The Motley Fool Value Index

Value investing with a Foolish twist.

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, based on both theoretical and empirical foundations (Fama & French, 1992; Asness, Moskowitz, & Pedersen, 2013).

What's the personality of a value strategy?

Value tends to **outperform** when...	Growth is improving, interest 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, interest rates fall sharply, or momentum-driven rallies dominate index returns.
Value has a **volatility profile** that is...	Often lower than the market; may be more resilient during broad market drawdowns but can lag in fast-moving risk-on rallies.

Where does value come from?

Value arises from structural and behavioral market inefficiencies. These include:

- **Risk premia:** Cheap assets may be riskier—featuring less growth, profitability, and/or stability—and investors require a premium to hold them (Fama & French, 1993).

- **Behavioral biases:** Investors tend to overreact to bad news, anchor on recent trends, or avoid "ugly" assets, leading to mispricings (Lakonishok, Shleifer, & Vishny, 1994).

- **Fundamental anchors:** Valuation gaps often close as profits and investor expectations normalize, causing underlying prices to converge onto long-term fundamental trends.

What do value investors often get wrong?

Many value investors fail to modernize their approach, resulting in **"value traps"** linked to:

- **Over-reliance on book fundamentals:** Investors often ignore intangibles, risky investments, off-balance-sheet items and "over-expenses" on the income statement.

- **Narrow focus on dividends:** Value investors traditionally pay special attention to dividend-to-price ratios without considering other drivers of shareholder yield.

- **Mispricing of growth:** Many investors only apply value to levels of current or retained earnings, but fail to price the value of future expected growth in earnings.

Index Foolishly.

At The Motley Fool, we believe that Value investing is much more than discount shopping.

The Motley Fool Value Index delivers on this philosphy with a systematic Value strategy built from the bottom-up.

Traditional Value vs. Motley Fool Value*
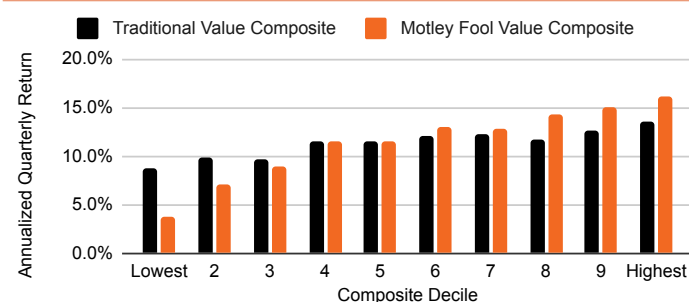
Equal-weighted decile portfolios, U.S. All-cap stocks, rebalanced quarterly, from 06/30/1995 to 6/30/2025. For illustrative purposes only.

What makes Motley Fool Value better?

We believe Value isn't just about what's cheap, but why, and our index mirrors this mindset—adjusting common ratios to align with our analysts and our most potent research findings.

Our Value Index is powered by three proprietary scores, designed to harness and sustain value effects within The Motley Fool, LLC's stock recommendations:

- **Adjusted Book-to-Price**: We "resuscitate" book-to-price by applying treatments to goodwill and fixed capital, and by estimating R&D, brand, and operating asset values.

- **Gross Profits-to-EV**: Consistent with Motley Fool Anlaysts' approach, we anchor our value tilt to a top-line measure of earnings yield to complement our selection effect.

- **Total Shareholder Yield**: We look beyond dividends to produce a comprehensive measure of incremental shareholder ROI that factors in buybacks and debt reduction.

In a nutshell...

Motley Fool Value leverages accounting adjustments, best-practices from research and a disciplined bottom-up philosophy to materially improve the construction of existing value ratios.

*Traditional Value is calculated as an equal-weighted composite of B/P, E/P and D/P ratios.

