

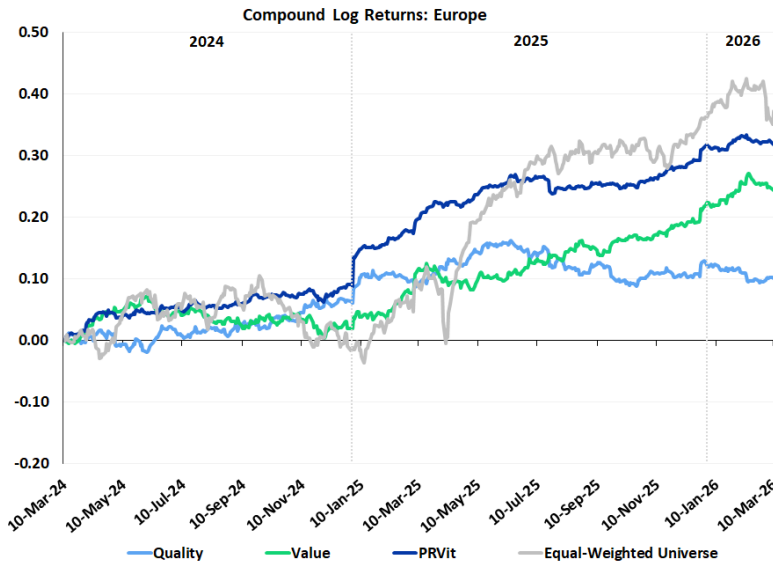
PRVit Factor Report – Europe and the United Kingdom

February 2026

Europe Results

Cheap Value continued to trend up through mid-February and then rolled over in the latter half of the month, although it remained net positive for February (see **Figure 3** on page 2 for monthly statistics for all factors). Since the conflict with Iran began on February 28th, cheap Value has been underperforming and Quality has improved, driven by Risk (low-Risk outperforming high-Risk). Quality combines Profitability and Risk.

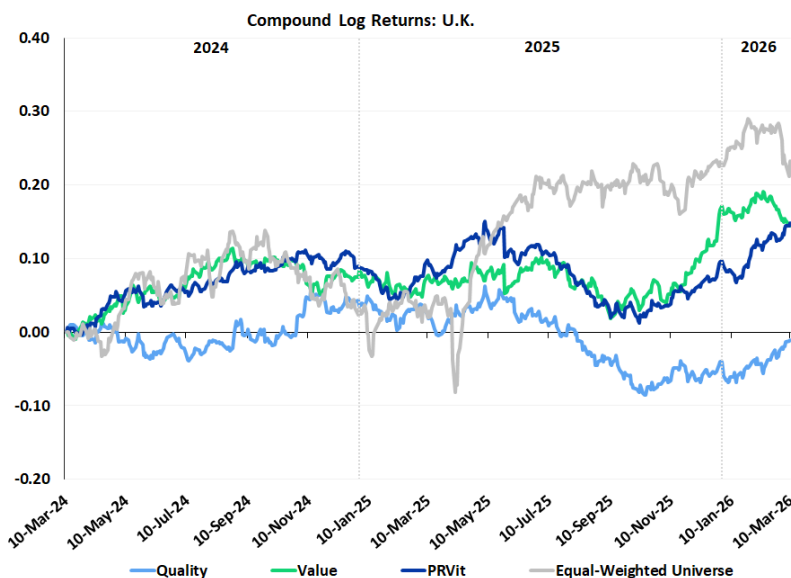
Figure 1: Factor Performance – Europe ex the U.K.



U.K. Results

Cheap Value drove the market in the U.K. through mid-February but also rolled over in the second half of the month, slipping enough to drive our Value factor performance negative on the month. Like the rest of Europe, Value continued to falter with the outset of the conflict in the Middle East. Quality rebounded sharply, driven by Profitability in February and then Risk in early March.

Figure 2: Factor Performance – The U.K.



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. All references to Europe exclude the United Kingdom.

Key Takeaways:

- Cheap stocks stopped outperforming expensive stocks in Europe after working for nine months in a row.
- Investors went Risk-off at the outset of the conflict in the Middle East, boosting performance of our Quality factor (as well as our Risk factor).
- Sector attractiveness is in **Figure 9** on page 3.

Methodology:

The graphs to the left contain the compound log returns of the total alpha coming from **Quality**, **Value**, and **PRVit**, as well as the equal-weighted benchmark for the last two years in each universe. Note: The ‘equal-weighted universe’ lines are included to show market direction: when the colored factor lines are moving up, they are generating alpha, and when they are over the ‘0’ line of the y-axis, they have generated positive cumulative alpha.

