



The Motley Fool Momentum Index

Momentum investing with a Foolish twist.

What is momentum investing?

Momentum is the tendency of **winning assets to continue winning**—and losing assets to keep losing—over short to intermediate time horizons. In simple terms, it is the observation that price trends, once established, tend to persist.

Momentum is one of the most robust “anomalies” in financial markets, and has been documented over centuries across asset classes, geographies.

What's the personality of a momentum strategy?

Momentum tends to outperform when...	Market trends are persistent, leadership is concentrated, volatility is moderate, and return dispersion is high.
Momentum tends to underperform when...	Markets experience sharp reversals, factor rotations, or sudden regime shifts (e.g., macro shocks, rapid rate changes).
Momentum has a volatility profile that is...	Generally higher than the market; high-volatility drawdowns around trend breaks, stabilizing during sustained trends.

Where does momentum come from?

Momentum arises from structural and behavioral market inefficiencies. Some of the most commonly cited drivers include:

- **Investor underreaction** to new information, leading to delayed price adjustment (Jegadeesh & Titman, 1993).
- **Herding, inflows and career risk**, where managers chase recent winners to avoid underperformance (Asness, Frazzini, & Pedersen, 2014).
- **Liquidity-driven flows** and **slow-moving capital**, reinforcing existing trends (Moskowitz, Ooi, & Pedersen, 2012).
- **Cross-asset and factor reinforcement**, where assets exhibit momentum across markets and factors (Gupta and Kelly, 2019).

What do momentum investors often get wrong?

Many fund managers treat momentum as a blunt tool, leaving them unnecessarily exposed to strategies that are prone to:

- **Chasing price only, ignoring systematic drivers:** Investors often rely purely on past returns, ignoring liquidity effects and common factor drivers to pursue short-lived signals.
- **Crowding into the same stocks:** Investors often follow the same price screens, leading to crowded, unstable positions.
- **Failing to rebalance smartly:** Traditional Momentum investing requires high turnover signals with faster rebalancing speeds.
- **Missing the risk context:** Momentum without guardrails amplifies drawdowns.

What makes Motley Fool Momentum better?

We power our momentum strategy with three proprietary scores, designed to harness and sustain momentum effects within our universe of The Motley Fool, LLC's stock recommendations:

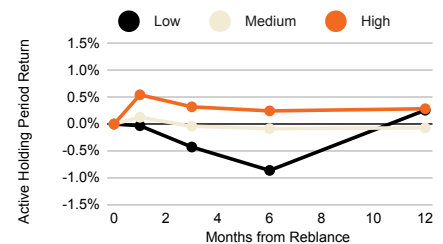
- **Relative Strength** for a diversified structural backbone, comparable to existing momentum factors currently employed by the investing industry.
- **Factor Momentum** for stronger persistence, broader “frog-in-pan” characteristics, and fewer liquidity-driven idiosyncratic bets.
- **Adjusted Price-to-Low** for identifying “risk-on” momentum stocks with measurable upside potential based on longer-term price fluctuations.

Index Foolishly.

At The Motley Fool, we believe in the power of “letting your winners run.”

The Motley Fool Momentum Index embraces this mantra with a modernized Momentum strategy that doesn't sacrifice bottom-up stock picking.

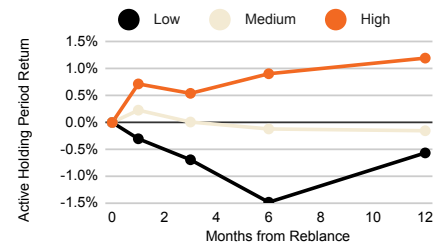
Traditional “12-1” Momentum



Source: S&P Capital IQ; All-cap U.S. investable securities, 1995-2025, sorted monthly into terciles. For illustrative purposes only.

“12-1” Momentum is calculated as the cumulative return from 12 months ago to 1 month ago, excluding the most recent month.

Motley Fool Momentum



Source: S&P Capital IQ; All-cap U.S. investable securities, 1995-2025, sorted monthly into terciles. For illustrative purposes only.

Motley Fool Momentum is an equal-weighted composite of Relative Strength, Factor Momentum and Adjusted Price-to-Low.

In a nutshell...

Motley Fool Momentum doesn't just follow trends - it applies sophisticated modeling techniques to *target structural Momentum drivers and filter out noise*.



