

# Morningstar Factor Monitor: Q1 2026

Value continued to be the best-performing factor in the first quarter, while quality was the worst.

## Morningstar

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This is the latest installment of the Morningstar Quarterly Factor Monitor, which is designed to highlight factor performance trends. Factors are key drivers of stock returns. These are common security characteristics, like low valuations or small size, that can help explain why one group of stocks performs differently from another. Factors provide an effective lens through which to understand market performance.

This publication tracks the Morningstar Global Factor Indexes, providing insights into their performance drivers and notable facets of their portfolio composition. These indexes are designed to deliver strong, investable exposure to their target factors. They apply a consistent framework, each covering stocks representing 30% of their parent benchmarks by market value, and tilt weighting their constituents (from float market cap) to upweight those with the strongest factor characteristics. The appendix provides additional details on the index construction methodology.

### Key Takeaways

- ▶ Value was the best-performing factor globally in the first quarter of 2026, while quality was the weakest. Yield also had a strong quarter, ranking second. Momentum and low volatility remained in the bottom half of the rankings, though both still outperformed the parent benchmark on a market-relative basis.
- ▶ Factor performance rankings were not identical across regions and market segments. The US broadly mirrored the global pattern in large- and mid-cap stocks, but US small-cap momentum led by a wide margin. In developed markets ex-US, momentum and size were the weakest-performing single-factor indexes, while in emerging markets, low volatility was the weakest factor by a wide margin.
- ▶ Factor leadership remained highly cyclical. Momentum led the global rankings in 2024, value led in 2025 and again in the first quarter of 2026, and quality moved from a strong position in 2023 and 2024 to the bottom half of the rankings in 2025 before becoming the weakest factor in the first quarter of 2026.
- ▶ Because factors' market-relative returns have remained modestly correlated, they can be complementary in a portfolio. That low correlation can help diversify active risk and smooth returns when leadership rotates.
- ▶ Regardless of the market conditions, the Morningstar Global Factor Indexes are effective tools for monitoring factor trends.

## Performance (Q1 2026)

### Global

Value was the best-performing factor globally in the first quarter of 2026, while quality was the weakest. Yield also had a strong quarter and ranked second, while size and multifactor finished between the leaders and laggards. Momentum and low volatility remained in the bottom half of the rankings, although both still held up better than the parent benchmark, which declined 3.21% for the quarter.

The quarter extended some of the leadership patterns that emerged in late 2025 while also reinforcing how quickly factor leadership can rotate. Exhibit 10 shows that value finished 2025 at the top of the global leaderboard, followed by momentum and yield, and value again led in the first quarter of 2026. By contrast, quality had already slipped into the bottom half in 2025 after stronger showings in 2023 and 2024, and its weak first-quarter 2026 result continued that loss of relative standing. This pattern is consistent with the broader message of the report: Factor returns are cyclical, and short-horizon leadership can change quickly.

### Exhibit 1 Global Performance Summary

	Q1 2026		1 Year		5 Year		10 Year		Since Inception		
	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	SR
Morningstar Gbl Low Vol Ftr	-2.89	8.84	5.58	8.96	7.32	11.45	8.69	11.44	7.55	12.24	0.54
Morningstar Gbl Mtum Ftr	-2.57	26.75	30.58	17.45	12.67	17.50	14.91	16.77	9.01	18.34	0.49
Morningstar Gbl Qual Ftr	-3.57	17.09	21.72	13.36	9.11	16.70	11.87	15.45	9.46	16.32	0.55
Morningstar Gbl Size Ftr	-1.38	14.38	15.80	10.84	6.88	15.33	9.38	15.98	7.75	17.95	0.43
Morningstar Gbl Val Ftr	2.08	12.13	29.44	11.57	12.27	14.13	11.51	14.88	8.48	16.90	0.49
Morningstar Gbl Yld Ftr	1.19	12.03	22.91	9.97	13.77	13.34	13.27	14.45	9.93	16.33	0.58
Morningstar Global Multifactor	-0.13	14.17	19.06	10.44	11.61	13.19	11.61	12.81	9.68	13.83	0.64
Morningstar Global TME	-3.21	14.50	20.30	11.11	9.92	14.31	11.85	14.33	8.53	16.16	0.50

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**Exhibit 2** Global Risk Summary (Since Inception)

	<b>Tracking Error</b>	<b>Beta</b>	<b>Max Drawdown</b>	<b>Down Capture Ratio</b>	<b>Up Capture Ratio</b>
Morningstar Gbl Low Vol Ftr	6.85	0.70	-30.68	68.65	74.46
Morningstar Gbl Mtum Ftr	6.72	1.06	-53.92	107.41	106.99
Morningstar Gbl Qual Ftr	3.42	0.99	-41.50	97.18	101.37
Morningstar Gbl Size Ftr	3.73	1.09	-49.07	108.33	103.06
Morningstar Gbl Val Ftr	4.96	1.00	-47.38	99.45	99.43
Morningstar Gbl Yld Ftr	4.01	0.98	-45.44	93.72	100.59
Morningstar Global Multifactor	4.52	0.83	-36.90	81.11	90.80
Morningstar Global TME	0.00	1.00	-46.15	100.00	100.00

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

The Morningstar Global Value Factor Index's strong performance is driven primarily by stock selection within sectors rather than by broad sector positioning. The largest contributors included Verizon Communications, ConocoPhillips, Samsung Electronics, Merck, and an underweight position in Nvidia, while Microsoft, Qualcomm, Accenture, Bank of America, and JPMorgan Chase were among the largest detractors. That pattern is in line with the design<sup>1</sup> of the value index, which applies tighter sector constraints relative to the benchmark and is intended to capture intra-sector differences in factor exposure rather than making large sector bets.

At the other end of the spectrum, the Morningstar Global Quality Factor Index was the weakest-performing factor in the first quarter of 2026. Its largest contributors included Taiwan Semiconductor Manufacturing Company, ASML Holding, Comfort Systems USA, an underweight position in Apple, and an underweight position in Amazon.com. However, those gains were more than offset by detractors, including Microsoft, Alphabet Class A, Visa, Mastercard, and Nvidia.

