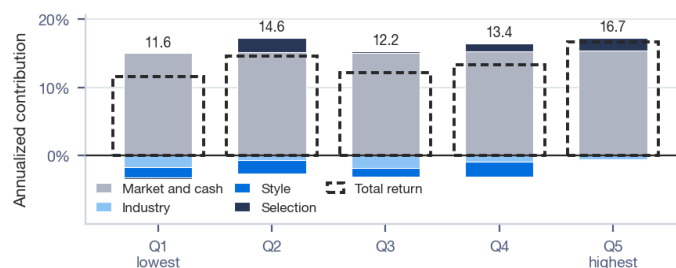
RECOMMENDATIONS ADD COMPANY SELECTION



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.

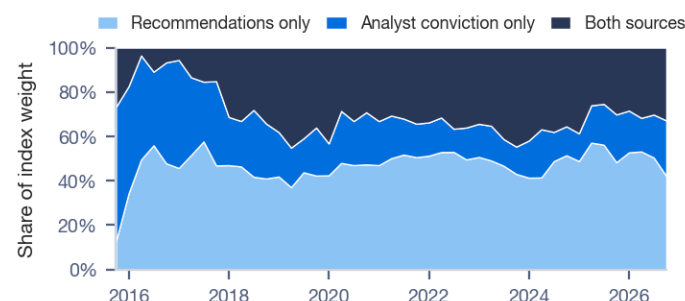
CONVICTION PAYS AT THE TOP



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 VALUE'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	24%	30%	33%
Analyst conviction only	18%	23%	25%
Recommendations only	58%	47%	42%

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 24% of the index's constituents and 30% of its weight. The analyst conviction source alone has supplied another 23% 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 Value 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 value tilt the score adds: it is what separates Motley Fool Value from a value 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 Value 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 Value TR	13.5%	17.5%	0.69	-31.3%	118	96
Russell 1000 Value TR	10.2%	17.0%	0.53	-38.3%	–	–
S&P 500 Value TR	10.4%	16.7%	0.55	-37.0%	96	99

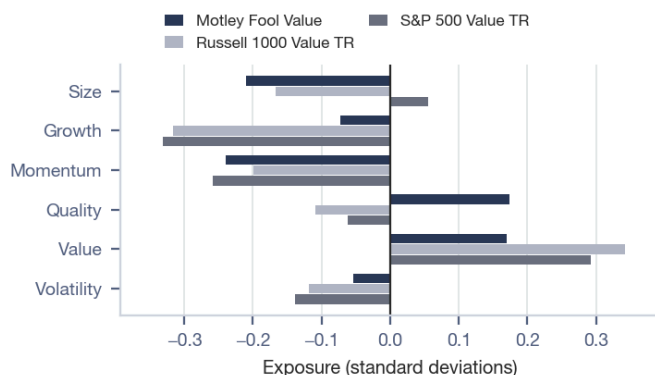
Total return, from the published index levels, January 2015 to 30 September 2026. Volatility and drawdown are measured on daily returns, and the Sharpe ratio is annualized excess return over the daily risk free rate divided by annualized volatility. Up and down capture are against the Russell 1000 Value 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 Value TR	4.9%	9.0%	20.0%	13.0%	14.7%	13.5%
Russell 1000 Value TR	19.3%	23.8%	20.1%	11.9%	11.4%	10.2%
S&P 500 Value TR	9.0%	12.5%	16.3%	11.7%	11.7%	10.4%

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 **13.5%** a year, against 10.2% for the Russell 1000 Value TR and 10.4% for the S&P 500 Value TR, with annualized volatility of 17.5% against 17.0% and 16.7%. It captured 118% of the Russell 1000 Value TR's gains in rising months and 96% of its losses in falling ones.

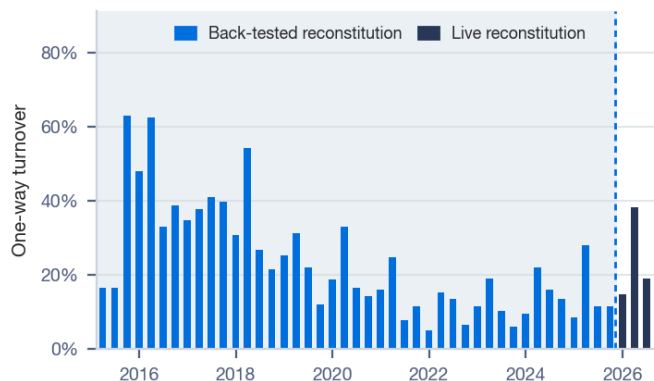
STYLE TILTS



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 IWD and IVE.

