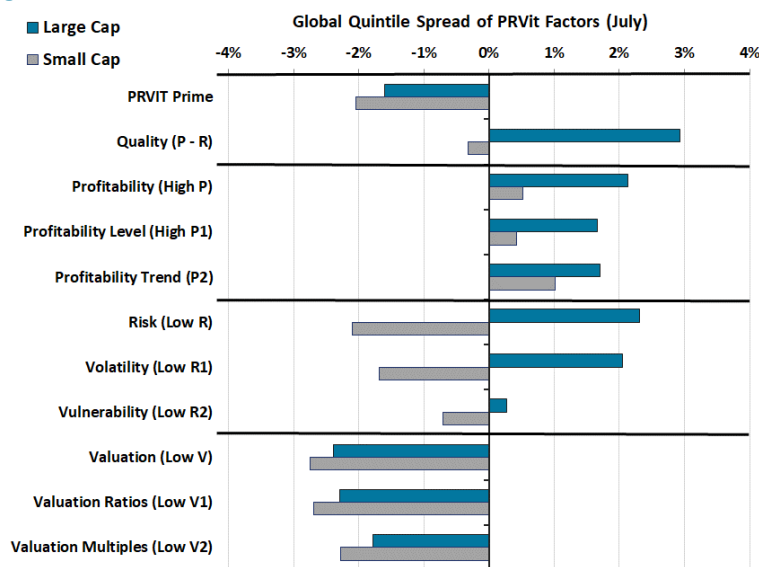


PRVit Factor Report – Global

July Results

Profitability drove the markets in our Global Large and Small Cap universes. July was the 5th positive month for our Profitability (P) factor in Large Cap and the first in Small Cap. In the Large Cap space, investors rewarded companies with low-Risk scores, especially low Volatility (R2), but Small Cap investors added to Risk positions as high-Risk names outperformed low-Risk names (by 210bps). Cheap Value was off in both universes, the first negative month for Small Cap since November 2021. In Large Cap, June and July were both negative for Value, but the average monthly alpha year-to-date is +194bps.

Figure 1: Factor Performance



Sector Attractiveness

In Figure 2 below, we break out sector attractiveness by Large Cap and Small Cap universes. Results exclude all Real Estate companies, as well as Pharma, Biotech, and Life Sciences companies with Market Caps less than \$10B. Sectors above the average are attractive: Financials and Materials continue to be the most attractive names in both segments. Energy is more attractive in Large Cap than Small Cap. Utilities have the largest discrepancy between Large and Small Cap. Overall, Small Cap looks more attractive than Large Cap.

Figure 2: Sector Attractiveness

Large Cap			Small Cap		
	PRVit	Quality Value		PRVit	Quality Value
Financials	61	61 48	Financials	66	59 40
Materials	54	61 57	Materials	56	54 47
Energy	53	49 45	Consumer Staples	52	53 52
Consumer Staples	46	63 68	Industrials	49	48 50
Industrials	43	53 62	Consumer Discretionary	48	48 51
Communication Services	43	50 59	Energy	48	41 43
Consumer Discretionary	43	52 63	Utilities	47	42 46
Health Care	43	61 72	Communication Services	46	45 50
Information Technology	41	61 76	Information Technology	45	53 61
Utilities	35	37 53	Health Care	41	48 61
Large Cap Average	47	56 61	Small Cap Average	51	51 50

Our [Sector Attractiveness: Global Analysis](#) report listed sectors from most favorable to least favorable and provided some historical back test results on the effectiveness of our PRVit vs Market score in picking attractive/unattractive sectors.

Contents

Our monthly PRVit Reports summarize the performance of our PRVit stock selection model as well as its underlying factors: Profitability (P), Risk (R), and Value (V). We analyze the results by regions, by sectors, and by market cap size.

Key Takeaways:

- Profitability worked in both Large and Small Cap.
- Cheap Value stopped working in both universes.
- **Expensive But Worth It** zone had the strongest performance of all the zones in Large Cap space. See page 3 for HEAT Map results.

Methodology:

The top-bottom spread (“spread”) is the difference between the average return of the top 20% and the bottom 20% of stocks ranked by a factor. The information coefficient (“IC”) is the cross-sectional correlation between the factor ranks and future returns. In other words, the top quintile should outperform the 2nd quintile, the 2nd quintile should outperform the 3rd quintile, etc. An IC around 5% indicates a very monotonic result.

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About ISS EVA

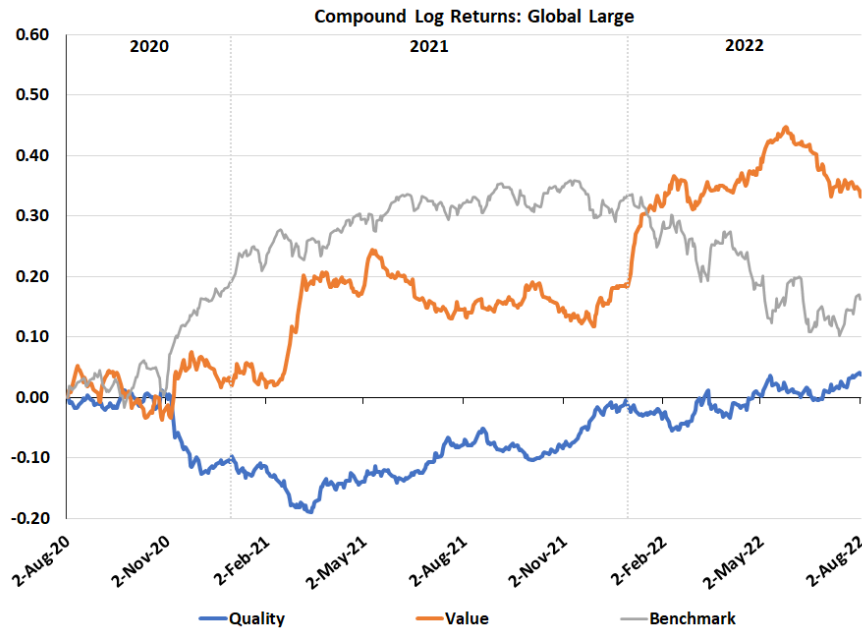
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Factor Rotation: Daily Performance over Trailing 24 Months

Large Cap and Small Cap daily factor performance over the last two years are included below. Note these graphs are based on daily re-balancing of factors (versus the monthly re-balancing used in all other analysis). The 'equal-weighted universe' lines are included to show market direction. When the colored factor lines (blue = Quality, orange = Value) are moving up, that factor is generating alpha, and when the lines are over the '0' line of the y-axis, they have positive cumulative alpha.

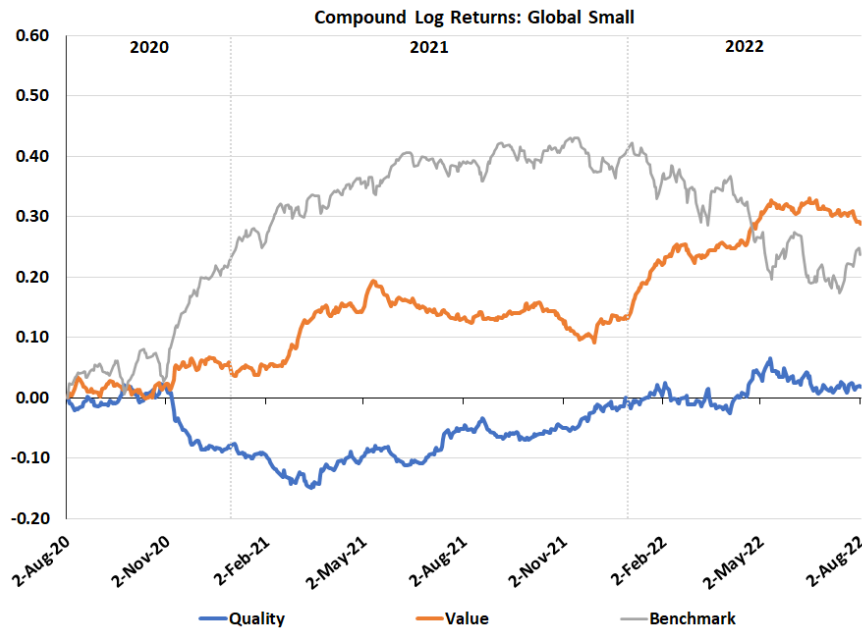
Figure 3: Global Large Cap



Global Large Cap

Quality and Value were both off in June, but in July Quality began to rebound. Value was off sharply in the first week of July but then flattened out for the remainder of the month.

Figure 4: Global Small Cap



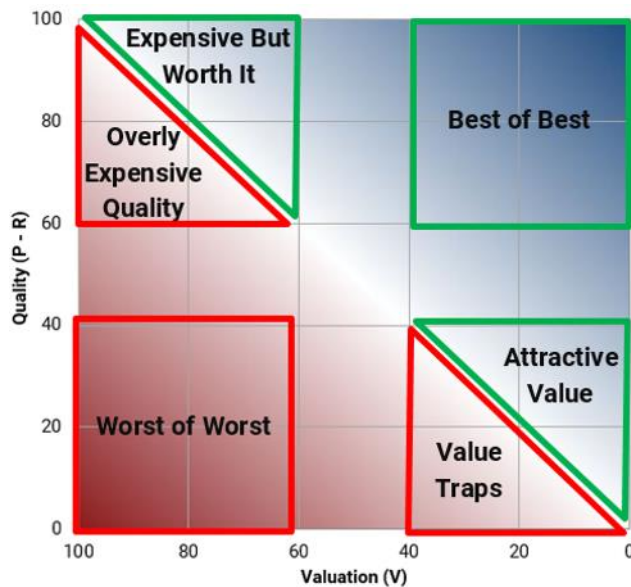
Global Small Cap

Quality slid in June and rebounded slightly in July but not to the degree seen in Large Cap. Value did not drop as sharply as Large Cap but was off over the course of July.

