

THE NEXT EVOLUTION OF MULTIFACTOR INVESTING

Like other industries, the investment industry continues to evolve, incorporating new research and insights. Effective 6 February 2024, iShares World Equity Factor ETF (WDMF) has been enhanced, providing investors with a new, more efficient and tactical way to access the underlying drivers of equity market returns.

	Previous	New
Fund name	iShares Edge MSCI World Multifactor ETF	iShares World Equity Factor ETF
Benchmark index	MSCI World Diversified Multiple-Factor Index	STOXX Developed World Equity Factor Index

What are the changes?

The fund continues to provide exposure to a portfolio of global, developed market stocks with high exposure to the style factors that have historically been persistent drivers of equity market returns. The new index brings the following changes to investors:



Targeting an additional factor – Low volatility

The previous index is based on a four-factor model, which includes quality, value, momentum, and size factors, while the new index adds a fifth factor, low volatility.



A more tactical approach

In both the previous and new index, stocks are selected based on their overall exposure to the style factors. In the new index, the allocation to each factor is based on historic risk adjusted returns of the individual factor as well as volatility of the factor relative to the parent index. This means that certain factors are given greater weight in the stock selection process.



Enhance your core

The new index is constructed to provide high exposure to the factors whilst also limiting the historical deviation (tracking error) to the commonly referenced market cap weighted parent index. This reduced tracking error allows the Fund to be more easily integrated as a core investment in a portfolio whilst also seeking outperformance.



Lower Turnover

The new index has lower turnover compared to the previous index, which means that when rebalancing the Fund, there will be less trading leading to a lower likelihood of material capital gain distributions being made.*

*As per the index methodology.

How does the new index methodology compare to the previous one?

The below table summarises the key differences between the two indexes. For further information, you may refer to the methodology book for both the **previous** & **new** index.

	Previous	New
Parent index/ Investment universe	MSCI World Index (Global developed market stocks)	STOXX Developed World Equity Index (Global developed market stocks)
Targeted factors	Quality, Value, Momentum, Size	Quality, Value, Momentum, Size, Low Volatility
Stock factor score	All stocks in the eligible investment universe are given factor scores based on their exposure to each target factor (one score per target factor).	All stocks in the eligible investment universe are given factor scores based on their exposure to each target factor (one score per target factor).
Stock multifactor score	Each stocks factor scores are combined to determine a stock multifactor score. Each factor is given an equal weighting (25%) in determining the stock's multifactor score.	Each stocks factor scores are combined to determine a stock multifactor score. Each factor is weighted as follows in determining the stock's multifactor score: (i) Quality 36% (ii) Value 27% (iii) Momentum 27% (iv) Size 5% (v) Low volatility 5% <small>As of 8 January 2024.</small>
Index constraints	Following constraints are placed on index*: (i) Sector: +/- 5% from parent index (ii) Country: +/- 5% from parent index (iii) Turnover: 40% annually (iv) No specific tracking error target to parent index	Following constraints are placed on index*: (i) Sector: +/- 2% from parent index (iii) Country: +/- 5% from parent index (iii) Turnover: 20% annually (iv) Tracking error target to parent index: 1% annually
Weighting	Index with highest multifactor exposure attained whilst accounting for index constraints	Index with highest multifactor exposure attained whilst accounting for index constraints