<sup>1</sup> <https://indexes.morningstar.com/factors>

**Exhibit 3** Global Attribution

		Top Contributors			Top Detractors			Contr. To
		Active	3-Month			Active	3-Month	Active
		Weight	Returns	Effect	Name	Weight	Returns	Return
	Name							
Morningstar	Nvidia	-4.61	-6.48	0.31	Microsoft	3.52	-23.28	-0.91
Global Low	Apple	-4.18	-6.56	0.29	HDFC Bank	1.47	-30.06	-0.48
Volatility	Amazon.com	-2.34	-9.77	0.24	Tencent Holdings	1.07	-19.78	-0.22
Factor	Tesla	-1.27	-17.34	0.24	Reliance Industries	0.78	-18.91	-0.16
					Taiwan Semiconductor			
	ExxonMobil	0.59	41.95	0.21	Manufacturing Co	-1.45	11.95	-0.15
Morningstar	Microsoft	-3.44	-23.28	0.91	Palantir Technologies	3.22	-17.70	-0.69
Global	Micron Technology	2.18	18.43	0.33	Alphabet Class A	5.64	-8.06	-0.47
Momentum	SK Hynix	2.35	16.79	0.31	Robinhood Markets	0.97	-38.73	-0.46
Factor	Apple	-4.18	-6.56	0.29	Broadcom	3.17	-10.39	-0.36
	Western Digital	0.63	57.09	0.28	Nvidia	3.52	-6.48	-0.25
Morningstar	Taiwan Semiconductor				Microsoft	1.90	-23.28	-0.51
Global Quality	Manufacturing Company	4.12	11.95	0.45	Alphabet Class A	5.65	-8.06	-0.46
Factor	ASML Holding	2.71	19.32	0.45	Visa	2.62	-13.64	-0.39
	Comfort Systems USA	0.73	47.84	0.29	Mastercard	2.01	-12.34	-0.27
	Apple	-4.18	-6.56	0.29	Nvidia	3.53	-6.48	-0.24
	Amazon.com	-2.34	-9.77	0.24	ExxonMobil	-0.62	41.95	0.23
Morningstar	Microsoft	-3.44	-23.28	0.91	Taiwan Semiconductor			
Global Size					Manufacturing Co	-1.45	11.95	0.15
Factor	Nvidia	-4.61	-6.48	0.31	Samsung Electronics Co	-0.60	31.16	0.14
	Apple	-4.18	-6.56	0.29	Chevron	-0.34	37.09	0.11
	Amazon.com	-2.34	-9.77	0.24	Johnson & Johnson	-0.58	18.74	0.10
	Tesla	-1.27	-17.34	0.24	Microsoft	2.20	-23.28	-0.61
Morningstar	Verizon Communications	1.82	25.39	0.43	Qualcomm	1.18	-24.22	-0.33
Global Value	ConocoPhillips	0.92	42.08	0.37	Accenture Class A	1.03	-25.66	-0.30
Factor	Samsung Electronics	1.43	31.16	0.34	Bank of America	2.04	-10.85	-0.24
	Merck	2.12	15.12	0.31	JPMorgan Chase & Co	2.12	-8.30	-0.19
	Nvidia	-4.61	-6.48	0.31	Adobe	0.97	-30.55	-0.35
Morningstar	Microsoft	-3.44	-23.28	0.91	Qualcomm	0.89	-24.22	-0.24
Global Yield	Nvidia	-4.61	-6.48	0.31	Apple	3.33	-6.56	-0.23
Factor	ExxonMobil	0.67	41.95	0.26	UnitedHealth Group	1.10	-17.40	-0.21
	Chevron	0.72	37.09	0.24	Wells Fargo & Co	1.11	-14.17	-0.17
	Amazon.com	-2.34	-9.77	0.24				

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**US**

The US results broadly mirrored the global pattern, with value at the top of the all-cap rankings and quality at the bottom. In the large- and mid-cap segments, all six single-factor indexes outperformed the Morningstar US Target Market Exposure Index on a market-relative basis, though only value posted a positive absolute return for the quarter. Multifactor also held up relatively well, declining 0.41% versus a 4.67% drop for the parent benchmark.

**Exhibit 4** US Performance Summary

	Q1 2026		1 Year		5 Year		10 Year		Since Inception		
	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	SR
Morningstar US Low Vol Ftr	-1.05	10.31	0.68	8.30	8.08	12.65	9.98	12.65	9.72	12.25	0.71
Morningstar US Mtum Ftr	-2.70	32.39	25.64	15.68	13.67	19.02	16.95	18.10	11.90	18.58	0.63
Morningstar US Qual Ftr	-6.30	17.83	16.75	11.83	11.95	18.13	14.15	16.68	12.94	16.12	0.75
Morningstar US Size Ftr	-2.48	18.02	11.57	9.56	6.47	16.34	10.78	16.89	10.30	18.00	0.56
Morningstar US Val Ftr	1.92	15.50	22.71	10.80	10.77	15.61	11.51	16.47	10.34	17.07	0.58
Morningstar US Yld Ftr	-0.92	14.55	15.76	9.60	13.22	14.42	13.42	15.80	12.02	16.12	0.70
Morningstar US Multifactor	-0.41	15.47	15.91	8.90	12.62	14.28	13.15	13.97	12.22	13.79	0.81
Morningstar US TME	-4.67	17.09	17.53	10.40	11.54	15.43	14.11	15.24	11.70	15.70	0.70
Morningstar US Small Low Vol Ftr	2.16	14.03	6.08	10.77	6.00	14.70	8.25	14.46	10.04	14.15	0.65
Morningstar US Small Mtum Ftr	11.00	45.63	48.10	16.83	15.87	25.20	16.64	22.88	10.79	22.82	0.51
Morningstar US Small Quality Ftr	-0.31	19.36	13.74	9.72	6.56	18.54	11.63	17.40	10.70	17.29	0.60
Morningstar US Sml Cap Value Ftr	3.47	22.30	27.89	13.70	7.70	21.12	10.45	22.55	10.72	22.81	0.50
Morningstar US Small Yield Ftr	0.00	18.76	13.95	11.19	7.90	18.61	11.29	20.59	12.19	19.90	0.61
Morningstar US Small Cap Size Ftr	1.70	22.61	26.54	12.69	4.00	21.13	9.97	21.75	10.50	22.10	0.50
Morningstar US Small TME	1.71	22.74	22.91	11.34	5.75	19.19	10.75	19.45	10.13	19.69	0.52