HEAT MAP: Examining the Zones

Our HEAT Map captures the key factors that constitute PRVit: the trade-off between Quality and Valuation. Our Quality score is plotted on the y-axis where the higher the value, the better the quality. Our Valuation factor is plotted on the x-axis where the cheaper values are to the right and the expensive values are to the left. The green areas are in the 'Favorable' region: the upper left one is our 'Expensive But Worth It' category, where PRVit > 70, Quality > 60, and Valuation > 60; while the lower-right one is our 'Attractive Value' category, where PRVit > 70, Quality < 40, and Valuation < 40. Our 'Best of Best' green box is PRVit > 70, Quality > 60, and Valuation < 40: these companies have the largest disconnect between their Quality and Valuation. The red areas are in the 'Unfavorable' region: the upper-left one is our 'Overly Expensive Quality,' where PRVit < 30, Quality > 60, and Valuation > 60; while the lower-right one is our 'Value Traps,' where PRVit < 30, Quality < 40, and Valuation < 40. And, of course, we highlight the 'Worst of Worst' in the red box, where PRVit < 30, Quality < 40, and Valuation > 60: we sometimes refer to these as 'Story Stocks' because if you own these, you better have a good story (See Figure 5).

Figure 5: HEAT Map Zones



HEAT Map Primer

The beauty of the HEAT map is the visual trade-off between **Quality** and **Valuation**: companies in the favorable (blue) area offer higher quality and/or cheaper valuation than those in the unfavorable (red) area.

The y-axis is our measure of **Quality**, where the higher the score, the higher the company's quality or Risk-Adjusted Profitability is. This is a composite score including Level and Trend of Profitability (P1 and P2) as well as Volatility and Vulnerability (R1 and R2).

The x-axis is our measure of **Valuation**, which includes Wealth Ratios and Wealth Multiples (V1 and V2). This axis is plotted in reverse, so the most expensive stocks (highest V scores) are to the left and the cheapest V scores are plotted to the right.

The upper left area tends to contain growth names while the bottom right area tends to be the value plays.

Zones: Current Analysis

In Figure 6, we summarize the performance of these zones for the Large and Small Cap markets across various time slices. In July ('1M' columns), the Expensive But Worth It zone outperformed all zones in the Large Cap space, generating +146bps of alpha over the universe and +165bps over the **Overly Expensive Quality** zone. In the Small Cap space, Overly Expensive Quality was the strongest performing zone. The outperformance of **Overly Expensive Quality** may indicate investors are searching for Profitability at any price. Over the last year, all of the favorable zones outperformed their unfavorable counterparts in both universes. Over time, **Expensive But Worth It** generates the best performance for the Large Cap universe while **Best of the Best** has the strongest performance in Small Cap.

Figure 6: Zone Alpha

Avg Monthly Spread vs Benchmark Zones	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small
Best of the Best	0.35%	-0.52%	-0.11%	-0.28%	0.96%	0.32%	0.16%	0.09%	0.06%	0.15%	0.20%	0.26%	0.26%	0.51%
Expensive But Worth It	1.46%	-0.42%	1.12%	-0.60%	0.90%	0.18%	0.45%	0.15%	0.47%	0.28%	0.37%	0.25%	0.37%	0.38%
Overly Expensive Quality	-0.19%	2.12%	1.60%	1.32%	-0.12%	0.03%	0.27%	0.09%	0.14%	-0.06%	-0.11%	-0.20%	-0.11%	-0.05%
Attractive Value	-2.78%	-1.39%	-0.39%	0.15%	-0.18%	0.43%	-0.04%	0.21%	-0.12%	0.11%	0.16%	0.17%	-0.04%	0.45%
Value Trap	-1.90%	-0.16%	-0.62%	-0.06%	-0.31%	0.19%	0.16%	0.41%	-0.31%	0.11%	-0.13%	-0.09%	-0.18%	-0.26%
Worst of the Worst	0.19%	1.52%	-0.47%	0.62%	-1.30%	-0.92%	-0.21%	-0.34%	-0.22%	-0.34%	-0.36%	-0.48%	-0.35%	-0.55%

In Figures 7 & 8 (next page), we plot the long-term returns of these zones.

Long-Term HEAT Map Zone Performance

The graphs below show compounded performance of our zones versus the equal-weighted average of each universe (**Best of the Best**, **Expensive But Worth It**, **Overly Expensive Quality**, **Attractive Value**, **Value Trap**, and **Worst of the Worst**). See the explanation of zones on the previous page.

Figure 7: Long-Term Zone Performance – Global Large Cap

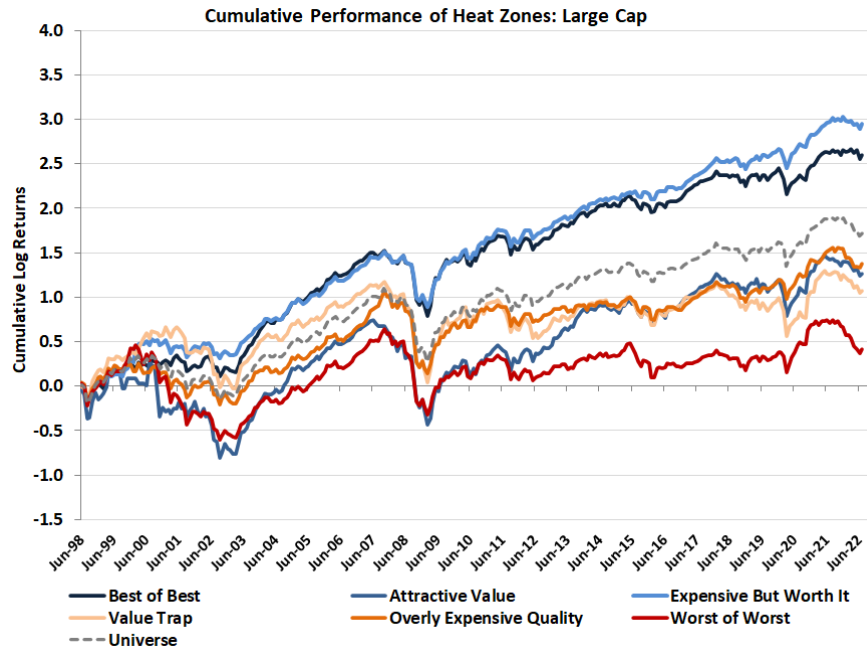
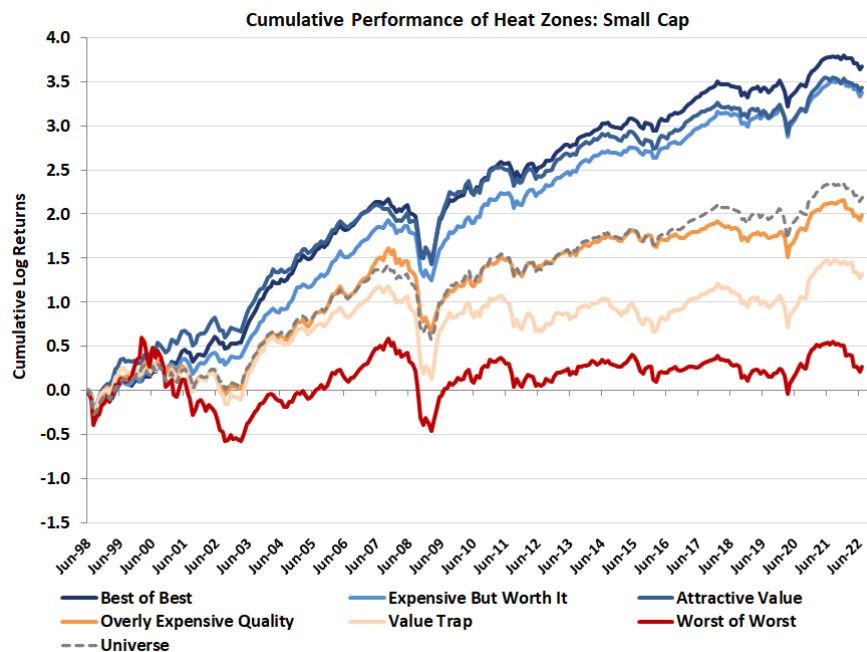


Figure 8: Long-Term Zone Performance – Global Small Cap



PRVit Performance and Factor Returns: Global

Figures 9-11 show the performance of the PRVit model in different market cap ranges. The top-bottom spread (“spread”) is the difference between the average return of the top 20% and the bottom 20% of stocks ranked by a factor. The information coefficient (“IC”) is the cross-sectional correlation between the factor ranks and future returns. In other words, the top quintile should outperform the 2nd quintile, the 2nd quintile should outperform the 3rd quintile, etc. An IC around 5% indicates a very monotonic result.

The ‘1M’ columns from Figure 10 and Figure 11 match the results in Figure 1 on page 1.