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PRVit Performance and Factor Returns

Figures 3-4 show the performance of the PRVit model in Europe and the U.K. across all its subcomponents. 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. An IC around 5% indicates a very monotonic result: in other words, the top quintile outperforms the 2nd quintile, the 2nd quintile outperforms the 3rd quintile, etc.

Figure 3: Europe All Cap

Europe	1M		3M		1Y		3Y		5Y		10Y		Since Dec'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)	-2.3%	-1.43%	1.5%	0.12%	3.2%	0.44%	3.7%	0.69%	3.4%	0.73%	2.8%	0.52%	2.9%	0.59%
Profitability Level (High P1)	-3.8%	-1.39%	-0.4%	-0.21%	1.9%	0.10%	2.9%	0.56%	2.8%	0.61%	2.5%	0.40%	2.6%	0.46%
Profitability Trend (High P2)	-0.3%	-1.21%	2.8%	0.76%	4.0%	0.67%	3.8%	0.82%	3.3%	0.77%	2.3%	0.49%	2.9%	0.72%
Risk (Low R)	-7.3%	-1.66%	-8.0%	-2.02%	-3.5%	-1.05%	0.9%	0.02%	1.5%	0.19%	1.6%	0.14%	2.6%	0.44%
Volatility (Low R1)	-0.5%	0.49%	-4.0%	-0.95%	-1.6%	-0.51%	1.1%	0.00%	2.0%	0.18%	1.4%	0.02%	2.5%	0.28%
Vulnerability (Low R2)	-8.6%	-1.45%	-7.1%	-1.38%	-3.4%	-0.80%	0.3%	0.03%	0.4%	0.12%	0.9%	0.16%	1.3%	0.38%
Quality (High P - R)	-4.6%	-1.95%	-2.1%	-0.97%	1.1%	-0.33%	3.4%	0.53%	3.2%	0.61%	2.9%	0.41%	3.5%	0.77%
Valuation (Low V)	3.0%	0.88%	6.1%	1.59%	4.4%	1.12%	1.5%	0.45%	2.2%	0.70%	0.7%	0.26%	1.2%	0.53%
Valuation Ratios (Low V1)	3.1%	0.70%	5.7%	1.53%	3.6%	0.98%	0.9%	0.33%	1.7%	0.55%	0.3%	0.20%	0.4%	0.37%
Valuation Multiples (Low V2)	3.0%	1.43%	7.8%	2.24%	6.7%	1.21%	3.4%	0.72%	3.8%	0.92%	1.8%	0.37%	2.7%	0.76%
PRVit	-0.9%	-0.08%	4.3%	1.06%	5.3%	0.84%	4.4%	0.93%	4.5%	1.06%	3.1%	0.63%	3.9%	0.99%
PRVit Prime	-0.6%	0.13%	4.1%	1.07%	4.8%	0.68%	4.3%	0.89%	4.1%	0.95%	2.8%	0.55%	3.5%	0.88%

Figure 4: U.K. All Cap

U.K.	1M		3M		1Y		3Y		5Y		10Y		Since Dec'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)	10.2%	2.09%	1.2%	1.03%	-0.2%	-0.08%	2.9%	0.46%	2.8%	0.45%	3.3%	0.41%	3.2%	0.50%
Profitability Level (High P1)	9.2%	2.09%	2.8%	1.30%	-1.2%	-0.16%	1.5%	0.36%	2.2%	0.40%	3.0%	0.31%	2.8%	0.44%
Profitability Trend (High P2)	5.6%	1.75%	-3.0%	0.10%	0.5%	0.34%	3.6%	0.72%	2.5%	0.54%	2.3%	0.28%	2.8%	0.62%
Risk (Low R)	-2.0%	-0.58%	-2.5%	-0.74%	-3.5%	-0.67%	-0.4%	-0.09%	0.7%	0.17%	1.2%	0.03%	2.3%	0.33%
Volatility (Low R1)	4.2%	1.31%	-3.6%	0.41%	-4.9%	-1.07%	-0.2%	-0.40%	1.1%	-0.04%	0.8%	-0.15%	2.3%	0.12%
Vulnerability (Low R2)	-9.0%	-4.26%	1.4%	0.03%	-0.3%	-0.16%	-0.2%	-0.11%	0.2%	0.04%	0.9%	0.29%	0.8%	0.11%
Quality (High P - R)	7.0%	2.32%	0.0%	0.86%	-1.7%	-0.36%	2.1%	0.32%	2.4%	0.44%	3.1%	0.41%	3.6%	0.57%
Valuation (Low V)	-7.5%	-2.50%	5.0%	1.79%	4.4%	0.93%	1.6%	0.39%	2.7%	0.79%	0.8%	0.39%	1.2%	0.42%
Valuation Ratios (Low V1)	-9.9%	-3.05%	3.5%	1.07%	3.4%	0.48%	0.9%	0.09%	2.0%	0.61%	0.2%	0.23%	0.8%	0.33%
Valuation Multiples (Low V2)	0.5%	-0.03%	9.2%	2.26%	5.9%	1.10%	3.3%	0.53%	4.1%	0.92%	1.9%	0.33%	2.4%	0.43%
PRVit	2.2%	1.06%	4.4%	1.98%	1.6%	0.62%	3.2%	0.73%	3.8%	0.97%	3.0%	0.65%	4.1%	0.87%
PRVit Prime	-0.5%	1.14%	3.4%	1.72%	1.5%	0.55%	3.2%	0.74%	3.8%	0.97%	3.0%	0.67%	4.1%	0.92%