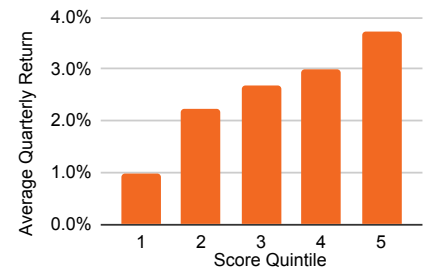
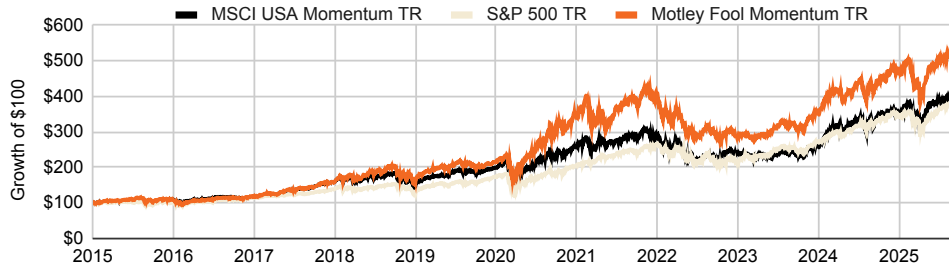
Learn more about Motley Fool Indices at vettafi.com/indexing/family/motley-fool

Specifications & Methodology

Meet the Motley Fool Momentum Index.

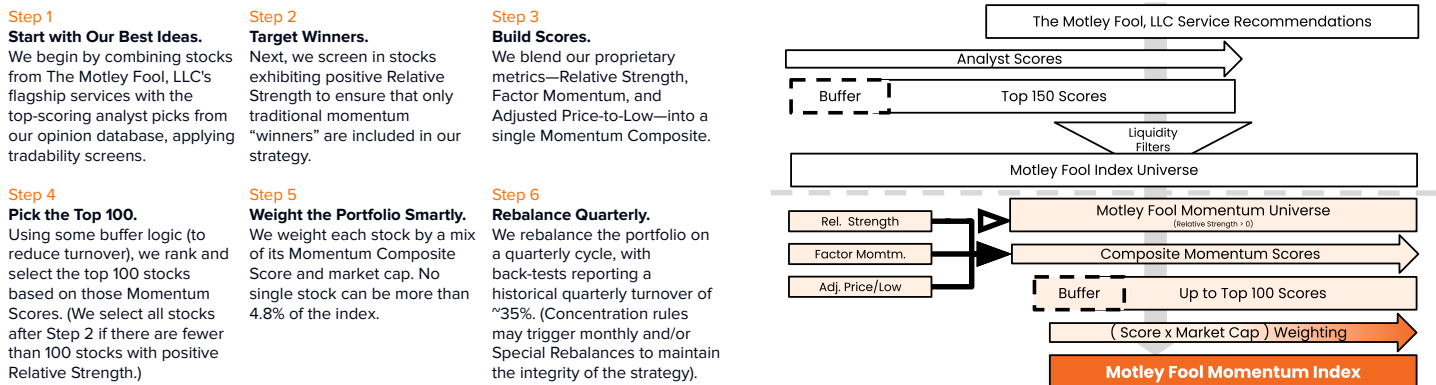
A best-in-class, systematic approach to momentum investing....

...Powered by The Motley Fool Composite Momentum Score.



Source: Motley Fool Investment Analytics & S&P Capital IQ, data from 12/31/2014 to 9/30/2025

Built on index methodology best practices.



Summary Statistics

Index	Annualized Return	Annualized Stdev.	Sharpe Ratio	Max Drawdown	Up Capture vs. S&P 500	Dn. Capture vs. S&P 500
Motley Fool Momentum TR	17.2%	18.9%	0.81	-36.1%	114	101
MSCI USA Momentum TR	14.2%	15.9%	0.77	-33.8%	95	86
S&P 500 TR	13.6%	15.1%	0.77	-33.8%		

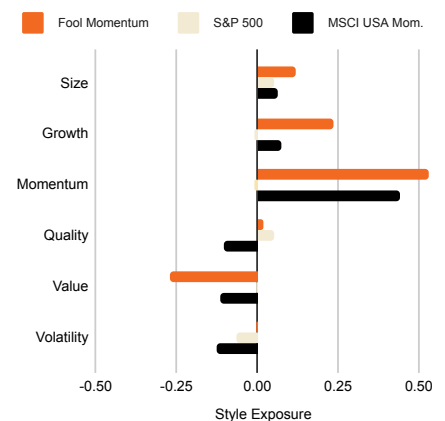
Source: Motley Fool Investment Analytics & S&P Capital IQ, data as of 9/30/2025