Figure 9: Global All Cap

Global All	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	5.7%	0.89%	-1.1%	-0.24%	1.4%	0.37%	2.2%	0.21%	2.9%	0.39%	3.0%	0.46%	3.4%	0.59%
Profitability Level (High P1)	4.7%	0.54%	-0.3%	-0.04%	1.7%	0.46%	2.4%	0.18%	3.0%	0.34%	2.8%	0.35%	3.2%	0.51%
Profitability Trend (High P2)	4.9%	1.12%	-2.2%	-0.76%	0.4%	0.11%	1.0%	0.18%	1.6%	0.31%	2.4%	0.49%	2.7%	0.64%
Risk (Low R)	-0.7%	-1.10%	2.0%	-0.15%	3.8%	0.76%	1.6%	-0.26%	2.7%	0.09%	3.4%	0.37%	3.2%	0.46%
Volatility (Low R1)	-0.4%	-0.97%	1.9%	-0.11%	4.7%	0.74%	1.5%	-0.54%	2.8%	-0.10%	3.5%	0.18%	2.9%	0.08%
Vulnerability (Low R2)	-1.3%	-0.59%	1.1%	0.27%	1.3%	0.28%	0.9%	0.09%	1.1%	0.18%	1.5%	0.31%	1.8%	0.51%
Quality (High P - R)	5.1%	0.52%	-0.2%	-0.21%	2.6%	0.67%	2.4%	0.09%	3.4%	0.39%	3.8%	0.54%	4.0%	0.67%
Valuation (Low V)	-8.8%	-2.54%	-0.7%	-0.52%	3.9%	1.01%	1.1%	0.28%	0.2%	0.09%	0.8%	0.28%	1.4%	0.53%
Valuation Ratios (Low V1)	-9.0%	-2.76%	-0.3%	-0.43%	3.7%	0.96%	0.9%	0.29%	-0.1%	0.06%	0.5%	0.22%	0.9%	0.42%
Valuation Multiples (Low V2)	-6.6%	-2.27%	-1.3%	-0.64%	4.3%	1.07%	1.7%	0.20%	1.2%	0.12%	2.0%	0.34%	2.8%	0.65%
PRVit	-1.6%	-1.22%	-1.0%	-0.58%	4.6%	1.16%	2.7%	0.30%	3.0%	0.40%	4.0%	0.67%	4.5%	0.95%
PRVit Prime	-4.1%	-1.85%	-1.0%	-0.48%	4.7%	1.30%	2.6%	0.29%	2.8%	0.36%	3.5%	0.58%	4.3%	0.95%

Figure 10: Global Large Cap

Large Cap	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	8.4%	2.13%	3.1%	1.20%	1.2%	0.68%	2.0%	0.41%	2.9%	0.51%	2.3%	0.39%	2.5%	0.52%
Profitability Level (High P1)	8.2%	1.66%	3.7%	1.19%	1.7%	0.64%	2.2%	0.37%	2.9%	0.47%	1.9%	0.30%	2.2%	0.48%
Profitability Trend (High P2)	5.6%	1.70%	1.2%	0.70%	0.1%	0.32%	1.0%	0.26%	1.9%	0.40%	2.1%	0.41%	2.3%	0.52%
Risk (Low R)	7.6%	2.31%	3.6%	0.59%	5.3%	1.19%	1.6%	-0.03%	2.6%	0.22%	2.9%	0.35%	2.2%	0.38%
Volatility (Low R1)	9.5%	2.05%	4.5%	0.53%	6.0%	1.24%	1.0%	-0.23%	2.5%	0.11%	2.6%	0.18%	1.8%	0.09%
Vulnerability (Low R2)	0.4%	0.27%	0.5%	-0.04%	1.8%	0.42%	1.1%	0.08%	1.1%	0.13%	1.6%	0.25%	1.6%	0.38%
Quality (High P - R)	10.5%	2.93%	3.9%	1.21%	3.1%	1.07%	2.3%	0.28%	3.5%	0.54%	3.2%	0.48%	3.0%	0.58%
Valuation (Low V)	-12.3%	-2.39%	-2.7%	-1.03%	5.0%	1.37%	0.3%	-0.01%	-1.1%	-0.26%	0.5%	0.12%	0.9%	0.28%
Valuation Ratios (Low V1)	-12.7%	-2.29%	-2.6%	-0.86%	4.9%	1.44%	0.2%	0.11%	-1.3%	-0.23%	0.3%	0.14%	0.6%	0.24%
Valuation Multiples (Low V2)	-10.0%	-1.78%	-2.4%	-1.39%	5.4%	1.41%	0.8%	-0.02%	-0.4%	-0.18%	1.0%	0.11%	1.6%	0.33%
PRVit	0.2%	0.16%	1.2%	0.18%	5.7%	1.76%	2.4%	0.32%	2.5%	0.35%	3.5%	0.55%	3.3%	0.67%
PRVit Prime	-6.3%	-1.60%	0.3%	0.19%	5.4%	1.71%	2.2%	0.27%	2.2%	0.25%	2.8%	0.39%	3.0%	0.61%

Figure 11: Global Small Cap

Small Cap	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	4.7%	0.51%	-2.3%	-0.65%	1.2%	0.29%	2.0%	0.17%	2.5%	0.35%	3.0%	0.51%	3.5%	0.66%
Profitability Level (High P1)	3.5%	0.43%	-1.3%	-0.30%	1.5%	0.45%	2.3%	0.20%	2.7%	0.33%	2.9%	0.41%	3.4%	0.59%
Profitability Trend (High P2)	4.6%	1.01%	-3.1%	-1.12%	0.4%	0.10%	0.9%	0.17%	1.3%	0.28%	2.3%	0.52%	2.7%	0.69%
Risk (Low R)	-2.7%	-2.10%	1.6%	-0.35%	3.6%	0.62%	1.7%	-0.34%	2.8%	0.05%	3.6%	0.37%	3.5%	0.47%
Volatility (Low R1)	-2.9%	-1.69%	1.4%	-0.32%	4.6%	0.60%	1.7%	-0.64%	3.0%	-0.18%	3.8%	0.17%	3.3%	0.06%
Vulnerability (Low R2)	-1.7%	-0.71%	1.2%	0.41%	1.1%	0.26%	0.8%	0.07%	1.1%	0.19%	1.5%	0.33%	1.8%	0.55%
Quality (High P - R)	3.4%	-0.32%	-1.4%	-0.65%	2.3%	0.54%	2.3%	0.05%	3.1%	0.31%	3.8%	0.56%	4.1%	0.73%
Valuation (Low V)	-7.3%	-2.75%	0.0%	-0.36%	4.1%	0.84%	1.6%	0.32%	1.1%	0.23%	1.4%	0.32%	1.8%	0.55%
Valuation Ratios (Low V1)	-7.6%	-2.69%	0.5%	-0.14%	3.9%	0.86%	1.4%	0.37%	0.8%	0.22%	0.9%	0.28%	1.3%	0.46%
Valuation Multiples (Low V2)	-5.2%	-2.27%	-0.8%	-0.63%	4.3%	0.84%	2.3%	0.23%	2.1%	0.24%	2.6%	0.43%	3.3%	0.73%
PRVit	-1.7%	-1.79%	-1.4%	-0.87%	4.5%	0.97%	2.9%	0.27%	3.3%	0.40%	4.3%	0.70%	4.8%	1.02%
PRVit Prime	-3.3%	-2.05%	-1.2%	-0.59%	4.7%	1.20%	2.9%	0.32%	3.1%	0.43%	3.8%	0.65%	4.7%	1.03%

Global ex U.S. Results on Next Page

PRVit Performance and Factor Returns: Global ex U.S.

Figures 12-14 show performance of the PRVit model in different market cap ranges for the Global universe excluding the United States.

Figure 12: Global ex U.S. All Cap

Global ex U.S. All	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	6.5%	1.23%	-1.6%	-0.45%	0.7%	0.11%	2.1%	0.26%	2.9%	0.47%	3.3%	0.56%	3.2%	0.49%
Profitability Level (High P1)	5.8%	0.91%	-0.7%	-0.31%	1.0%	0.08%	2.3%	0.16%	3.1%	0.34%	3.1%	0.39%	3.0%	0.42%
Profitability Trend (High P2)	5.4%	1.04%	-2.5%	-0.86%	-0.1%	-0.05%	1.0%	0.25%	1.6%	0.41%	2.5%	0.58%	2.5%	0.59%
Risk (Low R)	5.3%	0.52%	1.5%	-0.47%	2.4%	0.19%	2.0%	-0.14%	3.1%	0.17%	3.9%	0.44%	2.9%	0.31%
Volatility (Low R1)	5.8%	1.01%	1.4%	-0.44%	3.7%	0.28%	2.1%	-0.40%	3.4%	0.00%	3.9%	0.24%	2.9%	0.01%
Vulnerability (Low R2)	2.2%	0.38%	1.4%	0.24%	0.3%	0.05%	0.9%	0.16%	1.1%	0.22%	1.8%	0.35%	1.5%	0.39%
Quality (High P - R)	8.2%	1.50%	-0.9%	-0.57%	1.4%	0.16%	2.5%	0.19%	3.6%	0.48%	4.2%	0.65%	3.8%	0.58%
Valuation (Low V)	-4.8%	-1.80%	0.6%	-0.33%	4.1%	0.87%	1.1%	0.20%	0.6%	0.13%	1.2%	0.32%	1.7%	0.55%
Valuation Ratios (Low V1)	-5.5%	-1.95%	0.9%	-0.21%	4.0%	0.82%	0.8%	0.15%	0.2%	0.06%	0.7%	0.23%	1.0%	0.42%
Valuation Multiples (Low V2)	-2.1%	-1.25%	0.0%	-0.53%	4.4%	0.93%	1.9%	0.17%	1.8%	0.21%	2.7%	0.47%	3.0%	0.67%
PRVit	3.5%	-0.17%	-0.6%	-0.93%	4.0%	0.71%	2.9%	0.29%	3.5%	0.48%	4.5%	0.78%	4.4%	0.87%
PRVit Prime	-2.0%	-1.36%	-1.7%	-0.86%	3.8%	0.84%	2.6%	0.28%	3.1%	0.45%	3.9%	0.67%	4.1%	0.85%