Motley Fool Value is an an equal-weighted composite of Adjusted Book/Price, Gross Profits/EV and Total Shareholder Yield.
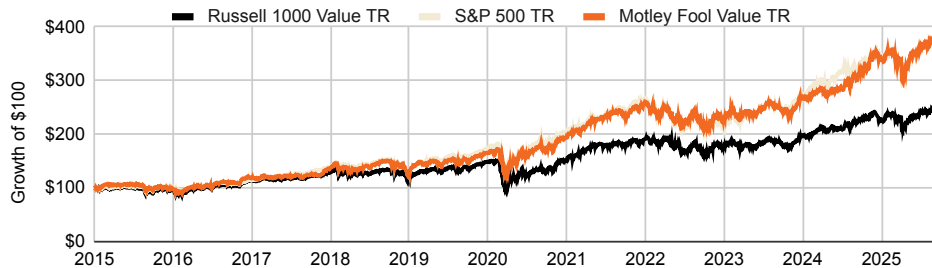
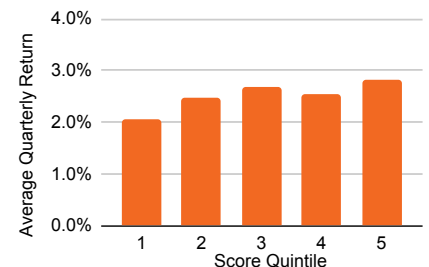## Meet the Motley Fool Value Index.

A top-down, bottom-up approach to value investing....

...Powered by **The Motley Fool Composite Value Score.**

Russell 1000 Value TR — S&P 500 TR — Motley Fool Value TR
Growth of $100

Average Quarterly Return / Score Quintile

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

Built on index methodology best practices.

Step 1
Start with Our Best Ideas.
We begin by combining stocks from The Motley Fool, LLC's flagship services with the top-scoring analyst picks from our opinion database, applying tradability screens.

Step 2
Screen-in Value.
Next, we include stocks with positive values for each metric to ensure that only true value stocks are featured in our strategy.

Step 3
Build Scores.
We blend our proprietary metrics—Adjusted B/P, Gross Profits/EV, and Total Shareholder Yield—into a single Value Composite.

Step 4
Pick the Top 100.
Using some buffer logic (to reduce turnover), we rank and select the top 100 stocks based on their Value Scores. (We select all stocks after Step 2 if there are fewer than 100 stocks with positive raw Value metrics.)

Step 5
Weight the Portfolio Smartly.
We weight each stock by a mix of its Value Composite score and market cap. No single stock can be more than 4.8% of the index.

Step 6
Rebalance Quarterly.
We rebalance the portfolio on a quarterly cycle, with back-tests reporting a historical quarterly turnover of 15-25% (Concentration rules may trigger monthly and/or Special Rebalances to maintain the integrity of the strategy).

The Motley Fool, LLC Service Recommendations / Analyst Scores / Buffer / Top 150 Scores / Liquidity Filters / Motley Fool Index Universe / Adj. Book/Price / Gross Profits/EV / Total SH Yield / Motley Fool Value Universe (All raw metrics > 0) / Composite Value Scores / Buffer / Up to Top 100 Scores / (Score x Market Cap) Weighting / **Motley Fool Value Index**

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 Value TR	13.3%	15.7%	0.72	-31.4%	98	97
Russell 1000 Value TR	9.0%	15.4%	0.46	-38.3%	87	103
S&P 500 TR	13.6%	15.1%	0.77	-33.8%		

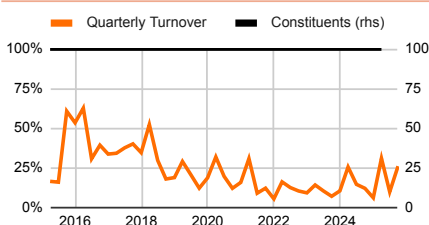Source: Motley Fool Investment Analytics & S&P Capital IQ, data as of 9/30/2025

Style Tilts

Russell 1000V / S&P 500 / Fool Value
Size, Growth, Momentum, Quality, Value, Volatility / Style Exposure

Trailing Performance

Index	YTD	1-year	3-year	5-year	10-year	S.I. (2015-)
Motley Fool Value TR	13.2%	20.0%	9.5%	17.8%	14.9%	13.3%
Russell 1000 Value TR	11.7%	26.81%	20.29%	12.55%	10.7%	9.0%
S&P 500 TR	14.8%	12.36%	14.53%	13.66%	15.3%	13.6%

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

Turnover & Constituents

Quarterly Turnover — Constituents (rhs)

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

Is Motley Fool Value the right fit for you?

