

**The Journey**

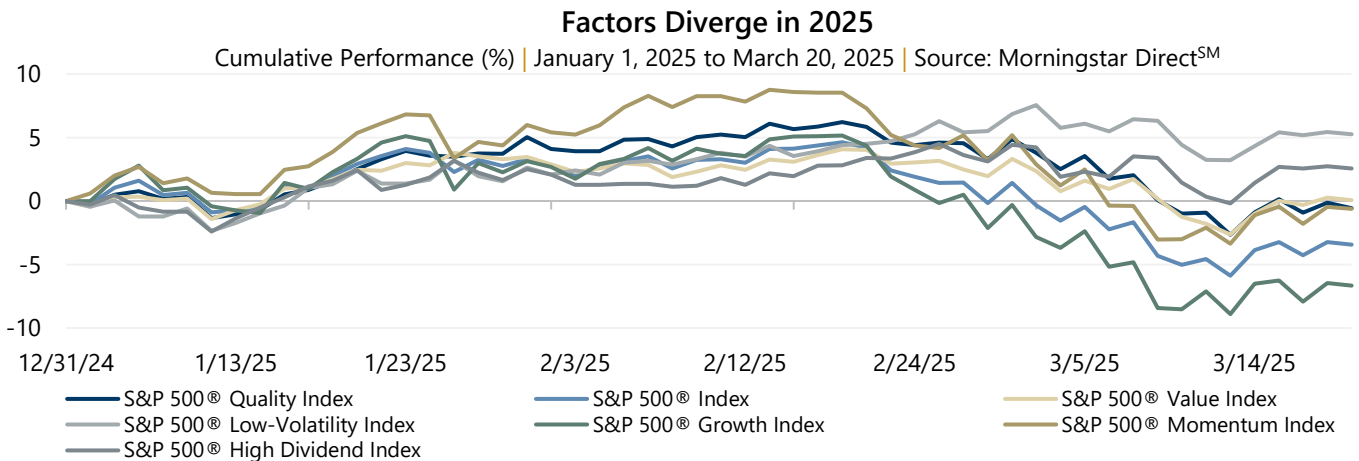
With screens on and brackets in hand, investors have entered “March Madness” in which the arrival of spring also means basketball. The teams making it to the tournament clearly have track records of success but the journey getting there was likely not without moments of disappointment, loss, suspense, and joy. Sometimes it seems the madness lives for an extended period within equity markets but in the form of missed expectations, drawdowns, volatility, and growth.

Given recent tumult surrounding global trade policy and geopolitics, many investors may be feeling a little *too much* madness. While nothing is a sure thing, the quality factor offers investors the opportunity for balance. As discussed in [Quality Matters](#), high-quality companies have shown potential to outgrow average or low-quality companies over time and may offer broad market participation and a source of defense during market turmoil.

**Game On**

Relative to the broad S&P 500® Index, quality, as demonstrated by the S&P 500® Quality Index, has held up well during a bumpy start to 2025. The S&P 500® Index returned -3.42% from the start of 2025 to March 20 while the S&P 500® Quality Index has offered 287 basis points (bps) of loss mitigation with a return of -0.55%.

There is continuous debate as to which factor is better over the long-term however, and fans of other factors may be attempting to rally larger crowds given their own start to 2025. Low volatility, as demonstrated by the S&P 500® Low Volatility Index, grabs the top ranking amongst its peers for performance from the start of 2025 to March 20, climbing 5.27%. Growth, however, has had a tough season with the S&P 500® Growth Index declining -6.65% during the same period.



**Eye on the Prize**

Past performance certainly does not guarantee future results, but investors might benefit from a focus on the long game by reviewing historical results adjacent to shorter or more recent time periods. Taking a look at the past, from the start of 1995 through March 20, 2025, quality has topped other factors and the broad market with the S&P 500® Quality Index returning 13.56% and next best, S&P 500® Momentum Index, returning 12.71%. The S&P 500® Quality Index outpaced third place, S&P 500® Growth Index, over the same timeframe by 218 bps.

*The quality factor ranks above all other factors with regards to performance from January 1, 1995 to March 20, 2025.*

When also considering historical inflationary environments similar to current levels, with inflation ranging between 2% and 4%, quality had the highest average monthly return of all the factors and outpaced the broad S&P 500® Index.

Performance (%)	January 1, 2025 to March 20, 2025	January 1, 1995 to March 20, 2025	Alpha vs. S&P 500® Index Since January 1, 1995	Average Monthly Performance During 2-4% Inflation
S&P 500® Quality Index	-0.55	13.56	3.49	1.27
<b>S&amp;P 500® Index</b>	<b>-3.42</b>	<b>10.71</b>	<b>0.00</b>	<b>0.98</b>
S&P 500® Growth Index	-6.65	11.38	0.65	0.99
S&P 500® Value Index	0.06	9.57	-0.87	0.97
S&P 500® Low-Volatility Index	5.27	10.76	3.18	1.07
S&P 500® High Dividend Index	2.57	10.56	1.29	1.07
S&P 500® Momentum Index	-0.62	12.71	2.52	1.18

Past performance does not guarantee future results. Source: Morningstar Direct<sup>SM</sup>.

Finally, when reviewing rolling twelve month returns, quality outpaces its factor peers and the broad index in more than half of the periods calculated since 1995. The S&P 500® Quality Index wins in 69% of rolling 12-month periods since 1995 compared to the S&P 500® Value Index and, at the low-end, outpaces the S&P 500® Growth and High Dividend Indexes in 57% of rolling 12-month periods.

### Quality Champion

While not always the top seed factor in the short-term moment, investors may want to consider the storied success of the quality factor that has outpaced all other factors since 1995. The quality factor offers potential durability and reprieve for investors, which is increasingly important in today's world. The resilience of high-quality companies has shown the potential to outgrow average or low-quality companies over time and may offer broad market participation and a source of defense during market turmoil.

#### IMPORTANT INFORMATION

Past performance does not guarantee future results. Periods greater than one year are annualized. Data as of February 28, 2025. Sources: Bloomberg, L.P. and Morningstar Direct<sup>SM</sup>.

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