MSCI World Diversified
Multiple-Factor Index

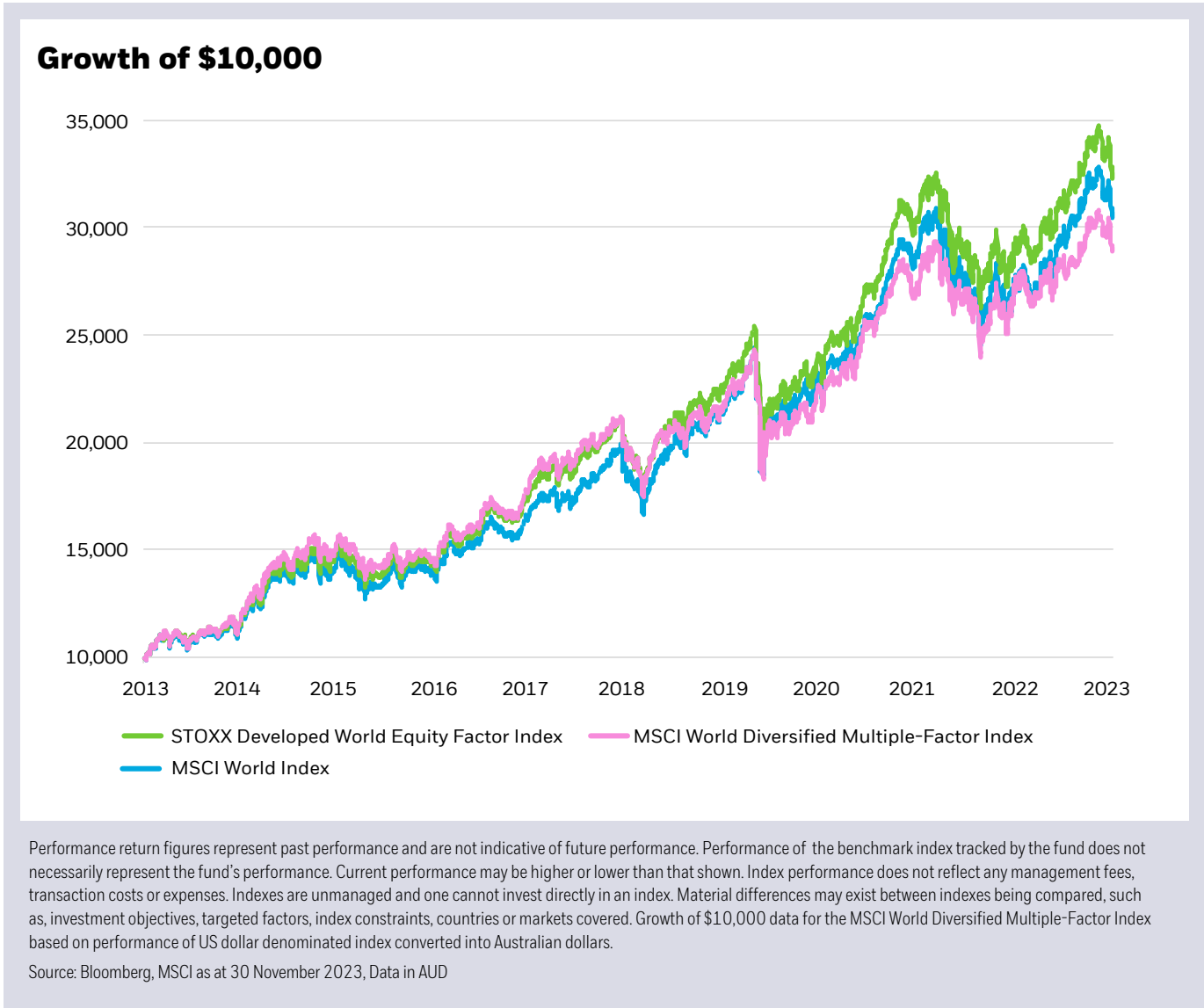
STOXX Developed World
Equity Factor Index

*For full list of constraints and detailed index methodology, refer to links on top of page.

How has the New Index performed?

The below table shows the historic performance of the new index against the previous index and the broad market as measured by the MSCI World Index as of 30 November 2023.

Performance	STOXX Developed World Equity Factor Index	MSCI World Diversified Multiple-Factor Index	MSCI World Index
1 Year (% p.a)	13.70	6.39	14.12
3 Year (% p.a)	11.51	9.45	10.87
5 Year (% p.a)	12.20	9.37	12.12
10 Year (% p.a)	12.42	10.66	11.84
10 Year cumulative return (%)	222.43	175.36	206.17



Want to know more?

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