Figure 13: Global ex U.S. Large Cap

Global ex U.S. Large Cap	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	8.5%	2.19%	0.4%	0.72%	0.9%	0.46%	1.8%	0.34%	2.8%	0.50%	2.3%	0.41%	2.3%	0.42%
Profitability Level (High P1)	7.1%	1.89%	0.3%	0.72%	1.0%	0.42%	2.1%	0.35%	2.9%	0.48%	2.0%	0.27%	2.1%	0.40%
Profitability Trend (High P2)	7.0%	1.93%	0.2%	0.50%	0.4%	0.43%	0.8%	0.27%	1.7%	0.39%	2.0%	0.39%	2.0%	0.40%
Risk (Low R)	13.1%	3.61%	0.8%	-0.77%	3.1%	0.55%	1.3%	-0.20%	2.5%	0.15%	3.0%	0.34%	2.3%	0.39%
Volatility (Low R1)	13.7%	3.68%	0.1%	-0.81%	4.0%	0.72%	0.9%	-0.32%	2.5%	0.03%	2.4%	0.13%	1.8%	0.00%
Vulnerability (Low R2)	6.0%	2.26%	0.9%	0.03%	0.9%	0.16%	0.9%	0.04%	1.1%	0.16%	1.9%	0.34%	1.6%	0.43%
Quality (High P - R)	13.3%	3.71%	0.4%	0.15%	1.9%	0.66%	2.0%	0.28%	3.4%	0.54%	3.1%	0.49%	2.8%	0.51%
Valuation (Low V)	-5.9%	-1.31%	-1.2%	-1.07%	4.6%	1.17%	0.0%	-0.12%	-0.9%	-0.23%	0.8%	0.18%	1.4%	0.46%
Valuation Ratios (Low V1)	-6.5%	-1.53%	-0.8%	-0.95%	4.4%	1.16%	-0.2%	-0.07%	-1.1%	-0.21%	0.6%	0.18%	1.0%	0.38%
Valuation Multiples (Low V2)	-4.1%	-0.96%	-2.0%	-1.31%	4.9%	1.23%	0.5%	-0.10%	-0.1%	-0.12%	1.2%	0.14%	2.1%	0.54%
PRVit	6.9%	1.31%	-0.9%	-0.93%	4.7%	1.28%	1.8%	0.15%	2.4%	0.33%	3.4%	0.56%	3.5%	0.76%
PRVit Prime	-5.2%	-1.28%	-2.6%	-0.88%	4.0%	1.22%	1.3%	0.04%	1.8%	0.18%	2.5%	0.38%	3.1%	0.69%

Figure 14: Global ex U.S. Small Cap

Global ex U.S. Small Cap	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	6.2%	1.03%	-2.5%	-0.96%	0.5%	0.00%	2.1%	0.25%	2.7%	0.45%	3.5%	0.63%	3.4%	0.59%
Profitability Level (High P1)	5.9%	1.11%	-1.3%	-0.50%	0.9%	0.07%	2.3%	0.16%	2.9%	0.32%	3.3%	0.47%	3.2%	0.49%
Profitability Trend (High P2)	4.9%	0.90%	-3.6%	-1.37%	-0.3%	-0.17%	1.0%	0.26%	1.5%	0.45%	2.6%	0.67%	2.6%	0.66%
Risk (Low R)	2.2%	-0.69%	2.0%	-0.23%	2.3%	0.10%	2.4%	-0.12%	3.4%	0.19%	4.3%	0.47%	3.2%	0.26%
Volatility (Low R1)	2.5%	-0.23%	2.2%	-0.25%	3.9%	0.13%	2.6%	-0.41%	3.9%	-0.01%	4.6%	0.28%	3.3%	-0.04%
Vulnerability (Low R2)	0.8%	-0.18%	1.6%	0.36%	0.2%	0.05%	1.0%	0.20%	1.1%	0.24%	1.8%	0.36%	1.4%	0.37%
Quality (High P - R)	6.6%	0.81%	-1.5%	-0.92%	1.3%	-0.01%	2.6%	0.21%	3.5%	0.46%	4.5%	0.72%	4.1%	0.62%
Valuation (Low V)	-5.1%	-2.47%	1.7%	0.00%	4.3%	0.75%	1.7%	0.29%	1.6%	0.28%	1.8%	0.37%	2.1%	0.51%
Valuation Ratios (Low V1)	-6.0%	-2.57%	2.0%	0.13%	4.1%	0.73%	1.3%	0.23%	1.1%	0.19%	1.1%	0.25%	1.3%	0.39%
Valuation Multiples (Low V2)	-1.9%	-1.72%	1.2%	-0.31%	4.5%	0.71%	2.6%	0.25%	2.9%	0.36%	3.5%	0.56%	3.5%	0.69%
PRVit	2.2%	-0.88%	-0.3%	-0.90%	3.9%	0.52%	3.4%	0.37%	4.1%	0.57%	5.1%	0.86%	4.8%	0.89%
PRVit Prime	-1.2%	-1.66%	-1.1%	-0.93%	3.9%	0.69%	3.2%	0.35%	3.7%	0.55%	4.6%	0.77%	4.5%	0.88%

Sector Results on Next Page

PRVit Performance by Sector

In July, the negative spreads for PRVit hit most sectors. In Global Large Cap (Figure 15), Industrials, Discretionary, Financials, and Utilities saw positive spreads, and in Global Small Cap (Figure 17), Discretionary, Staples, and Financials posted positive spreads. Figures 16 and 18 are Global ex U.S. universe results. Over the past year ('1Y'), PRVit spreads have averaged a positive spread for most sectors across the different universes.

Figure 15: PRVit Performance by Sector – Global Large Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Large Cap	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
ENERGY	-20.3%	-2.15%	4.0%	2.88%	5.5%	1.72%	2.5%	0.92%	2.7%	0.72%	2.9%	0.69%	3.6%	0.75%
MATERIALS	-6.5%	-2.99%	-13.6%	-5.10%	1.5%	0.16%	-1.0%	-0.77%	-1.0%	-0.60%	2.6%	0.06%	3.7%	0.60%
INDUSTRIALS	5.4%	1.90%	-0.4%	0.34%	4.3%	1.72%	3.6%	0.78%	3.5%	0.72%	4.1%	0.62%	4.0%	0.85%
CONS DISC	4.9%	2.06%	6.2%	1.62%	7.5%	2.01%	4.0%	0.41%	3.5%	0.45%	2.7%	0.35%	2.2%	0.30%
CONS STAP	-22.5%	-5.47%	1.5%	-0.82%	5.7%	1.20%	2.3%	-0.10%	2.4%	-0.03%	2.9%	0.28%	3.2%	0.52%
HEALTH CARE	-11.1%	-1.77%	3.6%	1.83%	11.7%	4.95%	3.3%	0.88%	2.0%	0.10%	3.1%	0.67%	3.3%	1.10%
FINANCIALS	-0.4%	0.23%	3.4%	1.51%	3.8%	1.16%	0.8%	0.12%	2.1%	0.28%	2.3%	0.33%	2.9%	0.51%
INFO TECH	-6.0%	-5.75%	3.0%	0.89%	10.9%	2.82%	4.4%	0.79%	2.9%	0.43%	2.9%	0.34%	3.5%	0.81%
COMM SVC	-11.8%	-2.28%	1.5%	0.66%	7.2%	2.56%	0.7%	-0.05%	0.4%	-0.02%	1.2%	0.09%	2.3%	0.56%
UTILITIES	-8.7%	1.00%	-5.0%	1.26%	-2.3%	-0.73%	-2.9%	-0.60%	-0.5%	-0.15%	1.0%	0.09%	2.9%	0.37%
REAL ESTATE	-6.4%	-2.26%	1.0%	-1.47%	-1.7%	-1.16%	1.1%	-0.10%	0.2%	-0.14%	1.0%	0.08%	1.0%	0.08%

Figure 16: PRVit Performance by Sector – Global ex U.S. Large Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Global ex U.S. Large Cap	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
ENERGY	-13.2%	2.61%	8.8%	4.72%	11.8%	3.09%	2.8%	0.99%	3.1%	0.89%	3.9%	1.09%	4.3%	1.35%
MATERIALS	-7.1%	-3.06%	-14.0%	-5.44%	0.2%	-0.51%	-0.9%	-0.84%	-0.5%	-0.62%	2.5%	0.12%	3.7%	0.60%
INDUSTRIALS	-1.2%	0.12%	-4.2%	-0.80%	4.8%	1.79%	3.1%	0.70%	3.1%	0.70%	3.7%	0.68%	4.3%	0.91%
CONS DISC	2.2%	1.33%	4.1%	1.23%	4.3%	1.21%	3.4%	0.25%	3.2%	0.42%	2.9%	0.37%	2.7%	0.57%
CONS STAP	-16.9%	-2.73%	1.2%	0.07%	5.1%	1.53%	1.1%	0.21%	2.2%	0.21%	2.0%	0.29%	3.8%	0.85%
HEALTH CARE	-12.8%	-4.27%	0.4%	-0.22%	9.8%	4.24%	1.8%	-0.04%	1.3%	-0.19%	2.3%	0.37%	2.0%	0.94%
FINANCIALS	-2.0%	-1.24%	2.0%	0.42%	3.5%	0.79%	-0.4%	-0.35%	1.1%	-0.04%	1.5%	0.21%	3.0%	0.49%
INFO TECH	7.8%	0.05%	-2.3%	-0.69%	8.4%	2.38%	3.1%	0.57%	2.9%	0.34%	3.3%	0.27%	3.2%	0.52%
COMM SVC	-6.3%	-0.93%	4.8%	1.17%	3.6%	1.58%	0.9%	0.33%	1.4%	0.36%	1.9%	0.32%	2.8%	1.08%
UTILITIES	-19.1%	-0.38%	-11.4%	-0.36%	-1.4%	0.09%	-3.0%	-0.43%	-0.4%	-0.09%	0.6%	0.16%	3.0%	0.67%
REAL ESTATE	3.5%	-2.11%	-7.3%	-3.78%	-0.4%	-1.46%	2.8%	0.18%	1.8%	0.10%	3.1%	0.33%	3.1%	0.33%