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**Exhibit 5** US Risk Summary (Since Inception)

	Tracking Error	Beta	Max Drawdown	Down Capture Ratio	Up Capture Ratio
Morningstar US Low Vol Ftr	7.89	0.68	-28.62	65.35	72.21
Morningstar US Mtum Ftr	7.44	1.09	-50.93	107.94	105.59
Morningstar US Qual Ftr	4.28	0.99	-37.20	96.42	101.92
Morningstar US Size Ftr	5.27	1.10	-46.51	111.21	102.26
Morningstar US Val Ftr	6.68	1.00	-44.76	102.17	96.77
Morningstar US Yld Ftr	5.08	0.98	-42.02	92.40	96.37
Morningstar US Multifactor	4.70	0.84	-32.73	78.82	88.72
Morningstar US TME	0.00	1.00	-41.49	100.00	100.00
Morningstar US Small Low Vol Ftr	8.46	0.67	-32.47	62.98	73.33
Morningstar US Small Mtum Ftr	9.82	1.04	-54.37	104.76	105.38
Morningstar US Small Quality Ftr	4.97	0.85	-36.42	83.90	90.08
Morningstar US Sml Cap Size Ftr	6.01	1.12	-49.74	113.35	111.45
Morningstar US Small Value Ftr	4.63	0.98	-44.16	92.35	100.50
Morningstar US Small Yield Ftr	5.30	1.09	-46.23	112.56	110.21
Morningstar US Small TME	0.00	1.00	-45.80	100.00	100.00

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

The small-cap segment told a different story. Momentum led by a wide margin with an 11.00% return, followed by value at 3.47%, while low volatility and size finished close to the benchmark, and quality slightly lagged. That divergence across market segments reinforces a broader lesson from factor research: leadership can rotate not only through time, but also across parts of the market.<sup>2</sup>

The largest positive effects on the Morningstar US Value Factor Index's strong performance included an underweight position in Microsoft, along with overweight positions in ExxonMobil, Verizon Communications, and ConocoPhillips. An underweight position in Nvidia also contributed. Those gains were partly offset by detractors, including Qualcomm, Accenture, Bank of America, Adobe, and JPMorgan Chase.

At the other end of the spectrum, the Morningstar US Quality Factor Index was the weakest-performing factor in the large- and mid-cap segment in the first quarter of 2026. Its largest contributors included Comfort Systems USA, underweight positions in Apple, Amazon.com, and Tesla, and an overweight position in Texas Pacific Land. However, those gains were more than offset by detractors, including AppLovin, Visa, Microsoft, Mastercard, and Alphabet.

### **Developed Markets ex-US**

The value factor was the top performer in developed markets outside the US in the first quarter of 2026, while yield also posted a strong result and ranked second. Low volatility and multifactor both outperformed the parent benchmark as well, while momentum and size were the weakest-performing single-factor indexes for the quarter. The Morningstar Developed Markets ex-US TME Index declined 0.68%, so value and yield both delivered positive absolute and relative returns.

The quarter highlighted the dispersion in factor outcomes within the region, with valuation-oriented and defensive exposures holding up better than momentum and size. That mix differed somewhat from the broader global pattern, where quality was the weakest factor, underscoring that regional market structure can shape factor performance differently, even within the same quarter.

The Morningstar Developed Markets ex-US Value Factor Index's strong performance was supported by several favorable stock-specific positions. The largest contributors included overweight positions in Engie and Repsol, along with underweight positions in SAP and LVMH, while Nokia also contributed positively. Those gains were partly offset by detractors, including an underweight position in ASML Holding and overweight positions in Stellantis, Banca Monte dei Paschi di Siena, and Mercedes-Benz Group, as well as an underweight position in Shell.

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<sup>2</sup> Morningstar research has emphasized that factor leadership is changeable and difficult to time, with different factors rising to the top in different periods. See "Paying Attention to Investment Factors? You Should Be" and "Factor Surprise in '25."

**Exhibit 6** Developed Markets ex-US Performance Summary

	Q1 2026		1 Year		5 Year		10 Year		Since Inception		
	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	SR
Morningstar DM xUS Low Vol Ftr GR USD	2.35	13.97	22.56	12.89	10.09	12.72	8.86	12.20	6.67	13.45	0.45
Morningstar DM xUS Mtum Ftr GR USD	-2.61	29.18	30.02	19.68	10.89	17.18	10.22	16.01	5.67	18.28	0.32
Morningstar DM xUS Qual Ftr GR USD	-1.01	21.23	17.60	16.37	5.35	17.91	9.09	15.86	6.08	17.54	0.35
Morningstar DM xUS Size Ftr GR USD	-2.35	17.25	21.79	14.33	6.91	15.85	8.25	16.02	5.88	18.42	0.33
Morningstar DM xUS Val Ftr GR USD	3.44	17.85	38.57	13.71	14.54	15.45	11.03	16.57	6.69	18.84	0.37
Morningstar DM xUS Yld Ftr GR USD	3.15	15.92	34.05	11.76	14.70	14.34	12.57	15.01	7.88	17.97	0.44
Morningstar DM xUS Multifactor GR USD	1.70	18.41	23.89	13.00	10.75	13.83	10.04	13.31	7.54	15.16	0.47
Morningstar DM xUS TME GR USD	-0.68	18.06	23.85	14.30	9.01	15.15	9.34	14.91	5.61	17.30	0.32

