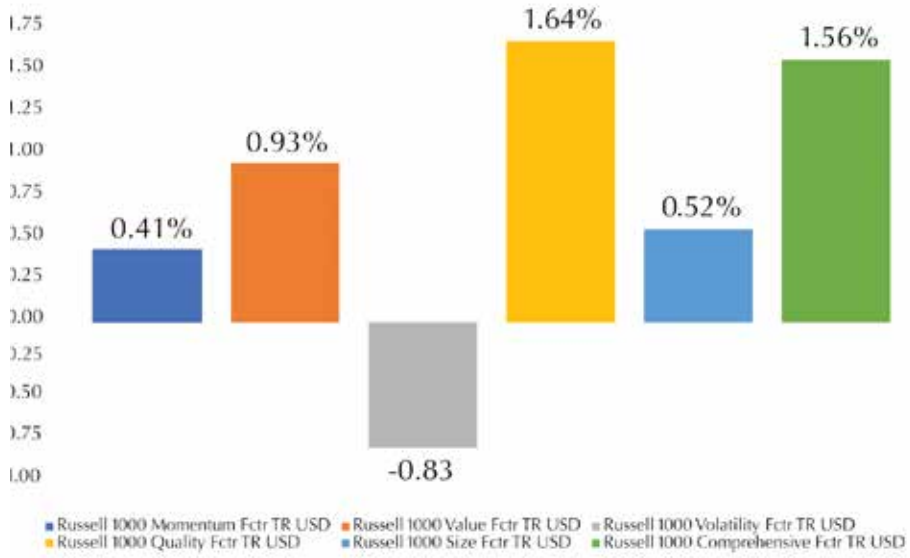
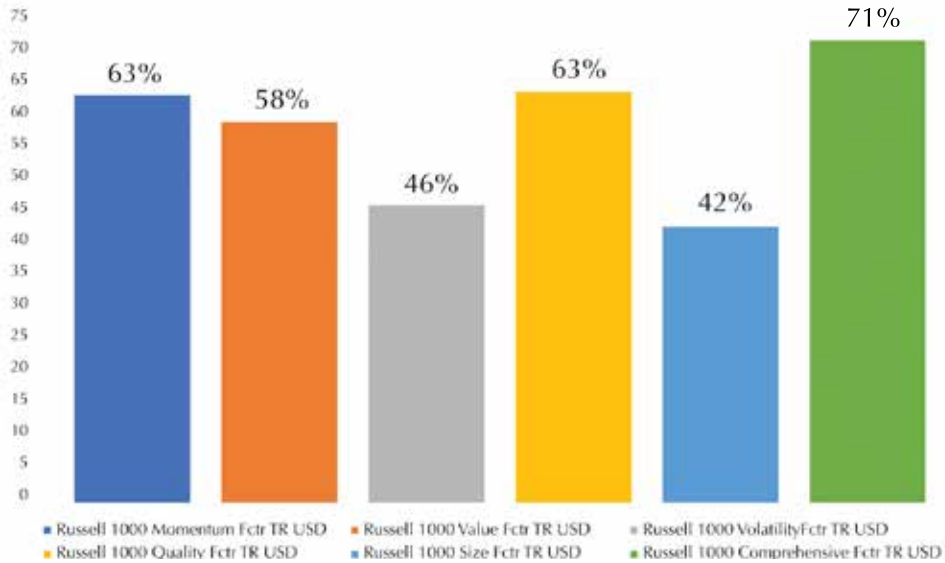
What is factor-based investing?

— a quantitative, disciplined process for selecting stocks for inclusion in a portfolio based on pre-defined factors or characteristics that have shown evidence of adding excess risk-adjusted return.

Russell 1000 Factor Excess Returns 2002 to 2025



% Frequency of Annual Excess Returns



2002 to 2016 return data based on FTSE Russell Methodology document. 2017 to 2025 return data based on Morningstar FTSE Russell indices. Information is believed to be reliable but is not guaranteed. Returns exclude any custodial or advisory fees.

Why factor-based investing?

1. **Potential excess returns**

   1.56% average annualized excess return over market-cap weighted indices from 2002–2025 (see top chart left).

2. **Potential improved consistency**

   Outperformance of 71% of calendar years 2002–2025 (see bottom chart left).

3. **Research lauding the benefits of multi-factor based investments**

   Links to several articles from firms, such as AQR, are on the "Resources" tab at WallickInvestments.com.
   Also, James O'Shaugnessey's 1996 book "What Works on Wall Street" provided early foundational exposure to factor-based investing.

4. **Rise in assets under management in factor-based products**

   According to ETFGI's Insights, assets in factor-based ETFs had risen to $1.56 trillion in 2024 and have grown at an average compounded growth rate of over 19.7% over the previous 5 years.

5. **Rise in popularity**

   We have identified 8 peer indices and/or funds with what we consider a similar material allocation to small- and mid-cap companies.

