

VLUE

iShares MSCI USA Value Factor ETF

Fund Description

VLUE tracks an index of large- and mid-cap US equities. Stocks are selected and weighted using fundamental metrics (earnings, revenue, book value and cash earnings), aiming for exposure to undervalued stocks in each sector.

FactSet Analyst Report

VLUE seeks value-stocks in the US large- and mid-cap equity space. iShares changed the index under VLUE on September 1, 2015, arguably sharpening the ETF's value focus. The index creates a value score for stock selection and , which is hardly original, but VLUE's index does something else too: it looks for value stocks within each sector, taking into account that P/B for a typical tech stock may be much higher than that of a financial stock. (Forward P/E and EV/CFO are the other factors.) Then the index provider, assigns weights by multiplying a components value score by its market cap. Weights in the Underlying Index are normalized so that sectors in the Underlying Index represent the same weight as the MSCI USA Index (Parent Index). However, major sector biases that might have otherwise been produced are mitigated by its sector-relative approach. The added value exposure has also led to higher risk overall for the fund.