Trailing Performance

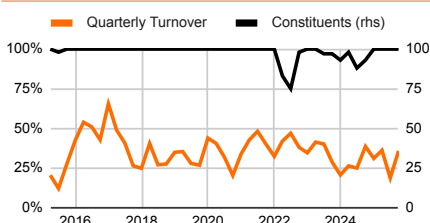
Index	YTD	1-year	3-year	5-year	10-year	S.I. (2015-)
Motley Fool Momentum TR	18.5%	24.7%	25.7%	12.4%	18.3%	17.3%
MSCI USA Momentum TR	19.4%	21.3%	20.3%	12.5%	15.2%	14.3%
S&P 500 TR	14.8%	17.8%	14.5%	13.7%	15.3%	13.6%

Source: Motley Fool Investment Analytics & S&P Capital IQ, data as of 9/30/2025

Style Tilts



Turnover & Constituents



Source: Motley Fool Investment Analytics & S&P Capital IQ, data from 12/31/2014 to 9/30/2025

Is Motley Fool Momentum the right fit for you?

Motley Fool Momentum is designed for investors who:

- Want a disciplined, rules-based edge grounded in empirics.
- Are comfortable with higher turnover and periodic drawdowns.
- Value adaptive models that evolve with the market.

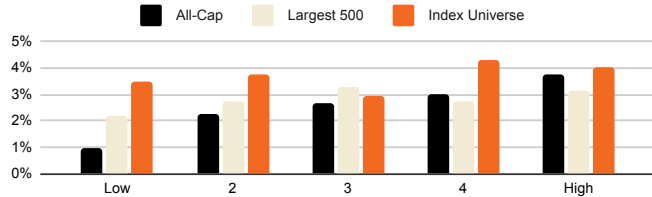
If you believe markets are not always efficient - and that reliable behavior creates reliable opportunity—then momentum may be a powerful fit. And if you like the ring of a systematic momentum strategy with a quality-growth focus—powered by views of The Motley Fool, LLC's Analysts - then consider tracking our **Motley Fool Momentum index**.

Appendix: Score Analysis

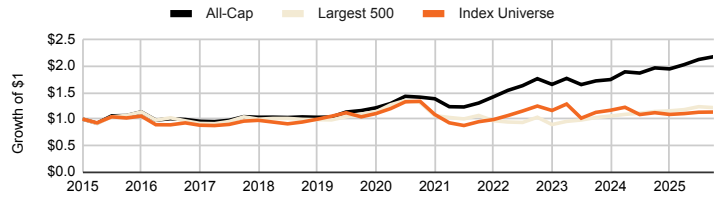
Motley Fool Momentum Composite Score*

The Momentum Composite Score is used to power our Momentum Index strategy. It is an equal-weighted blend of three sub-scores: **Relative Strength**, **Factor Momentum**, and **Adjusted Price-to-Low**. Sub-scores are normalized with respect to indicated universes before being averaged to produce the composite score.

Quarterly quintile returns, by universe



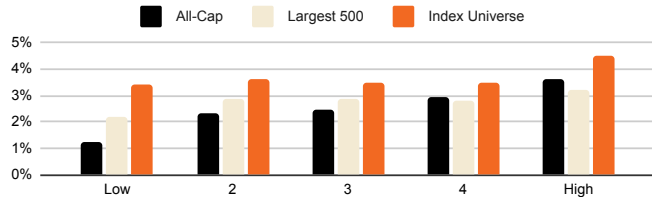
Quarterly rebalanced tercile long-short returns, by universe



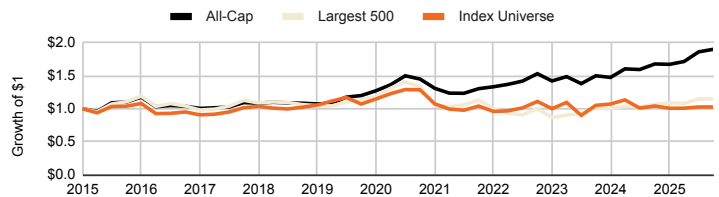
Relative Strength*

Relative Strength is designed to anchor the Motley Fool Momentum strategy to existing momentum definitions. Our Relative Strength score is calculated as the cumulative change in excess returns over the past two years, exponentially weighted with a half-life of one quarter, excluding the most recent month.