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**Exhibit 7** Developed Markets ex-US Risk Summary (Since Inception)

	Tracking Error	Beta	Max Drawdown	Down Capture Ratio	Up Capture Ratio
Morningstar DM xUS Low Vol Ftr	6.79	0.72	-32.11	71.08	80.41
Morningstar DM xUS Mtum Ftr	6.60	0.99	-52.26	97.64	98.29
Morningstar DM xUS Qual Ftr	4.38	0.98	-46.02	97.45	99.67
Morningstar DM xUS Size Ftr	2.89	1.05	-49.83	102.61	103.16
Morningstar DM xUS Val Ftr	4.86	1.05	-45.20	105.07	108.18
Morningstar DM xUS Yld Ftr	3.59	1.02	-49.58	95.70	104.84
Morningstar DM xUS Multifactor	4.18	0.85	-39.37	81.70	92.17
Morningstar DM xUS TME	0.00	1.00	-48.51	100.00	100.00

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

Momentum, by contrast, struggled despite a handful of strong contributors. The largest positive effects came from overweight positions in Fujikura, Siemens Energy, Agnico Eagle Mines, and ASML Holding, as well as an underweight position in SAP. However, those gains were more than offset by detractors, including overweight positions in SoftBank Group, Deutsche Bank, Rheinmetall, Shopify, and Banco Santander. The attribution pattern suggests that the weakness in DM ex-US momentum was driven less by a lack of winners and more by the magnitude of losses among several of the index's larger active positions.

**Emerging Markets**

Value led in emerging markets in the first quarter of 2026, followed by yield, while low volatility was the weakest-performing factor by a wide margin. Momentum and multifactor also outperformed the parent benchmark, which declined 0.49% for the quarter.

The Morningstar Emerging Markets Value Factor Index benefited from overweight positions in Samsung Electronics, Hyundai Motor, and Vale, as well as underweights in Tencent Holdings and HDFC Bank. Those gains were partly offset by detractors, including underweights in Taiwan Semiconductor Manufacturing Co., SK Hynix, and Delta Electronics, and overweights in Ping An Insurance and Hon Hai Precision Industry.

The Morningstar Emerging Markets Low Volatility Factor Index, by contrast, was hurt by underweights in Taiwan Semiconductor Manufacturing Co. and Samsung Electronics and overweightings in HDFC Bank, ICICI Bank, and Tata Consultancy Services. Positive effects from underweightings in Tencent Holdings, Alibaba Group, and Hon Hai Precision Industry, and overweightings in Bank of China and Malaysian Banking were not enough to offset those losses.

### Exhibit 8 Emerging Markets Performance Summary

	Q1 2026		1 Year		5 Year		10 Year		Since Inception		
	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	Rtn	Std Dev	SR
Morningstar EM Low Vol Ftr GR USD	-8.20	14.56	2.23	10.71	5.61	11.29	7.95	11.89	6.04	14.99	0.37
Morningstar EM Mtum Ftr GR USD	2.62	44.73	41.15	28.31	5.60	18.97	11.05	18.53	5.14	22.00	0.28
Morningstar EM Qual Ftr GR USD	-1.56	29.03	28.71	20.71	7.58	20.70	8.80	18.03	5.54	21.11	0.30
Morningstar EM Size Ftr GR USD	-1.42	24.91	28.26	17.70	6.04	15.74	7.41	16.84	4.81	20.86	0.26
Morningstar EM Val Ftr GR USD	5.60	30.95	47.13	23.20	12.21	17.47	11.73	17.91	6.99	21.55	0.36
Morningstar EM Yld Ftr GR USD	3.62	24.84	27.59	16.46	11.16	15.12	10.55	15.40	6.55	19.11	0.36
Morningstar EM Multifactor GR USD	1.78	26.21	30.04	17.98	8.07	14.42	9.36	14.51	6.97	18.05	0.39
Morningstar EM TME GR USD	-0.49	28.15	28.54	19.45	4.33	16.47	8.51	16.35	4.72	20.30	0.26

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

### Exhibit 9 Emerging Markets Risk Summary (Since Inception)

	Tracking Error	Beta	Max Drawdown	Down Capture Ratio	Up Capture Ratio
Morningstar EM Low Vol Ftr	8.30	0.69	-41.20	60.43	70.47
Morningstar EM Mtum Ftr	8.04	1.01	-58.53	101.87	103.08
Morningstar EM Qual Ftr	12.96	0.84	-46.25	85.82	90.50
Morningstar EM Size Ftr	4.51	1.00	-51.16	96.48	97.23
Morningstar EM Val Ftr	5.69	1.02	-51.17	97.06	105.21
Morningstar EM Yld Ftr	4.78	0.91	-47.43	86.32	94.36
Morningstar EM Multifactor	4.87	0.87	-47.88	80.16	90.46
Morningstar EM TME	0.00	1.00	-53.11	100.00	100.00

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**Performance Cyclical**

Exhibit 10 illustrates that factor leadership has remained highly cyclical. Momentum ranked at the top of the global factor leaderboard in 2024, while value led in 2025 and again in the first quarter of 2026. Quality also moved from a strong position in 2023 and 2024 to the bottom half of the rankings in 2025, and it was the weakest factor in the first quarter of 2026. These shifts underscore how quickly relative factor performance can change and why short-horizon factor timing is difficult.

The silver lining is that factors' market-relative returns have remained only modestly correlated with one another, as Exhibit 11 shows. That low correlation means factors can be complementary in a portfolio, helping diversify active risk and smooth the path of returns when leadership rotates.

