



Smart Beta Classification

Our independent Smart Beta Classification calculates holdings-based exposures for every equity ETF to each of the seven main factor groups (Value, Growth, Momentum, Volatility, Quality, Size and Dividend Yield).

Factor exposures are calculated without provider bias to allow clear communication regarding the over/under-exposure of any ETF versus its benchmark or competitors. This easily highlights the risks and benefits that a user will get from trading an ETF in a simplified manner.

There is currently no standardized format across the market for establishing 'Smart Beta' classification nor to show exactly how exposed each fund is to each factor. Each provider has their own methodology, which results in a lack of clarity during the fund selection process. This also means that there is no easy way for issuers to differentiate themselves in the market (aside from reduced costs).

Our engine provides a standardized and unbiased framework and common language for independently calculating factor exposures, allowing users to easily differentiate between different ETFs and view their overall exposure. This gives a clear and transparent view to the end user of how exposed they are to each of the main factor groups and allows issuers to differentiate themselves on the market.

Independence

The methodology is based on five years of regression-based analysis, utilizing a 300-factor library and global ETF coverage to ensure that the methodology is truly independent. This results in an engine that works holistically across ETF issuers, regardless of their chosen factors and approach.

Flexibility

The data can be normalized across any universe (US ETFs, global stocks, global ETFs, etc) to ensure that it is relevant for clients' needs.

Transparency

The results are divulged across any equity ETF, regardless of whether it has been classified as 'Smart Beta' by the issuer. You can also view a look-through to see how each individual constituent has impacted the full portfolio factor exposure.

Accuracy

Holdings-based approach means that the data is accurate as of the present time, which means that as ETF compositions change, the data integrity remains.

KEY STATS

3800+

ETFs covered

\$800bn+

of assets are in Smart Beta ETFs

7

factor groups

5

years regressive analysis

CUSTOMERS

Issuers

Retail brokers

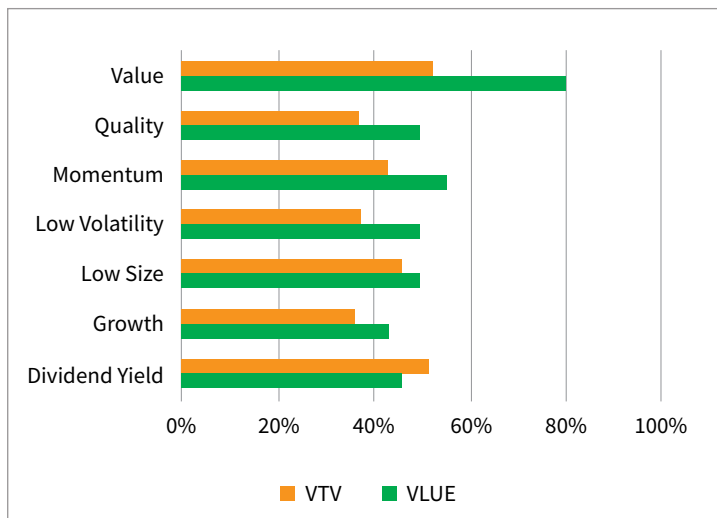
Quant funds

Wealth management divisions

Factor exposure comparison

Vanguard Total Value (VTV) vs iShares MSCI Edge USA Value Factor (VLUE)

13th August 2018



This graph shows the respective factor exposure for both the Vanguard Total Value ETF (VTV) and the iShares MSCI Edge USA Value Factor ETF (VLUE). Both of these ETFs are targeting a Value approach but we can clearly see that the Value exposure is much higher on the VLUE ETF (in the 80th percentile of all ETFs) than on VTV (52nd percentile). This indicates the difference in the ETFs without having to dive into the difference in methodology.

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