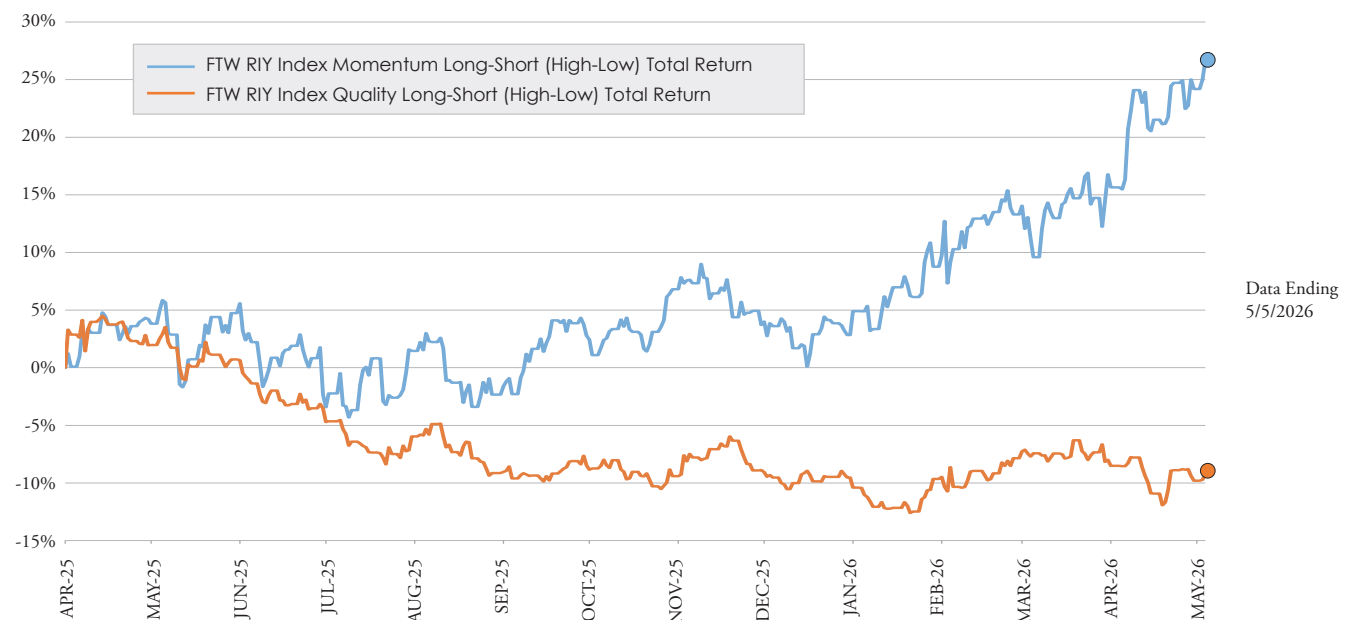


## Momentum Surges As Quality Lags

The stock market has posted a remarkable rally over the past 13 months, shrugging off the imposition of tariffs in April 2025 on virtually all U.S. trading partners and the February 2026 outbreak of the U.S. war in Iran. The stock market is at all-time highs. Within the market, high-momentum stocks—those with strong past price performance—have significantly outperformed, while high-quality stocks—those with steady profits and strong balance sheets—have lagged.

The chart below uses Bloomberg data to show hypothetical results from buying the top 20% of stocks based on Momentum or Quality measures and shorting the worst 20% of stocks by those same factors. The Russell 1000 Index is the stock universe used in the analysis and the measurement period begins on April 2, 2025, the date tariffs were imposed.

### MOMENTUM VERSUS QUALITY RETURNS<sup>(1)</sup>



Data from 4/2/2025–5/5/2026

<sup>(1)</sup> Long-short total returns starting 4/2/2025 (Liberation Day).

Source: Bloomberg Factors to Watch

Over the period analyzed, investors focused on stocks with strong price momentum have enjoyed a bonanza of excess returns since Liberation Day, while investors focused on high-quality stocks have suffered in terms of relative return.

Quality factors may contribute to mediocre performance during periods of market exuberance. However, we believe they can contribute to attractive risk-adjusted returns over time when employed with other measures, including Momentum factors. Markets are cyclical, and we caution investors not to ignore measures of financial strength and quality in their portfolios, even when markets have surged in recent months.

## DISCLOSURES

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## REFERENCED INDICES

*(Indices are unmanaged and are not available for direct investment.)*

**Russell 1000 Index**—The Russell 1000<sup>®</sup> Index is a market capitalization-weighted index of the approximately 1,000 largest companies in the U.S. equity market.

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