Across the history, the index's value exposure averaged +0.17, against +0.34 and +0.29 for the Russell 1000 Value TR and S&P 500 Value 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 23% across the history, ranging from 5% to 63% (in September 2015). 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 prices overreact in the short run relative to fundamentals, and converge back over time;
- that a patient, contrarian stance is rewarded when it is anchored to durable assets, operating profits and disciplined capital returns;
- that a fundamental value exposure is distinct from, and complementary to, growth, momentum and quality.

Where a low price comes with durable assets, strong operating profits and disciplined capital returns, the index is designed to hold it, weighted by size and by how cheap it is.

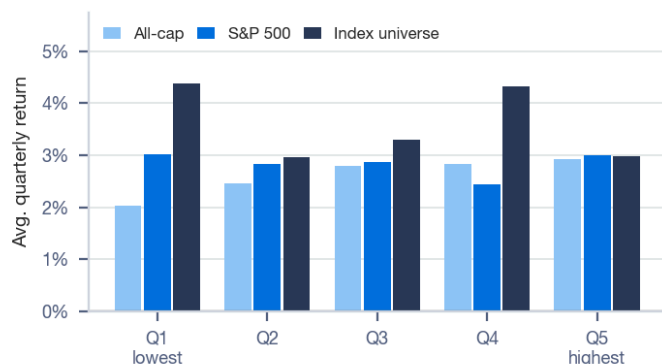
HOW EACH SCORE SORTS RETURNS

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 2,393 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).

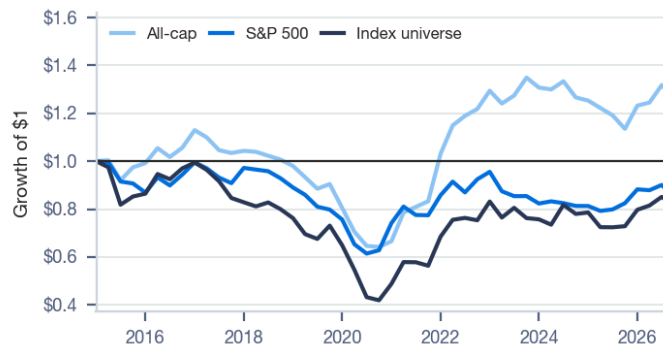
Value Composite Score

The Value Composite Score drives both membership and weight. It is an equal weighted blend of three sub-scores: **Adjusted Book-to-Price**, **Gross Profits-to-Enterprise Value** and **Total Shareholder Yield**. 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

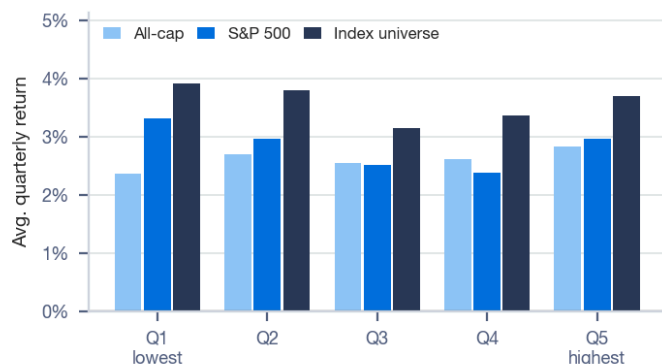


Adjusted Book-to-Price

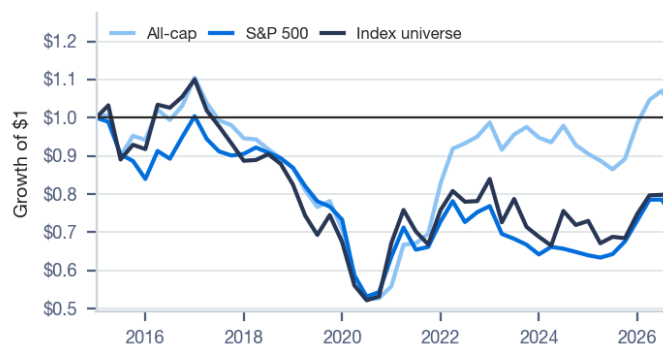
Book-to-price is the classic value metric, but conservative accounting and the shift toward intangible investment have made the out-of-the-box ratio a poor guide. The adjusted version incorporates adjustments proposed by academics and practitioners:

- **Start with book-to-price**, using the latest common book equity and market capitalization.
- **Reclassify asset accounts**. Accumulated depreciation is added back (Fairchild and O'Shaughnessy, 2018) and goodwill is excluded (Liu, Yin and Zheng, 2021).
- **Estimate off-balance-sheet intangibles**. Research and development, advertising and half of remaining operating expense are capitalized and amortized over five years (Fairchild and O'Shaughnessy, 2018; Ball et al., 2015).