**Exhibit 10** Global Quilt Chart

2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Q1 2026
Value Factor 15.9	Momentum Factor 34.8	Low Volatility Factor -4.5	Quality Factor 30.0	Momentum Factor 37.5	Yield Factor 22.2	Value Factor -5.1	Quality Factor 31.2	Momentum Factor 32.8	Value Factor 32.6	Value Factor 2.1
Yield Factor 14.4	Quality Factor 29.8	Momentum Factor -6.4	Momentum Factor 27.4	Quality Factor 23.9	Multifactor 22.1	Yield Factor -6.6	Yield Factor 24.0	Quality Factor 22.6	Momentum Factor 31.0	Yield Factor W1.2
Size Factor 9.8	Multifactor 26.4	Multifactor -8.4	Global TME 27.1	Global TME 16.4	Value Factor 20.0	Low Volatility Factor -9.1	Global TME 22.7	Multifactor 21.4	Yield Factor 28.1	Multifactor -0.1
Low Volatility Factor 8.7	Global TME 24.5	Yield Factor -8.5	Size Factor 26.0	Multifactor 11.7	Size Factor 19.4	Multifactor -13.3	Value Factor 18.1	Global TME 17.7	Global TME 22.7	Size Factor -1.4
Global TME 8.6	Size Factor 22.7	Global TME -8.7	Yield Factor 25.3	Size Factor 10.7	Global TME 19.1	Size Factor -15.0	Size Factor 16.3	Yield Factor 14.4	Multifactor 21.2	Momentum Factor -2.6
Multifactor 5.7	Low Volatility Factor 21.4	Value Factor -9.1	Multifactor 23.1	Low Volatility Factor 5.9	Quality Factor 18.3	Global TME -17.6	Multifactor 16.0	Low Volatility Factor 12.2	Quality Factor 20.0	Low Volatility Factor -2.9
Quality Factor 4.4	Yield Factor 21.3	Quality Factor -10.6	Low Volatility Factor 20.9	Yield Factor 5.8	Low Volatility Factor 18.2	Momentum Factor -18.9	Momentum Factor 11.6	Value Factor 10.4	Size Factor 16.9	Global TME -3.2
Momentum Factor 1.2	Value Factor 19.2	Size Factor -11.7	Value Factor 20.7	Value Factor 0.7	Momentum Factor 16.0	Quality Factor -27.4	Low Volatility Factor 10.3	Size Factor 10.4	Low Volatility Factor 14.7	Quality Factor -3.6

Source: Morningstar Indexes. Performance shown in GR USD. Data as of March 31, 2026.

**Exhibit 11** Global Excess Return Correlation Matrix (10-yr)

1 Morningstar Gbl Low Vol Ftr	1.00							
2 Morningstar Gbl Mtum Ftr	-0.23	1.00						
3 Morningstar Gbl Qual Ftr	-0.50	0.19	1.00					
4 Morningstar Gbl Size Ftr	0.26	-0.17	-0.37	1.00				
5 Morningstar Gbl Val Ftr	0.48	-0.34	-0.60	0.51	1.00			
6 Morningstar Gbl Yld Ftr	0.66	-0.46	-0.55	0.53	0.89	1.00		
7 Morningstar Global Multifactor	0.73	0.22	-0.24	0.06	0.31	0.39	1.00	

Source: Morningstar Indexes. Excess return against Morningstar Global Target Market Exposure. Data as of March 31, 2026.

## Long-Term Performance

A long investment horizon can reduce timing risk, but it does not eliminate the risk of underperformance. Globally, through March 31, 2026, three single-factor indexes—momentum, quality, and yield—outperformed the Morningstar Global TME Index since inception, while low volatility, size, and value lagged their parent benchmark.

Value's long-term record still looks mixed, particularly in the US. Despite its strong quarter, the Morningstar US Value Factor Index continues to trail the Morningstar US TME Index since inception, and the gap remains wider over the trailing 10-year period. By contrast, the Morningstar Global Value Factor Index has been much closer to its parent benchmark over its full history, even though it still ranks in the lower half of the global single-factor lineup.

Yield has held up better over the long run. It remains the best-performing global single-factor index since inception and leads in developed markets ex-US and among US small caps. In emerging markets, value ranks first, and yield remains close behind. Although yield is highly correlated with value, it has historically delivered somewhat different portfolio and performance characteristics, reflecting its emphasis on shareholder distributions rather than valuation alone.

Low volatility's long-term profile is a reminder that raw returns and risk-adjusted outcomes are not the same. The factor has generally delivered lower beta and lower down-capture than the market across regions, even when it has not led the return rankings. In emerging markets, low volatility remains one of the stronger since-inception performers, but its main long-term appeal is the smoother ride it has historically provided rather than consistently leading on absolute return.

## Portfolio Highlights

### March Rebalance

The Morningstar Global Factor Indexes are reconstituted semiannually in June and December and rebalanced quarterly. As such, there tend to be bigger changes in the second and fourth quarters than in the first and third. There were no new constituents added to any of the factor indexes covered in this report at the March rebalance.

### Sectors

The Morningstar Global Factor Indexes anchor their regional and sector weightings to those of their parent benchmarks. The slower-moving, fundamental factor indexes—value, quality, size, and yield—apply tighter sector and regional constraints and measure factor exposures on a sector-relative basis within each region to determine eligibility. This process is intended to mitigate unintended biases that might creep into the indexes and facilitate greater comparability. Consequently, these indexes tend to maintain similar sector exposures to their benchmarks.

