

VFMO

Vanguard U.S. Momentum Factor ETF

Analyst Report

The Vanguard U.S. Momentum Factor ETF aims to invest in U.S. stocks with strong recent price gains. VFMO, which is part of Vanguard's suite of actively managed ETFs, relies on a quantitative methodology to evaluate U.S. companies of all sizes, and uses a rules-based screen to ensure diversification and to mitigate exposure to less liquid stocks. Money managers have long recognized that certain factors, when deployed during certain market conditions, consistently reward investors. There are macroeconomic trends like economic growth and inflation, as well as fairly predictable performance patterns for certain types of stocks. For example, so-called value stocks — defined as companies with low share prices relative to their fundamentals — have historically outperformed the market over the long-term. Over time, money managers have devised methodologies to identify and exploit factors such as volatility, value, quality, growth, and price momentum. Factor ETFs have proliferated in recent years and there are many active and passive ETF options that target different factors. Some funds combine factors while others target a single factor. VFMO's portfolio can be expected to diverge from its Russell 3000 benchmark. For example, VFMO holds a significantly narrower universe of stocks than Vanguard's Russell 3000 ETF, a passive index-tracking fund that draws from the same universe of stocks. VFMO's fees are quite low for active management, but after decades of drilling investors in the futility of stock-picking, it remains to be seen whether Vanguard can convince investors that some managers can consistently beat the market after all. For investors with a strong momentum conviction who want a reasonably-priced fund, VFMO makes for a good complement to a core portfolio holding in U.S. equities. While VFMO is quite reasonably priced, investors should compare price, performance, and portfolio against other U.S. momentum funds, both active and passive.

ESG Themes and Scores

5.85/10

ESG Rate

29.65%

Global Percentile

4.93%

Peer Percentile

Performance Data

	VFMO	ETF Database Category Average	Factset Segment Average
1 Month	6.88%	3.45%	2.49%
3 Month	21.40%	10.77%	9.67%
YTD Return	26.75%	11.76%	9.05%
1 Year Return	47.05%	23.62%	17.56%
3 Year Return	27.60%	11.81%	9.37%
5 Year Return	14.88%	4.39%	4.68%

Top 5 Holdings

Symbol	Holding	% Assets
MU	Micron Technology, Inc.	1.21%
WDC	Western Digital Corporation	1.20%
AMD	Advanced Micro Devices, Inc.	1.12%
AMAT	Applied Materials, Inc.	1.10%
KLAC	KLA Corporation	1.08%

Vitals

Issuer	Vanguard
Brand	Vanguard
Structure	ETF
Expense Ratio	0.13%
Inception	Feb 13, 2018
Index Tracked	N/A

ETF Database Themes

Category	All Cap Equities
Asset Class	Equity
Asset Class Size	Multi-Cap
Asset Class Style	Growth
Region (General)	North America
Region (Specific)	U.S.

FactSet Classifications

Segment	Equity: U.S. - Total Market
Category	Size and Style
Focus	Total Market
Niche	Broad-based
Strategy	Active
Weighting	Proprietary