Figure 17: PRVit Performance by Sector – Global Small Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Small Cap	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
ENERGY	-9.5%	-4.81%	6.0%	1.78%	3.4%	1.29%	2.0%	0.38%	1.8%	0.59%	2.6%	0.75%	3.7%	0.95%
MATERIALS	-12.1%	-3.39%	-6.9%	-2.51%	2.6%	-0.17%	0.9%	-0.66%	1.8%	-0.01%	4.3%	0.76%	4.2%	0.80%
INDUSTRIALS	-2.6%	-2.50%	-0.9%	-1.26%	5.4%	1.21%	3.4%	0.49%	3.5%	0.57%	4.7%	0.90%	4.8%	1.13%
CONS DISC	5.8%	1.95%	3.1%	1.86%	3.0%	1.08%	2.2%	0.24%	2.0%	0.26%	3.3%	0.62%	4.9%	1.25%
CONS STAP	2.9%	0.46%	-4.1%	-1.66%	5.0%	1.00%	3.5%	0.42%	3.8%	0.66%	5.0%	0.97%	5.4%	1.28%
HEALTH CARE	-19.6%	-8.98%	-2.4%	-1.24%	10.4%	3.06%	5.4%	0.46%	4.8%	0.31%	4.7%	0.32%	5.9%	0.97%
FINANCIALS	4.9%	0.52%	2.8%	0.50%	2.8%	0.52%	2.3%	0.51%	3.5%	0.75%	2.8%	0.54%	4.3%	1.03%
INFO TECH	2.7%	-1.36%	-1.8%	-1.07%	7.0%	1.38%	5.4%	0.78%	4.2%	0.46%	4.0%	0.52%	4.8%	0.90%
COMM SVC	-2.2%	-1.04%	4.0%	2.07%	4.5%	1.20%	3.2%	0.28%	2.3%	-0.07%	2.7%	0.00%	5.1%	1.25%
UTILITIES	-8.4%	-0.17%	-11.4%	-1.36%	1.8%	1.23%	-1.0%	0.05%	1.4%	0.29%	3.0%	0.55%	4.2%	0.67%
REAL ESTATE	-4.5%	-2.89%	-6.2%	-1.45%	-0.3%	-0.09%	-0.6%	-0.02%	0.3%	0.18%	1.4%	0.42%	1.4%	0.42%

Figure 18: PRVit Performance by Sector – Global ex U.S. Small Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Global ex U.S. Small Cap	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
ENERGY	-4.9%	-1.47%	5.0%	2.27%	3.0%	1.20%	3.2%	0.70%	2.7%	0.93%	3.4%	1.09%	3.5%	0.88%
MATERIALS	-9.7%	-2.56%	-4.0%	-1.81%	3.4%	-0.03%	1.7%	-0.51%	2.4%	0.11%	4.6%	0.76%	4.5%	0.77%
INDUSTRIALS	1.4%	-1.14%	0.3%	-0.93%	4.6%	0.92%	3.9%	0.59%	4.4%	0.65%	5.2%	0.91%	4.6%	0.86%
CONS DISC	1.1%	-0.62%	1.1%	-0.26%	1.9%	0.15%	2.0%	-0.05%	2.0%	0.11%	3.7%	0.58%	4.9%	1.08%
CONS STAP	2.8%	0.90%	-2.9%	-1.19%	4.9%	1.10%	4.0%	0.56%	4.5%	0.86%	5.6%	1.10%	6.0%	1.27%
HEALTH CARE	-8.8%	-5.94%	3.1%	0.22%	9.4%	2.65%	5.8%	0.77%	5.7%	0.52%	5.9%	0.63%	5.0%	0.49%
FINANCIALS	-2.6%	-1.01%	-0.3%	-0.03%	2.6%	0.45%	2.6%	0.62%	4.0%	0.91%	3.3%	0.62%	3.8%	0.83%
INFO TECH	3.4%	-2.47%	-5.3%	-3.28%	5.3%	0.75%	5.5%	0.74%	5.5%	0.71%	5.4%	0.73%	5.0%	0.75%
COMM SVC	-1.0%	-1.42%	2.6%	1.26%	3.4%	0.04%	3.1%	0.39%	2.2%	0.09%	3.5%	0.18%	5.5%	1.05%
UTILITIES	0.7%	1.37%	-5.2%	-1.07%	2.6%	0.27%	-0.6%	-0.59%	1.6%	0.00%	3.1%	0.43%	3.8%	0.52%
REAL ESTATE	3.5%	-1.51%	-5.6%	-1.97%	0.4%	-0.52%	0.2%	-0.01%	1.2%	0.28%	2.2%	0.50%	2.2%	0.50%

PRVit Performance and Factor Returns by Region

In July, PRVit had a positive spread in Europe, Latin America, and the Middle East and Africa (**Figure 19**). Over the last year, PRVit has posted positive spreads in all regions. **Figure 20** shows the spread of PRVit and its subfactors for the month of July: Profitability worked in Asia, Europe, and North America. Cheap Value continued to work in Latin America but stopped working in all other regions. **Figure 21** shows the average monthly spreads over the past year: cheap Value has generated the highest average spreads in most regions. The strong recovery in Value from December to May has offset the drop we saw from July to November. Profitability and Risk have generally posted positive spreads, on average, for the year.

Figure 19: PRVit Performance by Region

PRVit Prime Returns	1M		3M		1Y		3Y		5Y		10Y		Since May'98	
Region / Economy Type in Global All Cap Universe	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
ASIA	-6.1%	-2.67%	-5.2%	-1.90%	2.8%	0.42%	2.3%	0.06%	3.3%	0.36%	4.0%	0.56%	4.4%	0.81%
EUROPE	3.6%	1.18%	2.6%	0.87%	3.6%	1.22%	2.6%	0.53%	2.0%	0.46%	3.3%	0.76%	3.9%	1.01%
LATIN AMERICA	-2.6%	0.69%	10.1%	4.01%	10.1%	3.72%	3.0%	0.63%	3.4%	0.68%	3.6%	0.76%	4.0%	0.92%
MIDDLE EAST AND AFRICA	5.7%	1.53%	3.8%	1.26%	6.6%	2.05%	3.4%	0.55%	3.8%	0.79%	4.4%	0.87%	4.7%	1.22%
NORTH AMERICA	-4.7%	-2.06%	4.2%	1.17%	8.8%	2.68%	4.0%	0.61%	2.7%	0.26%	3.1%	0.46%	4.0%	0.93%
DEVELOPED	-2.2%	-1.24%	2.9%	0.91%	5.7%	1.74%	2.9%	0.45%	2.3%	0.30%	3.2%	0.55%	4.0%	0.89%
EMERGING	-6.9%	-2.82%	-7.4%	-2.70%	2.9%	0.50%	2.2%	-0.03%	3.5%	0.34%	4.0%	0.55%	4.5%	1.05%

Figure 20: Factor Performance by Region – Last Month

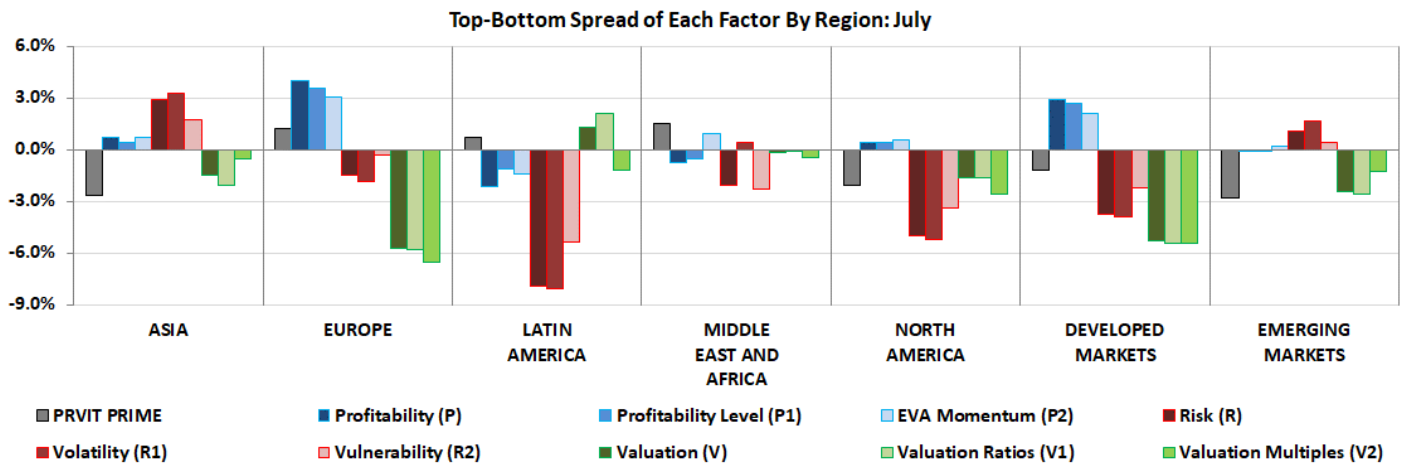
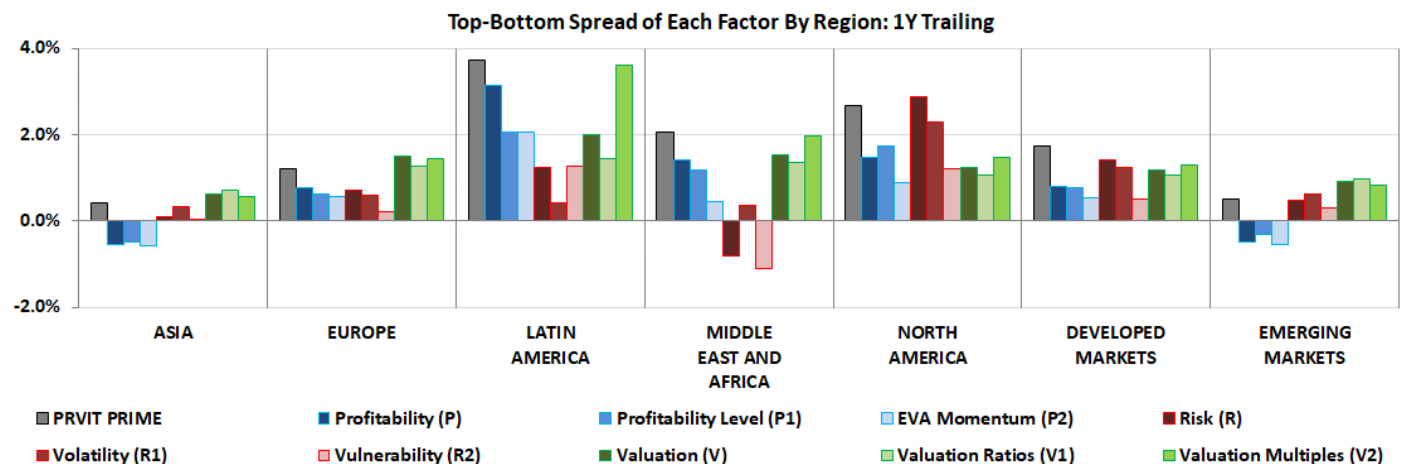