The faster-moving, price-driven low-volatility and momentum factor indexes apply looser regional and sector constraints. These indexes also measure factor exposures on a regional-relative basis without

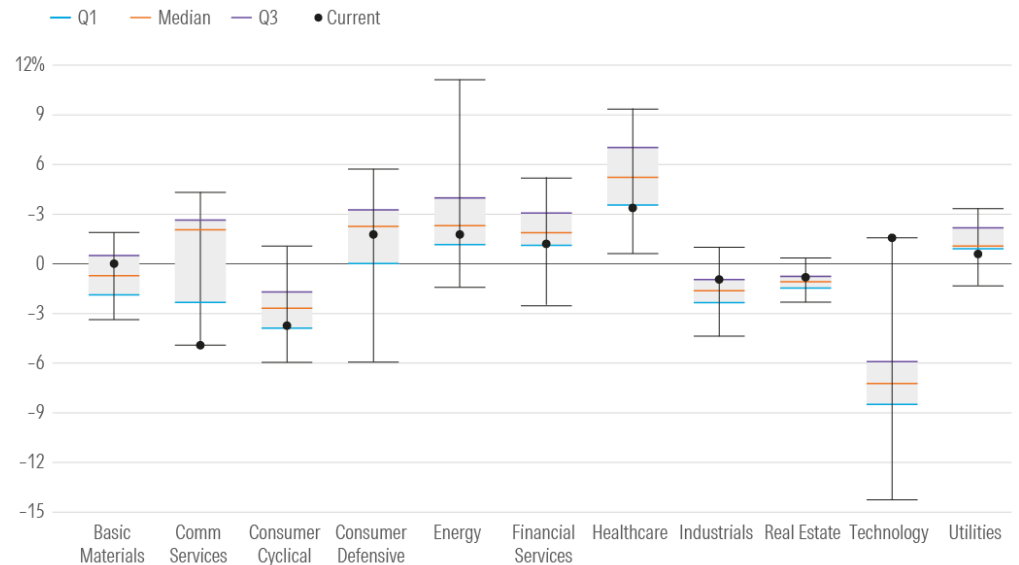
adjusting for sector membership. This approach is appropriate because these price-driven factors are generally more comparable across sectors than the fundamental factors.

Not surprisingly, the Morningstar low-volatility factor indexes tend to overweight more defensive sectors, such as utilities, healthcare, and consumer defensive, while underweighting technology, consumer cyclicals, and industrials.

Some of the low-volatility factor's sector tilts also change over time. For example, financial-services stocks are currently more heavily represented in the Morningstar Global Low Volatility Factor Index than they are in the benchmark. But during the 2008-09 global financial crisis, this sector was one of the more volatile areas of the market and was underweight in the index.

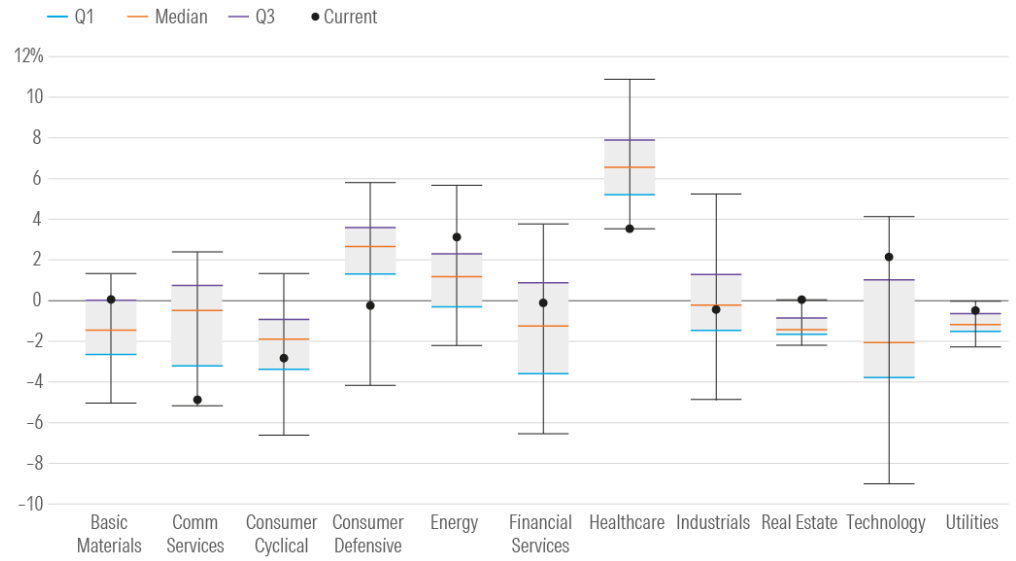
The Morningstar Global Momentum Factor Index is currently overweight in the technology sector, reflecting artificial intelligence-driven sentiment. The index is underweight in the defensive sectors, including healthcare, consumer defensive, and energy.

**Exhibit 12** Value Factor Active Sector Weights



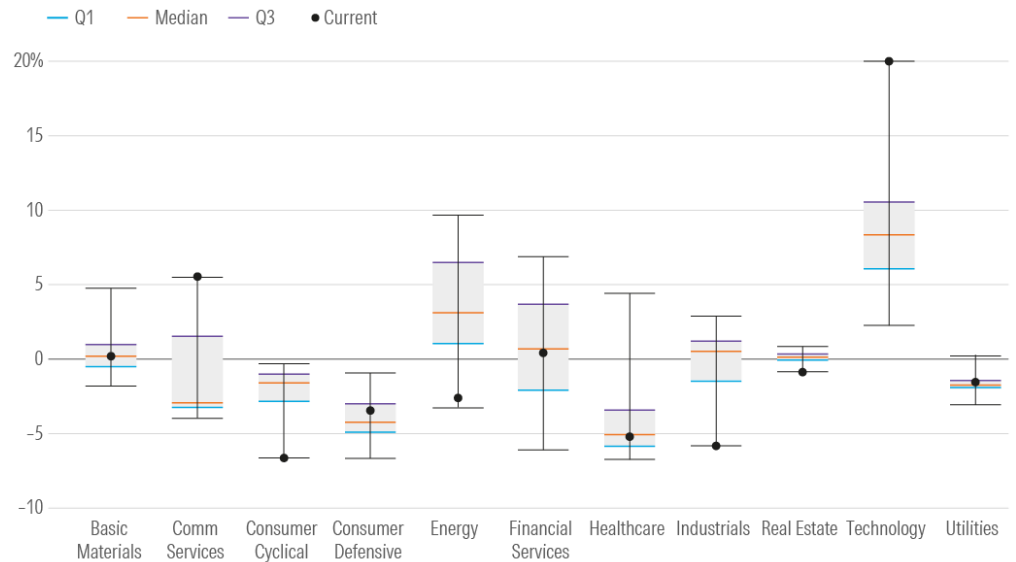
Source: Morningstar Indexes. Data as of March 31, 2026.

