

Market Maps

Regional Factor Indicator Report



January 2021

Quality bias wavers amid risk-on headwinds

Value and Size seize the lead in Q4

Vaccine news ignited a dramatic rotation from long-favored Quality and Momentum into riskier factors in Q4 (except in Japan). Could this be the start of a regime change?

Financial stability less prized in Q4 risk rally

In a notable trend reversal, the preference for financially healthy stocks since March waned amid the Q4 rotation into unloved cyclically sensitive sectors of the market.

Reflation trade favors Size and Value

Value and Size are more heavily weighted to sectors viewed as bigger beneficiaries of economic recovery and less so to Tech and other Covid lockdown winners dominating Quality and Momentum outperformance this year.

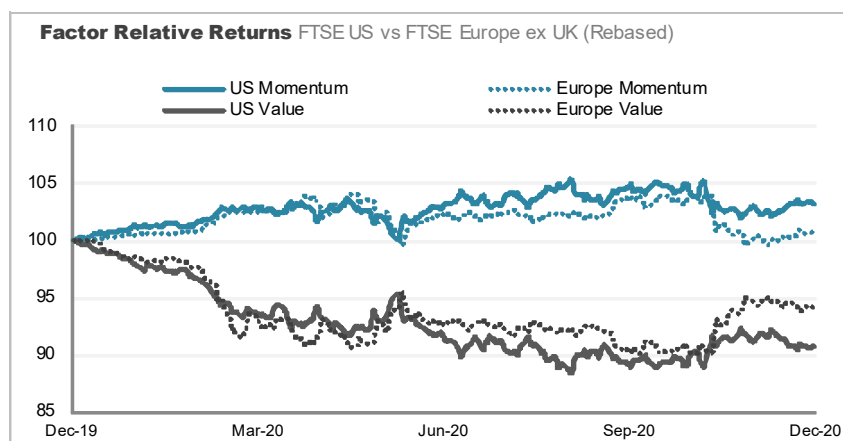
Factor returns more sensitive to macro shifts

Swings in US Treasuries and commodity prices have greater sway on global factor performance today. EM factors are also more sensitive to US dollar moves.

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Regional Factor Indicator Performance Highlights



<p>+6.9% UK Value Q4 Outperformance</p> <p>-5.4% Q4 Momentum Relative Return</p>	<p>+3.3% EM Size Q4 Outperformance</p> <p>-1.2% Q4 Momentum Relative Return</p>
<p>-1.0% US Low Leverage Q4 Underperformance</p>	<p>-1.2% Europe Low Leverage Q4 Underperformance</p>

FOR PROFESSIONAL INVESTORS ONLY

Source: FTSE Russell and Refinitiv. All data as of December 31, 2020. Equity market data based on FTSE Global Equity Index Series and FTSE Global Factor Index Series. Results shown for regional Factor Indicators represent hypothetical, historical performance. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Important information: While the Factor Indicators use the same calculation methodology as the official FTSE Russell Factor Indexes, they differ in terms of the range of components incorporated into the calculation. Consequently, the Factor Indicator and official FTSE Russell factor index data may differ. Please see the FTSE Russell website for information about the official factor indexes and Appendices I and II of this report for further details on rules-based factors indicator calculations and construction methodology.

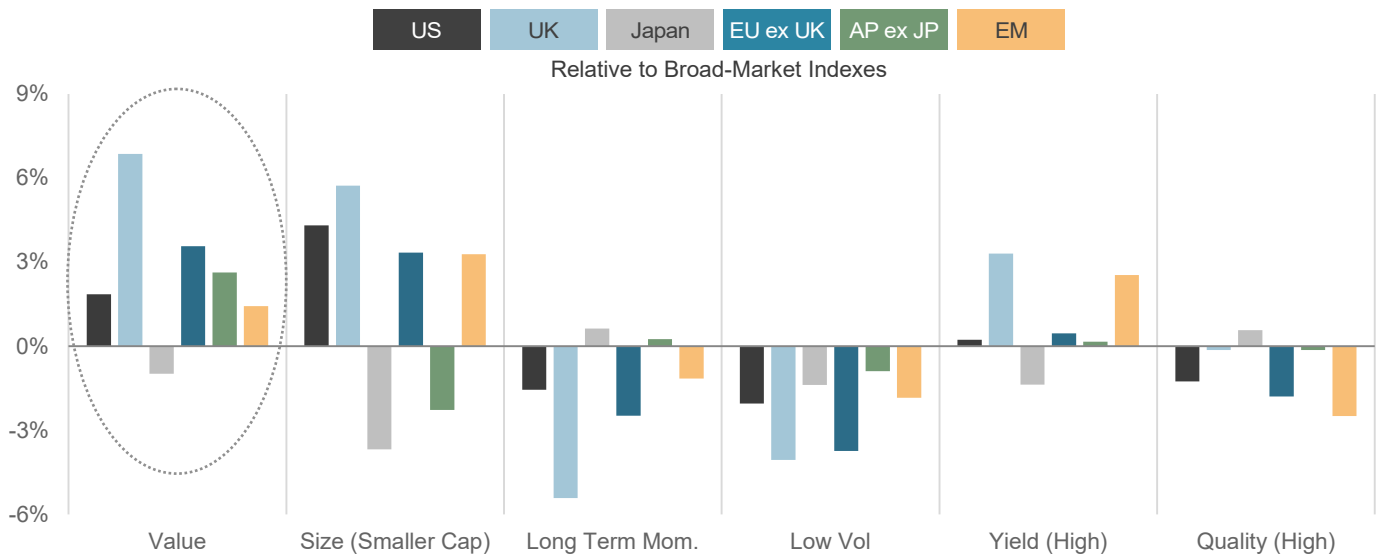


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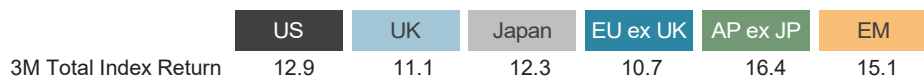
Global View – Factor Indicator Performance & Sector Weights