Figure 21: Factor Performance by Region – Trailing 1 Year



PRVit Performance by Quintiles and Long/Short

Figures 22 and 25 show the quintile performance over various time slices. Over the long term, PRVit performance tends to be monotonic (1st quintile beats the 2nd quintile, 2nd quintile beats the 3rd quintile, etc.). On the right (Figures 23 and 26), we isolate the performance of the top and bottom quintiles and show the alpha from buying the top quintile (long) or selling the bottom quintile (short).

Global Large Cap Commentary

In July, the top quintile underperformed the universe average (-108bps). The bottom quintile outperformed (+52bps). The total PRVit spread was -160bps, the second negative month in a row after PRVit was positive and averaged +347bps from November 2021 to May 2022. Since May 1998, long alpha averages +28bps and short alpha averages +33bps, which means alpha is relatively balanced long and short.

Figure 22: Stock Returns by PRVit Quintiles

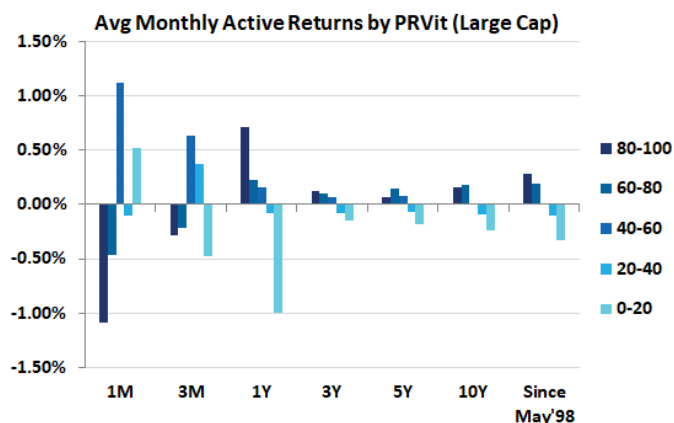
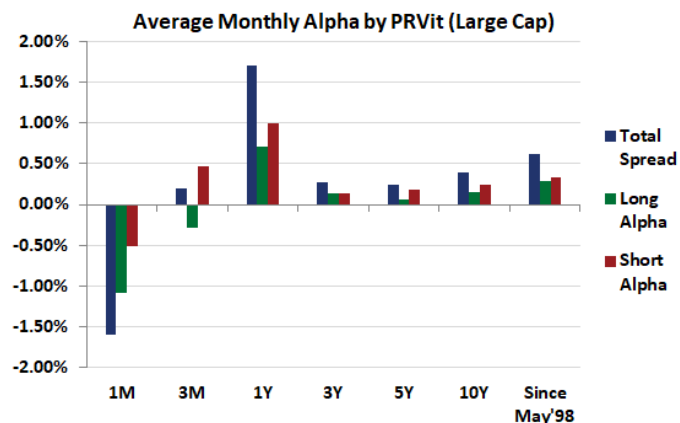


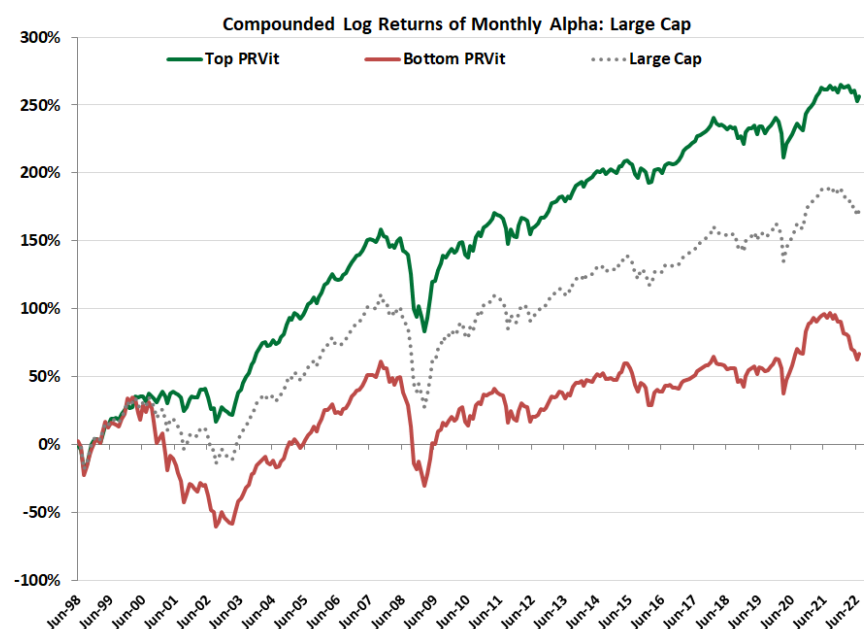
Figure 23: Long and Short Alpha



Compound Top and Bottom Quintiles

In Figure 24, we plot the return of the top (green line) and bottom (red line) quintiles of PRVit versus the equal-weighted benchmark returns. The top and bottom quintiles are re-balanced monthly and include all companies trading at the time. The difference between the green line and the dotted gray line is the **long alpha** while the difference between the red line and the dotted gray line is the **short alpha**. The difference between the green line and the red line is the total spread or total alpha.

Figure 24: Compound Performance of Top and Bottom Quintiles



Global Small Cap Commentary

In July, the top quintile underperformed the universe (-84bps). The bottom quintile outperformed the universe (+121bps). Overall, the PRVit spread was -205bps. Over our full history, long alpha averages +49bps/month and short alpha averages +54bps/month. Results over all time slices beyond the 3M period are generally monotonic.

Figure 25: Stock Returns by PRVit Quintiles

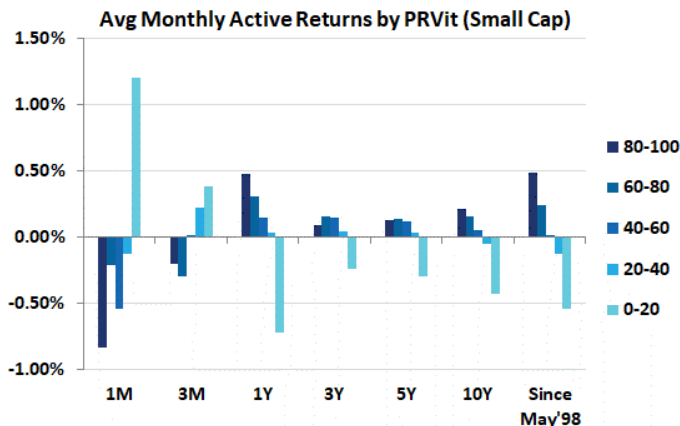
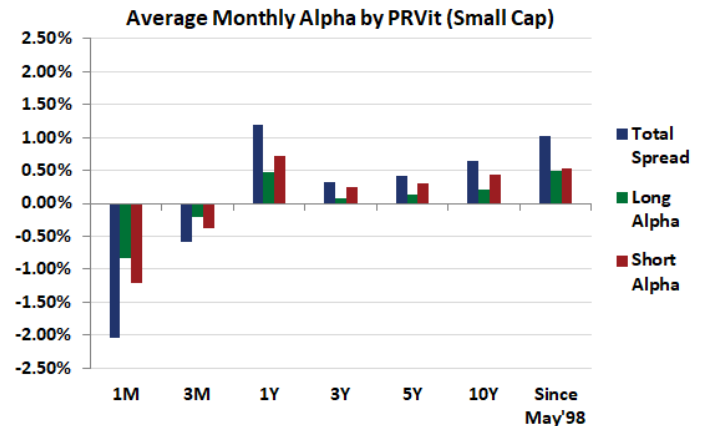


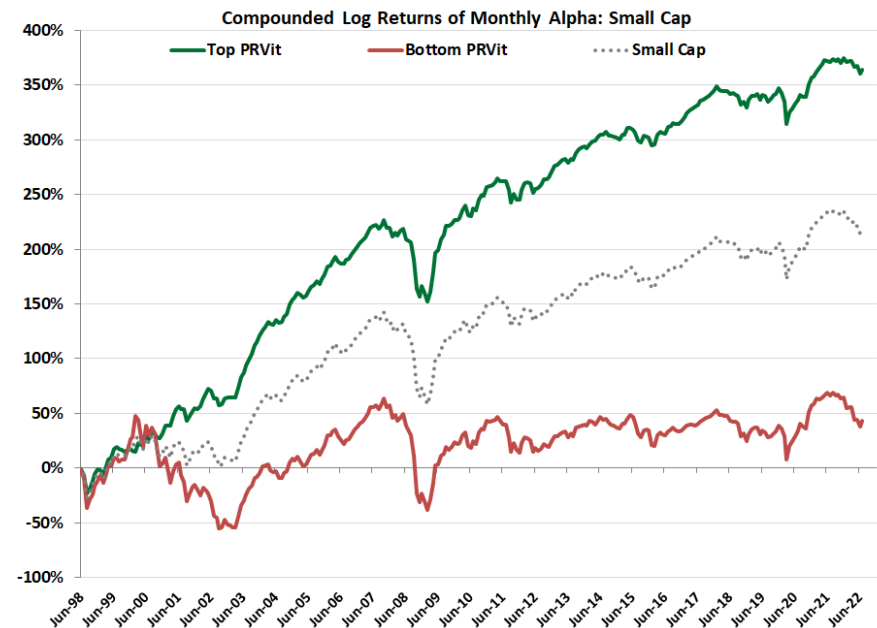
Figure 26: Long and Short Alpha



Compound Top and Bottom Quintiles

In **Figure 27**, we plot the return of the top (green line) and bottom (red line) quintiles of PRVit versus the equal-weighted benchmark returns. The top and bottom quintiles are re-balanced monthly and include all companies trading at the time. The difference between the green line and the dotted gray line is the **long alpha** while the difference between the red line and the dotted gray line is the **short alpha**. The difference between the green line and the red line is the total spread or total alpha.