**Exhibit 13** Yield Factor Active Sector Weights



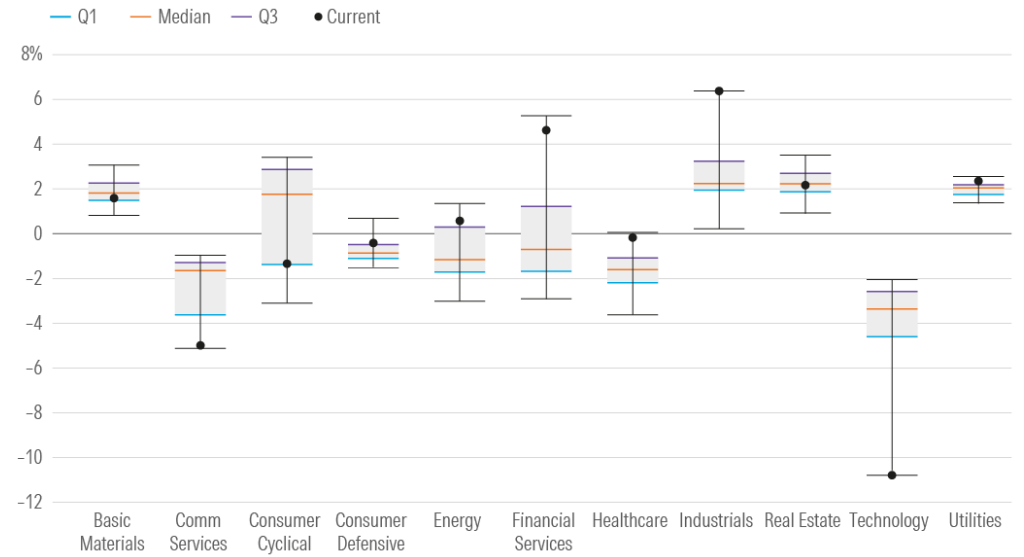
Source: Morningstar Indexes. Data as of March 31, 2026.

**Exhibit 14** Quality Factor Active Sector Weights



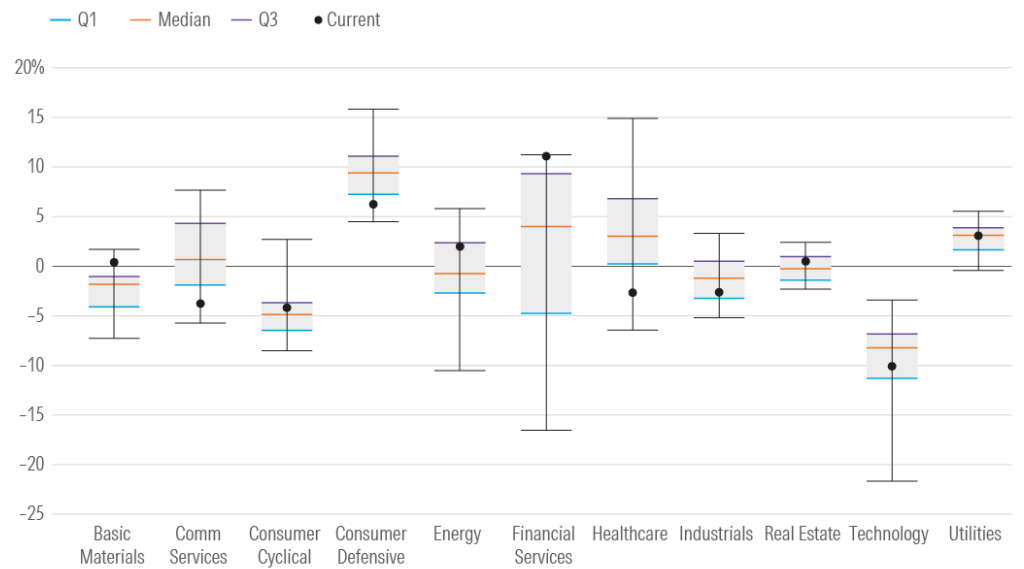
Source: Morningstar Indexes. Data as of March 31, 2026.

**Exhibit 15** Size Factor Active Sector Weights



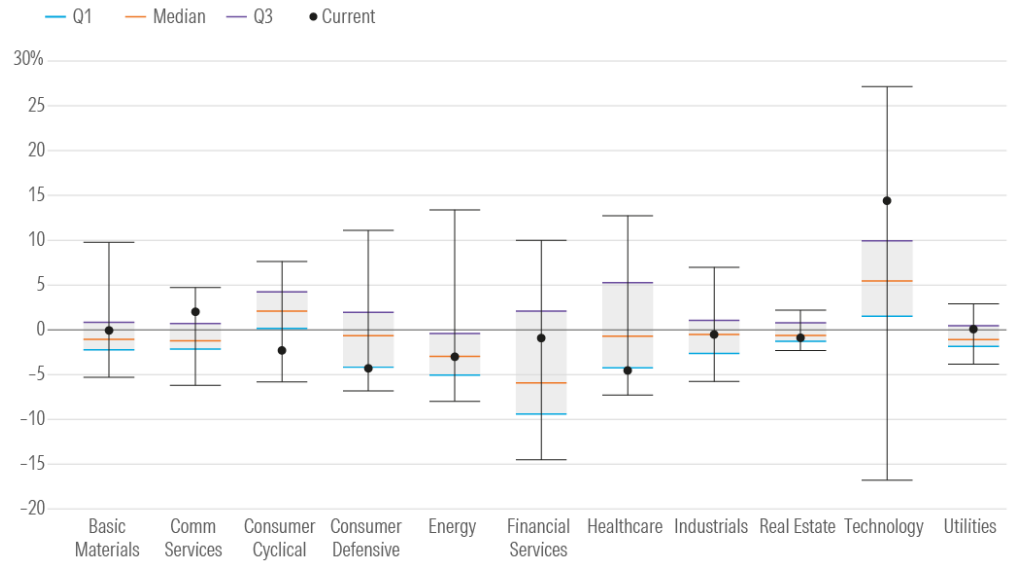
Source: Morningstar Indexes. Data as of March 31, 2026.