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



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

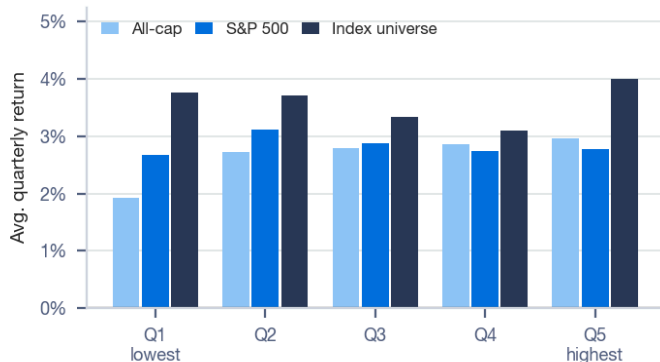


Hypothetical quintile and tercile portfolios, equal weighted, gross of all costs, taxes and fees, from Dec 2014 to Jun 2026, United States listed stocks only. They are analytical constructions used to show how each score behaves, not indices, and cannot be invested in. Returns outside -100% to +1,000%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

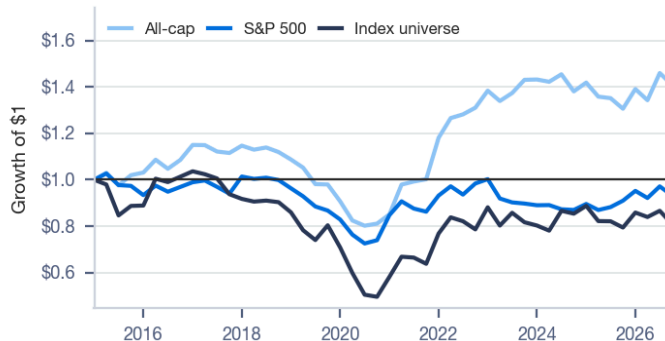
Gross Profits-to-Enterprise Value

Earnings-to-price suffers from the same accounting conservatism as book-to-price. Gross Profits-to-Enterprise Value moves to the top of the income statement (Ball et al., 2015) and divides gross profit by total enterprise value, market capitalization plus net debt, preferred stock and minority interest, so that it compares companies on their whole capital base across industries.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



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

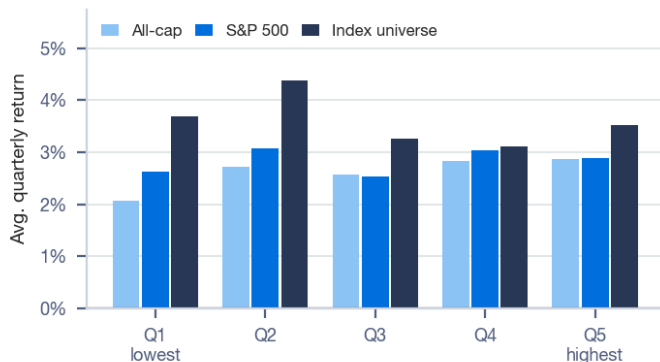


Total Shareholder Yield

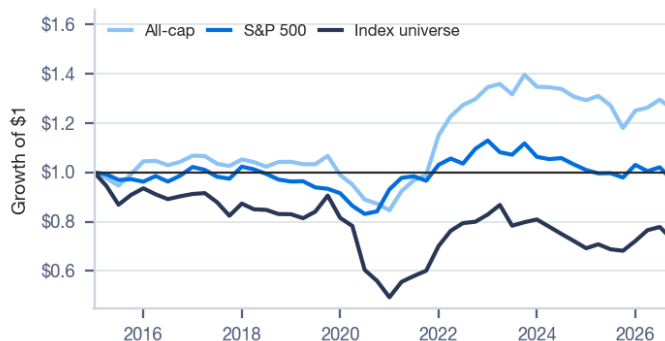
Dividend yield misses the other ways companies return capital. Buybacks have the same economic effect as dividends, and paying down debt frees future cash for shareholders. Total Shareholder Yield combines:

- **Dividend yield:** common dividends paid over the trailing year, over market capitalization.
- **Net buybacks:** repurchases less issuance of common and preferred stock.
- **Net debt repayment:** repayments less issuance of debt.

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 Value 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 8 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 Value TR and S&P 500 Value 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 Value Index (the "Index") was established by Motley Fool Investment Analytics, LLC and is a proprietary, rules-based index designed to track the performance of up to 100 United States companies from the research universe of The Motley Fool, LLC, ranked by a composite value 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 Value Index is a product of FTSE Russell, and the S&P 500 Value Index is a product 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 Value 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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