Figure 27: Compound Performance of Top and Bottom Quintiles



Long-Term Select Factor Performance

The graphs below show compounded top/bottom spreads of our key factors: Profitability, Risk, and Value. The 'Equal Benchmark' line is graphed on the secondary y-axis to show which factors work during certain market conditions. The factor performance is cumulative alpha: when the colored lines are above 0%, they have generated alpha.

Profitability has been the most consistent factor driving alpha over time in both universes. Value had a strong recovery from the end of 2020 through May 2022 but overall lags the other factors in Large Cap (with significantly more volatility). Value is the 2nd-best factor in Small Cap thanks to the sizable drop in Risk (investors had shown a strong appetite for adding Risk at the end of 2020 and into the early half of 2021). Profitability and Risk have been trending up since April 2021.

Figure 28: Compounded Spreads – Global Large Cap

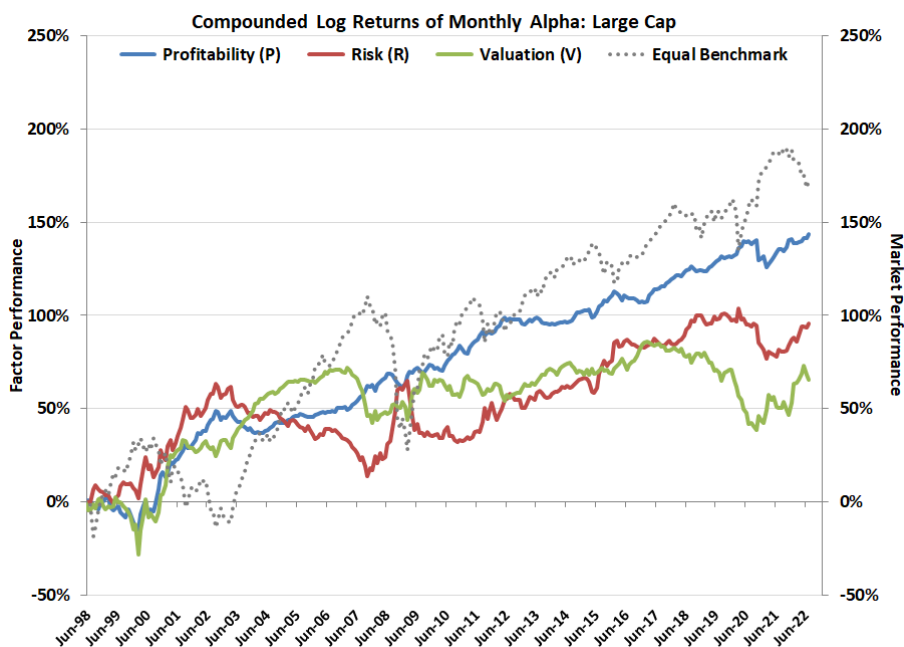
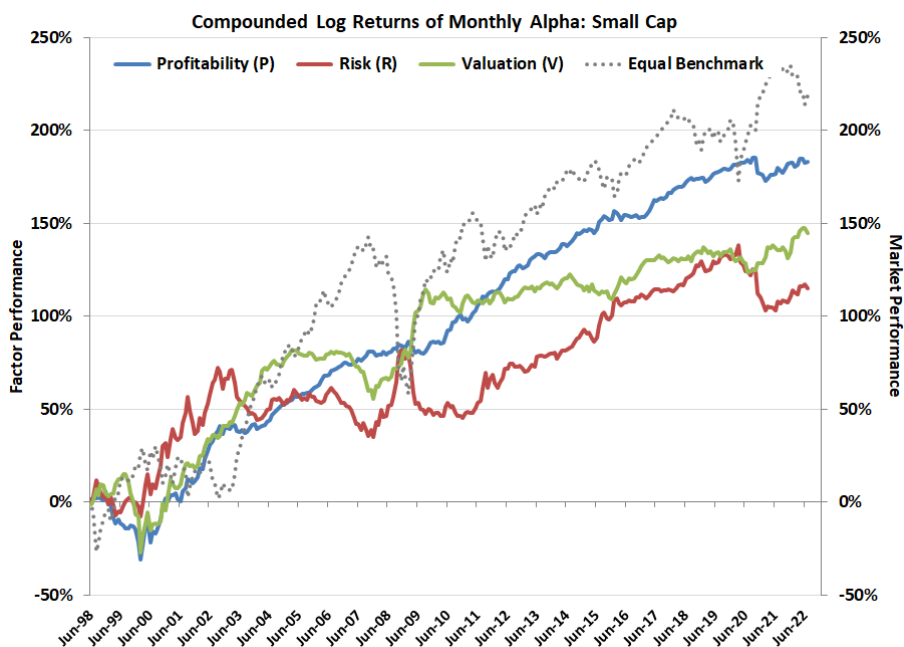


Figure 29: Compounded Spreads – Global Small Cap



Expectations Analysis

A key driver of our Value scores is the imbedded expectations of the market. For this, we use the Future Growth Reliance (FGR) metric, which computes the implied future EVA growth.

Figure 30 below plots our FGR over the last 10 years – the **gray area** is the overall range (min to max), the **orange lines** represent the mean, the **greenish-blue lines** show the mean plus/minus 1 standard deviation, the **green diamonds** represent the current value, the **red 'Xs'** indicate lows from March 2009, and the **blue 'Xs'** represent the lows of March 2020. **Figure 31** contains similar metrics for MVA Spread, which is our version of price-to-book (Market Value Added to Capital). Small Cap versions can be found on the next page.

Figure 30: Expectations – Global Large Cap by Sector

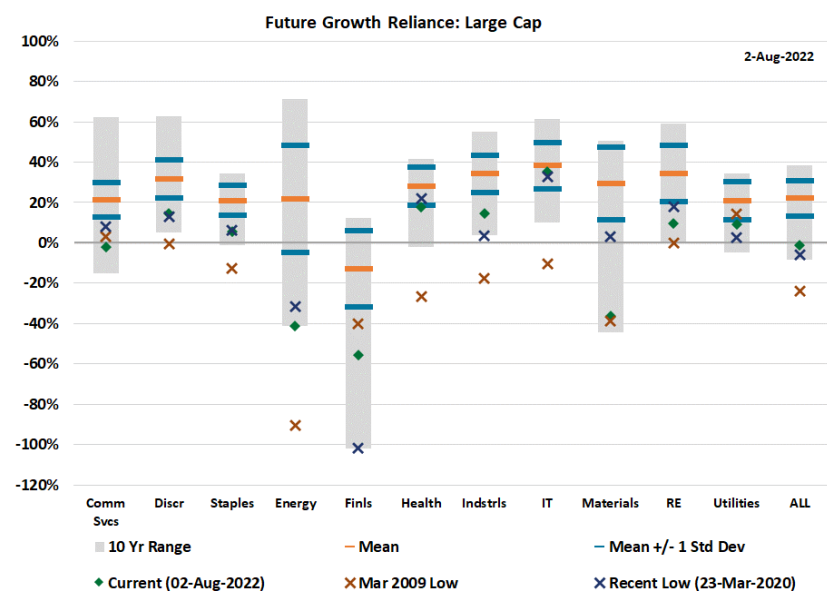
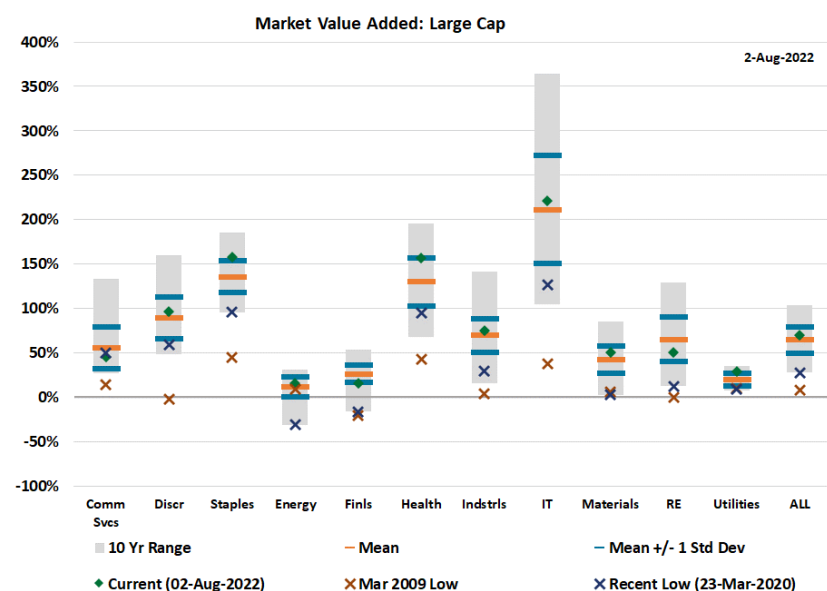