**Exhibit 16** Low Volatility Factor Active Sector Weights



Source: Morningstar Indexes. Data as of March 31, 2026.

**Exhibit 17** Momentum Factor Active Sector Weights



Source: Morningstar Indexes. Data as of March 31, 2026.

**Factors Drive Performance**

Factor leadership is volatile, but factors are key return drivers that can help explain variations in performance across the market, and as such, factor performance is crucial to understand.

Regardless of the market conditions, the Morningstar Global Factor Indexes are effective tools for monitoring factor trends. These indexes are designed to provide efficient, investable exposure to industry-standard factors with a consistent framework. They can facilitate precise performance benchmarking and efficient asset allocation. For more information, visit

<https://indexes.morningstar.com/factors>. 

## Appendix

### Factor Definitions

*Low Volatility:* This factor is the weighted average of idiosyncratic volatility over the past six months (50%), total volatility over the past six months (25%), and MAX5/lottery factor (25%), which is based on the highest five-day returns over the past month where lower values are favored. This composite provides a more complete view of risk than a security's total volatility alone.

Stocks with low past volatility tended to offer better risk-adjusted performance than those with high volatility. Unlike many of the other factors, there isn't a clear risk-based explanation for this effect. The anomaly is typically explained through investor behavior, given leverage and tracking error constraints. Professional investors who are overly focused on returns and unable to leverage their portfolios might crowd into volatile stocks, which have greater upside potential than their more staid counterparts. Retail investors looking for lotterylike upside might do the same. As a result, not only are low-volatility stocks more resilient during "risk-off" market environments, but they may also be priced to offer a more favorable risk/reward trade-off over the long term.

*Momentum:* This factor is measured as the trailing 12-month total return (in local currency), excluding the most recent month, minus the local risk-free rate. This definition aligns with the momentum factor as defined by the academic literature.

Momentum describes short-term performance persistence. Momentum strategies target stocks with strong recent returns, based on the premise that they are likely to continue to outperform. Prices may adjust more slowly than they should to new information, as investors often initially underreact. This alone can cause performance to persist. Once a trend is established, more investors may continue to buy, further fueling price momentum.

*Quality:* This is measured as the equally weighted z-score of a company's profitability (trailing 12-month return on assets) and the z-score of its financial leverage (trailing 12-month debt/invested capital).

The shares of companies with strong profitability and balance sheets performed better historically than less profitable and more highly indebted counterparts. They tended to hold up better than the market during downturns, which intuitively wouldn't lead to an expectation of higher returns. However, investors may have historically underestimated the long-term durability of these firms' strong cash flows, leading to an impressive long-term track record of risk-adjusted returns.

*Value:* This factor's definition aligns with the Morningstar Style Box methodology, which incorporates historical and forward-looking value and growth metrics. The actual factor is value-growth, where the value inputs include price/earnings (50.0%), price/book (12.5%), price/cash flow (12.5%), price/sales (12.5%), and dividend yield (12.5%).

The value factor targets stocks trading at low multiples on fundamental measures like earnings, book value, cash flow, sales, and dividends. Value investing is backed by strong economic rationale and empirical evidence. Lower valuations should reflect higher expected returns, either as compensation for risk or because investors may be overly pessimistic about these stocks' prospects.

## Index Construction

### Single-Factor Indexes

The Morningstar Global Factor Indexes are from a corresponding standard parent benchmark from the Morningstar Target Market Exposure Index family, which represents the top 85% of equity market capitalization in its segment. The focus on large- and mid-cap stocks facilitates high-investment capacity. To be eligible for inclusion, each stock must have valid factor exposure scores.

Within each parent index, constituents are ranked by their factor exposure. All factors are measured relative to each broad region. The quality, size, value, and yield factor exposures are also measured on a sector-relative basis. This improves comparability and mitigates persistent sector biases. For low volatility and momentum, no sector relative adjustments are made, as these price-driven signals tend to be more comparable across sectors. The highest ranking 30% of the parent index's float-adjusted market capitalization is targeted for inclusion in each index. Focusing on a percentage of the parent index as opposed to a fixed number of securities ensures that a consistent portion of the market is represented. Constituents are weighted by the product of their float-adjusted market capitalization and strength of their factor exposure, subject to constraints to limit unintended risk. The indexes are reconstituted and rebalanced semiannually.

For further details, please reference the [Construction Rules for the Morningstar Global Factor Indexes](#).

### Multifactor Indexes

The Morningstar Global Multifactor Indexes use optimization to target low volatility, momentum, quality, and value. As a part of this optimization framework, the indexes aim to maximize portfolio-level factor characteristics under constraints to limit unintended risk and transaction costs while offering significant liquidity.

Morningstar Indexes offers multifactor indexes derived from various broad regional parent indexes, and the construction rules that follow are applied similarly for each variant.

Each multifactor index is derived from its corresponding standard parent benchmark from the Morningstar Target Market Exposure Indexes, representing the top 85% of equity market capitalization in its segment. The focus on large- and mid-cap stocks facilitates high-investment capacity.

The portfolios are long-only and enforce a minimum nonzero weight of 1 basis point (0.01%) to avoid economically insignificant allocations. To limit unintended active risk against the parent index, sector, and country constraints are enforced. This allows a bit of flexibility for the optimizer to over- and underweight securities relative to the parent indexes while limiting the deviations to mitigate unintended biases. Turnover is also controlled to mitigate transaction costs.

For further details, please reference the [Construction Rules for the Morningstar Global Multifactor Indexes](#).

### **About Morningstar Indexes**

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

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