   - Fidelity Small- Mid Multi-factor Index
   - Vanguard US Multi-factor ETF
   - Hartford Multi-factor US Equity Index
   - Russell 1000 Comprehensive Factor Index
   - JP Morgan Diversified Return US Eq Index
   - Morningstar US Market Factors Tilt Index
   - MSCI Multifactor USA Index
   - Wisdom Tree US Multifactor Index

6. **Wallick Investments' experience**

   Our Fidelis separate account composite consistently ranked highly against peers in the Morningstar separate account database, receiving a 4 or 5 Star Morningstar Overall Rating 80% of reported periods and never less than 3 Stars. For details, visit our website: WallickInvestments.com/morningstar

   Please note: *Although the factors and weightings are similar, there is not a one-to-one correlation between our separate account composite and our Index. Investors cannot be guaranteed the same performance.*

Fidelis 100 Index Management

Fidelis 100 Index Selection Process:

Universe of stocks (~9,100)

Narrowed universe (~800)

- Inspire Impact Scores 0 or higher
- Altum Faithful Investing compliant or n/a
- $250+ million market cap
- not bottom 20% V, G or M
- top 60% combined VGM

Factor Inputs

- Momentum
- Quality
- Value

Fidelis Scores

Fidelis' 100 holdings

We start with the universe of securities listed on major US stock exchanges, approximately 9,100 but then we narrow the list to those that:

- have a positive Inspire Social Impact Score www.Inspireinvesting.com/inside-the-inspire-impact-score
- are Altum Faithful Investing compliant or n/a www.altumfi.com/guidelines
- are not limited partnerships or state-owned
- have a market cap of +250M or more
- are not in the bottom 20% for Value, Growth or Momentum (VGM), and
- are in the top 60% for expected earnings surprise and for combined VGM

This leaves about 800 stocks.

From here, percentile scores for each stock are calculated for each sub-factor listed on the Factor Input Table (next page). The final Fidelis Score is the aggregate sum of each factor percentile score multiplied by its predetermined weight listed on the Input Table.

Momentum 33% (including EPS Strength)		Quality 34% (including Profitability, Financial Health and Growth)		Value 33% (including Volatility and Dividend Yield)	
12-Month Relative Strength (15%)	Current Year Revision Trend last 4 weeks (3%)	Inspire Social Impact Score (5%)	Current Ratio (2%)	Current Dividend Yield (8%)	Price to Book Value divided by Estimated 3-5 year Growth Rate (3%)
3-Month Relative Strength (6%)	Current Year Revision Trend last 12 weeks (2%)	Enterprise Value / EBITDA (3%)	Quick Ratio (2%)	Average Consensus Value vs. Price (5%)	Price to Cash Flow divided by Estimated 3-5 year Growth Rate (3%)
Latest Quarter Earnings Surprise (3%)	Expected Earnings Surprise (1%)	Return on Invested Capital (ROIC) (3%)	Sales Growth Year over Year (2%)	Price to Sales divided by Estimated 3-5 year Growth Rate (5%)	5 Year Beta (3%)
Last Quarter Earnings Surprise (3%)		Free Cash Flow / Market Cap % (3%)	Earnings Per Share (EPS) Growth Year over Year (2%)	Price to Earnings divided by Estimated 3-5 year Growth Rate (3%)	2 Year Beta (3%)
		Return on Assets (ROA) (2%)	Net Income Growth 1 year (1%)		
		Return on Equity (ROE) (2%)	Sales Growth 1 year (1%)		
		Profit margin (2%)	EPS Growth last 5 years (1%)		
		Debt to Equity (D/E) (2%)	P/B Growth last 5 years (1%)		

Key
> .05
= .05
= .03
= .02
= .01

Factor Input Table
used to calculate Fidelis Score

Fidelis Score calculation

$(\mathbf{x}1 * \mathbf{y}) + (\mathbf{x}2 * \mathbf{y}) + \ldots\ldots(\mathbf{x}33 * \mathbf{y}) + (\mathbf{x}34 * \mathbf{y})$

Where: **x** = percentile ranking for sub-factors (1–34)
y = weighting for sub-factor

Subfactors and weights are listed on the Factor Input Table above

From the stocks within the top 20% for market capitalization of the 800, 40 stocks with the highest Fidelis Scores are chosen, subject to sector and industry constraints (below).

Sector	# of Stocks	Minimum # of Industries
Basic materials	4	2
Business services	4	2
Technology and communications	27	7
Consumer discretionary (including autos and transportation)	6	3
Consumer staples	4	2
Energy	8	3
Financial (including real estate)	16	6
Medical	12	4
Industrial (including aerospace, conglomerates and construction)	11	6
Retail	5	3
Utilities	3	2
11-18 Sectors	**100 Stocks**	**40 or more Industries**

Finally, the next 60 stocks, regardless of market cap, with the highest Fidelis Score subject to the industry and sector constraints (above) are then added to complete the list of constituent stocks. **Fidelis 100 is rebalanced and reconstituted quarterly, which means the holdings are reset every quarter to what we believe is the best combination of 100 faith-based multi-factor securities.**