Figure 31: Market Value Added Spread (Price-to-Book) Large Cap



Formulas

$$\text{Future Growth Reliance (FGR)} = \frac{\text{FVA}}{\text{Market Cap}}$$

$$\text{Future Value Added (FVA)} = \text{Market Cap} - \text{Current Value Added (CVA)}$$

$$\text{Current Value Added (CVA)} = \frac{\text{EVA}}{\text{Cost of Capital (no-growth scenario)}}$$

(Xs below represent the number of standard deviations the current value is from the 10-year mean)

Global Large Cap

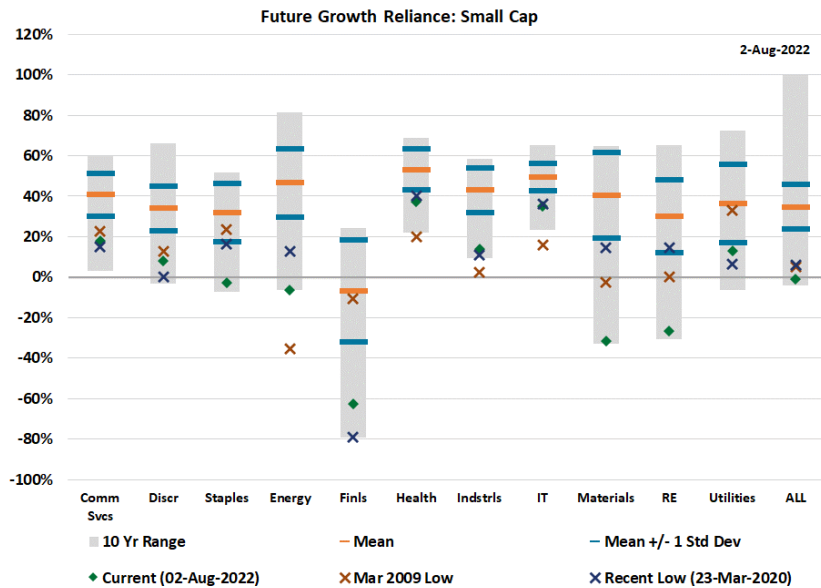
None of the sectors are above their 10-year mean. IT (-0.3x), Health Care (-1.1x), and Utilities (-1.2x) have the highest expectations (albeit historically low). Materials (-3.7x), Communication Services (-2.7x), and Energy (-2.4x) have the lowest relative expectations.

FGR looks at just the portion of MVA coming from future EVA creation (expectations) while MVA Spread looks at the value coming from existing profitability (CVA) as well as future EVA (FVA). MVA Spread is our price-to-book where we use EVA's cleaned-up Capital as the denominator.

Global Large Cap

Utilities (+1.3x), Staples (+1.3x), and Health Care (+1.0x) have the highest price premiums relative to their own histories. Financials (-1.1x), Communication Services (-0.4x), and IT (+0.2x) have some of the lowest relative prices.

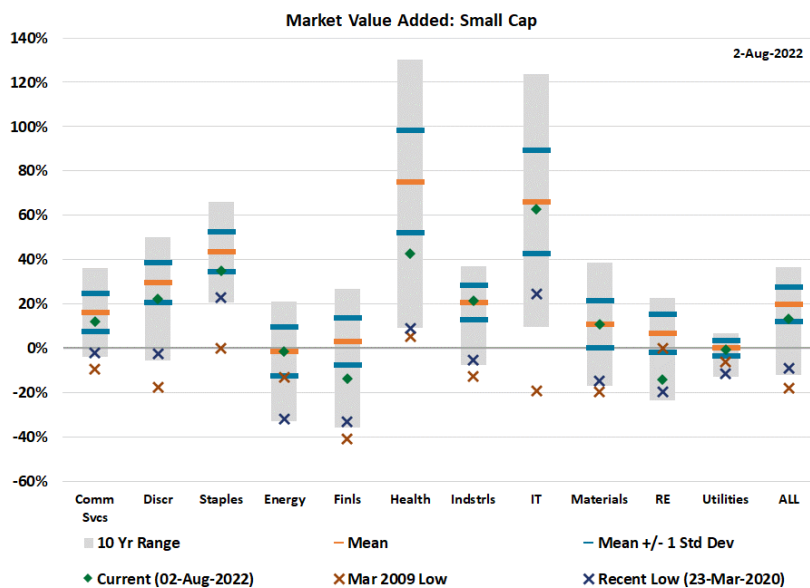
Figure 32: Expectations – Global Small Cap by Sector



Global Small Cap

All sectors are below 1 standard deviation down from their 10-yr mean FGR. Utilities (-1.2x), Health Care (-1.6x), and IT (-2.2x) have the highest expectations (though below typical levels). Materials (-3.4x), Energy (-3.1x), and Industrials (-2.7x) have some of the lowest relative expectations.

Figure 33: MVA Spread (Price-to-Book) Small Cap



Global Small Cap

Industrials (+0.1x), Materials (+0.0x), and Energy (-0.0x) have the highest price premiums relative to their own histories. Financials (-1.6x), Health Care (-1.4x), and Staples (-1.0x) have some of the lowest premiums.

EVA & ESG Index

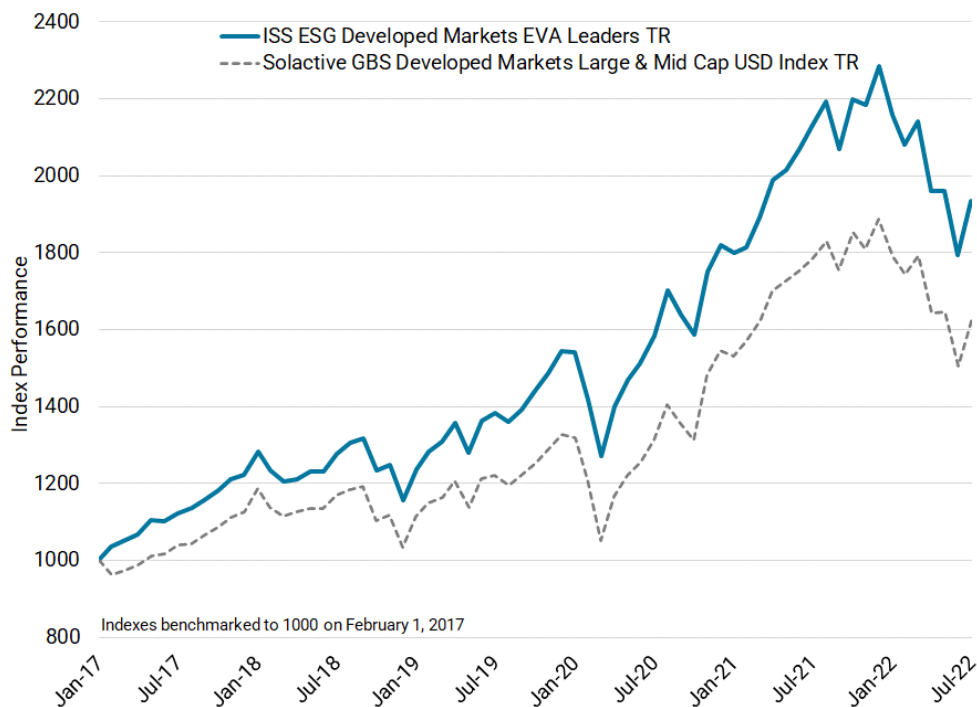
Creation of the index follows a four-step process and starts with the screening of constituents of the Solactive Global Benchmark Series. From there, ISS ESG screens are applied to remove prospective constituents with Red [Norm-Based Research](#) flags and Red Controversial Weapons flags, and those with an overall [ISS ESG Corporate Rating](#) of D-, D, and D+. Next, the [EVA](#) screen is applied to remove prospective constituents with a negative EVA margin. Lastly, qualifying constituents are added by sector, based on descending EVA Margin until reaching a market cap threshold and targeting sector neutrality. Indexes are market cap weighted after the above steps and rebalanced quarterly.

Index [methodologies](#) are available on the ISS website and that of the Index Administrator, Solactive AG, an authorized benchmark administrator under European Benchmarks Regulation (BMR). We currently offer three indexes covering the U.S. (ISSEVAUT), Europe (ISSEVAET), and Developed Markets (ISSEVADT) – Bloomberg tickers in parentheses.

To learn more about ISS ESG's index offerings, please click [here](#).

See PRVit Report – U.S. and Europe for similar graphs with those regional indexes.

Figure 34: ISS ESG Developed Markets EVA Leaders



About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework.

EVA converts accounting profits into economic profits and charges businesses for the use of Invested Capital. EVA is superior to traditional measures of profit because it is comparable across companies, industries, and countries, links to a consistent, transparent valuation framework, and provides a unique, unbiased view of Quality, Value, and Growth.

Our experienced team of analysts offers both fundamental and quantitative company analysis through written research, bespoke research, a stock selection model, an online analytical tool offering +23,000 companies as viewed through the EVA framework, custom screening, and portfolio analysis.

Key EVA Concepts

The value of a firm = Capital + Present Value of EVA

If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

EVA = NOPAT - Capital Charge

EVA is profit after all costs, including the cost of giving shareholders a decent return.

EVA Margin = EVA / Sales

A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line-item drivers and offers key insights into business profitability.

EVA Momentum = Δ EVA / Sales

An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

EVA Shock = Δ EVA Momentum

Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

Market Implied Momentum (MIM)

The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / Enterprise Value

Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

Additional Resources

evaExpress.com ([link](#)): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework

EVA for Investors ([link](#)): A full introduction to the key EVA concepts and metrics

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