Q4 2020 relative returns (LC, %) – Vaccine breakthroughs spur dramatic reversal in leadership

Vaccine-fueled hopes of a quicker return to economic normalcy ignited a powerful rotation away from long-dominant Quality and Momentum into Value and (smaller cap) Size factors suffering most from pandemic-induced risk aversion.

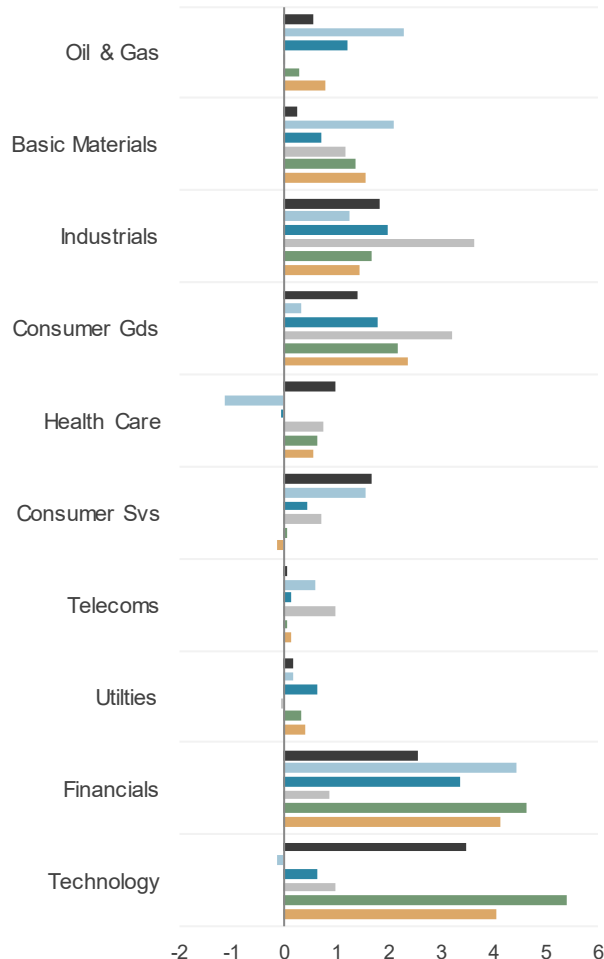
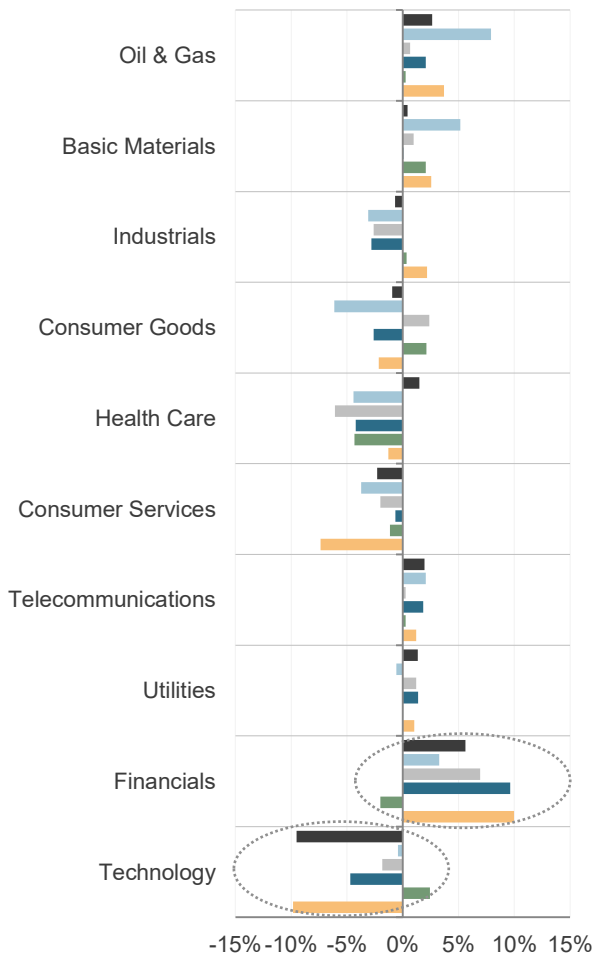


Relative Value factor exposures (LHS) vs industry-weighted contributions to total Q4 2020 index returns: Value returns capture large overweights in Financials and large underweights in Technology and Oil & Gas.



Value – Dec 2020 Relative Industry Weights

Q4 2020 – Contributions to Total Benchmark Returns (%)



Source: FTSE Russell and Refinitiv. All data as of December 31, 2020. Results shown for regional Factor Indicators represent hypothetical, historical performance, at Tilt 1, based on FTSE Global Equity Index Series and the FTSE Global Factor Index Series. Past performance is no guarantee of future results. Please see the Appendices I and II and end for important disclosures and information on factor calculations. For professional investors only.