Quarterly quintile returns, by universe



Quarterly rebalanced tercile long-short returns, by universe

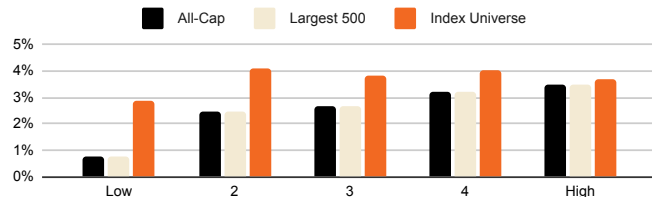


Factor Momentum*

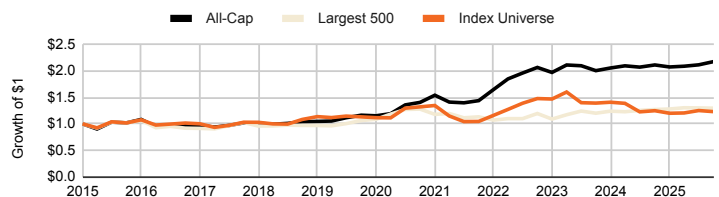
Factor Momentum attempts to lengthen the information horizon and predictive ability of traditional momentum by avoiding liquidity-driven, idiosyncratic effects and instead focusing on systematic effects (see Gupta and Kelly, 2019). Our signal construction attempts to identify stocks in our universe at peak risk-adjusted factor momentum. We calculate Factor Momentum using daily return attributions from our Fundamental Factor Model:

- **Modeling and Attribution:** Daily stock returns over the past year are deconstructed into factor and stock-specific components.
- **Factor Trajectories:** Factor returns are arithmetically cumulated over increasing monthly lengths up to the current date.
- **Volatility Scaling:** Each stock's current cumulative return is first netted against the average over all lengths, then scaled by one-year factor volatility.

Quarterly quintile returns, by universe



Quarterly rebalanced tercile long-short returns, by universe

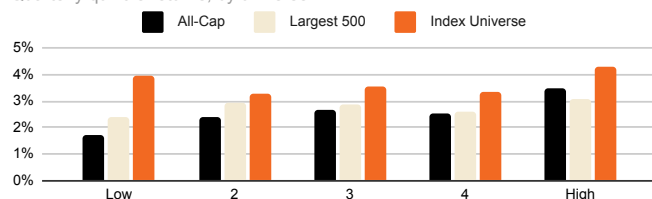


Adjusted Price-To-Low*

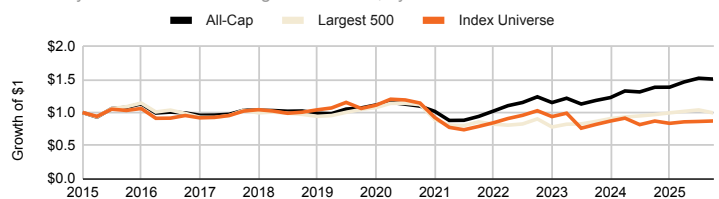
Unlike most momentum metrics, which compare a stock's performance over specific trailing periods, Price-to-Low considers performance relative to a relative target - specifically the low point - within trailing periods. High Price-to-Low stocks can respond more favorably than traditional winners during sharp market downturns and turnarounds. We introduce this feature into our Momentum strategy with our **Adjusted Price-To-Low** score, using a process to stabilize and enhance the traditional signal:

- **Price-to-Low:** We calculate relative to a 52-week trailing period.
- **Goodness-of-Fit:** We measure the R-squared from a regression of daily price on time over a 52-week trailing period and multiply by the sign of the cumulative return.
- **Combining Effects:** We produce our Adjusted Price-Low metric as: (Price-to-Low) x (Goodness of Fit).

Quarterly quintile returns, by universe



Quarterly rebalanced tercile long-short returns, by universe



* Source: Motley Fool Investment Analytics & S&P Capital IQ, data from 12/31/2014 to 9/30/2025, U.S.-listed stocks only. For illustrative purposes only.



Disclosures & Citations

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The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. It is not possible to invest in an index. The MSCI USA Momentum Index is a broad based, rules-based index with approximately 125 stocks, which is widely recognized as representative of the Momentum equity market.

The Motley Fool Momentum Index (the “Index”) was established by Motley Fool Investment Analytics, LLC (“MFIA”) and is a proprietary, rules-based index designed to track the performance of the top 100 U.S. companies that have been recommended by TMF’s analysts and newsletters as ranked by a composite Momentum score.

An overview of the methodology of the Index can be obtained by visiting
vettafi.com/indexing/family/motley-fool.

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