Motley Fool Value is designed for investors who:
● Believe markets overreact in the short run vs. fundamentals.
● Have a patient, contrarian temperament and are comfortable going against the crowd.
● Seek a fundamental approach that complements growth, momentum, or quality.

If you believe that low prices - when combined with durable assets, strong operating profits, and disciplined capital returns—offer rewards, then consider value investing. And if a modernized approach to systematic value powered by The Motley Fool, LLC's Analysts sounds like a "bargain" to you, then consider tracking our **Motley Fool Value Index**.

Motley Fool Value Composite Score*

The Value Composite Score is used to power our Value Index strategy. It is an equal-weighted blend of three sub-scores: **Adjusted Book-to-Price**, **Gross Profits-to-Enterprise Value**, and **Total Shareholder Yield**. Sub-scores are normalized with respect to indicated universes before being averaged to produce the composite score.

Quarterly quintile returns, by universe
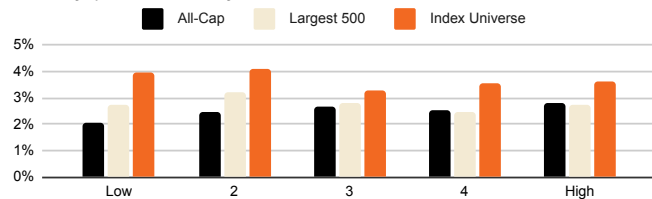
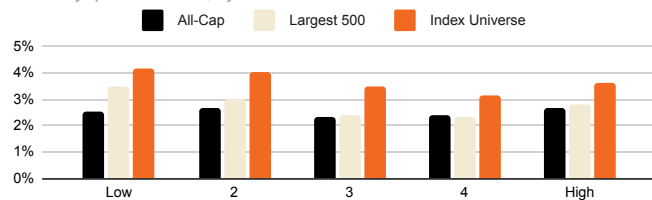Quarterly rebalanced tercile long-short returns, by universe
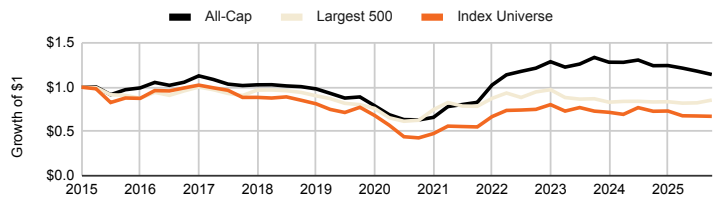
Adjusted Book-to-Price*

Book-to-price (B/P) is the quintessential value metric. But recent research makes it clear that the out-of-the-box B/P metric is less than ideal for stock investors due to conservative accounting standards and a secular shift toward intangibles. Our **Adjusted Book-to-Price** metric not only incorporates several best-practice adjustments —proposed by both academics and practitioners of value investing—but also aligns the classic B/P ratio with the Quality-Growth focus of The Motley Fool LLC's Analysts:

- **Start with Book-To-Price**: We begin with the classic book-to-price ratio, using the most recent data available for common book equity and market cap.
- **Reclassify Asset accounts**: We add back accumulated depreciation following Fairchild (2018). We also ignore goodwill, following Line et. al. (2021).
- **Estimate off-balance-sheet intangibles**: We amortize R&D, advertising, and 50% of remaining opex over 5-year lives following Fairchild (2018) and Ball et. al. (2015).
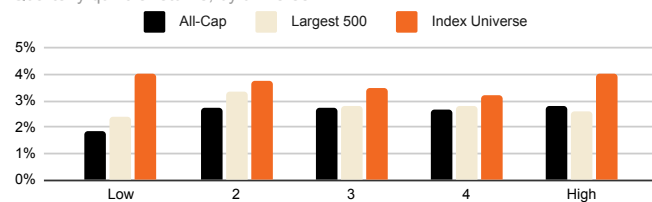
Quarterly quintile returns, by universe

Quarterly rebalanced tercile long-short returns, by universe
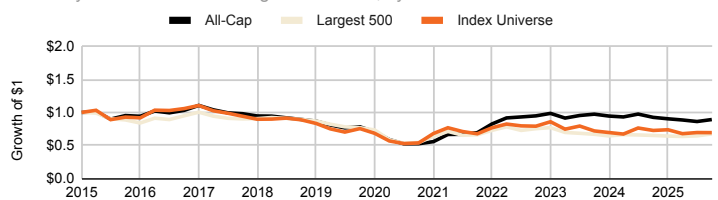
Gross Profits-to-Enterprise Value*

Earnings-to-price (E/P) ratios are the most commonly used valuation metrics, but suffer from many of the same issues linked to conservative accounting that impact Book-to-Price. We level-up the traditional E/P ratio, following Ball et al (2013), with top-line profitability and capitalization measures to produce a **Gross Profits-to-Enterprise Value** metric that preserves philosophical links to The Motley Fool, LLC's Analysts' approach. Specifically, we scale Gross Profits by Total Enterprise Value (Market Cap + Net Debt, Preferred Stock and Minority Interest) to estimate an accurate cost of capital metric that accommodates cross-industry comparisons.

Quarterly quintile returns, by universe

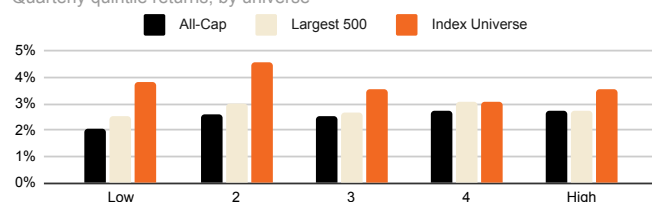Quarterly rebalanced tercile long-short returns, by universe
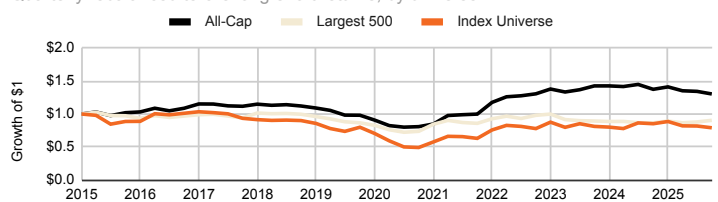

Total Shareholder Yield*

Dividend yield (D/P) is a classic ratio featured in value and income strategies. While theoretically appealing, it has numerous blind spots. Many companies prefer returning capital via share buybacks, which have the same economic impacts as dividends on balance sheets while offering attractive tax and market characteristics. Companies can also take shareholder-friendly actions by de-levering debt, which frees up future cash for residual equity claims. Our **Total Shareholder Yield** metric is comprised of:

- **Dividend Yield**: We calculate a comon dividends-to-price over a 52-week trailing period.
- **Net buybacks:** To account for dividend-equivalent cash outlays, we add back net buybacks (repurchases - issuances) of common and preferred stock.
- **Net debt repayment:** Since debt paydowns free up incremental capital for equity holders, we add back net debt reductions (repayments - issuances).

Quarterly quintile returns, by universe

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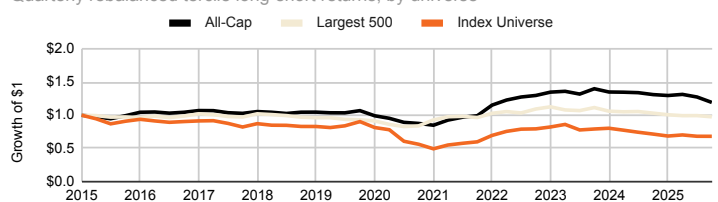
* Source: Motley Fool Investment Analytics & S&P Capital IQ, data from 12/31/2014 to 9/30/2025, U.S.-listed stocks only. For illustrative purposes only.

Disclosures & Citations

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The Russell 1000 Value Index is broad based, rules-based index of stocks selected from a pool of 1000 stocks, which are widely recognized as representative of the Value equity market in general. 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 Motley Fool Value 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 Value score.

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

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