Compound Total Alpha for Factors

The graphs below are the compound log returns of the total alpha generated by each of our key factors: Profitability (P), Risk (R), and Value (V). In these graphs, the benchmarks are provided for timing: the alpha lines are not relative to those lines.

In Europe, Profitability has been the strongest, most consistent factor. Value has been the second-best factor but with higher volatility. Risk is the third-best factor but with lower volatility, although it has been off 153bps/month for the last 10 months. In the U.K., the factor performance has been similar to Europe but not as strong. Like Europe, our Risk factor has averaged -100bps/month over the last 10 months. Cheap Value has been strong during this time period.

Figure 5: Europe All Cap

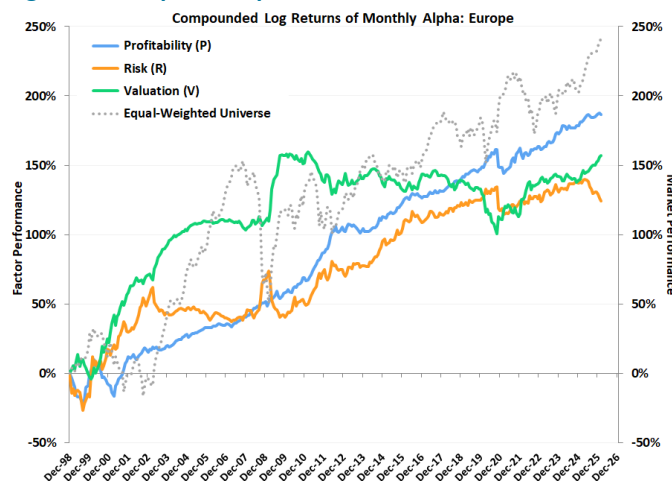
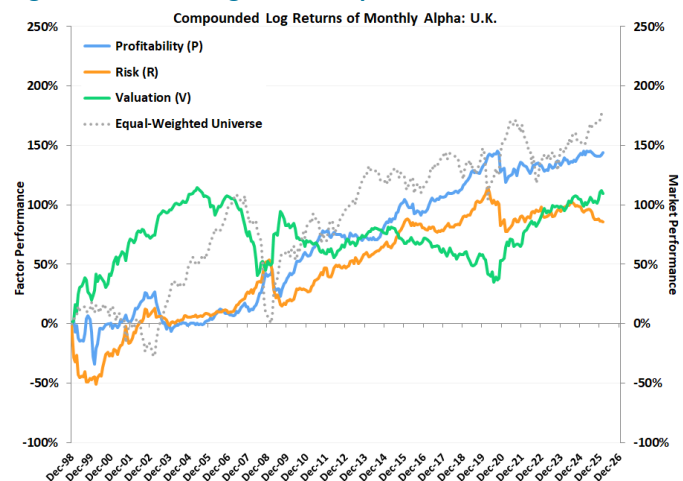


Figure 6: United Kingdom All Cap



PRVit Performance by Sector

We provide the spreads for each sector for our PRVit factor for Europe (Figure 7) and the U.K. (Figure 8). In February (“1M” columns), PRVit had a positive spread in 5 of 11 sectors in Europe and the U.K. Over the last year, PRVit has averaged a positive spread in all sectors in Europe except Energy, Health Care, and Communication Services. Please note that several sectors in the U.K. contain fewer than 30 companies, which leads to higher volatility in the factor performance.

Figure 7: PRVit Performance by Sector – Europe All Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec'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
Europe														
ENERGY	24.5%	6.36%	14.3%	2.10%	2.0%	-0.54%	5.2%	1.03%	3.4%	0.42%	3.6%	0.60%	3.6%	1.23%
MATERIALS	-4.2%	2.98%	3.5%	1.19%	5.4%	1.37%	4.5%	1.06%	3.6%	0.73%	1.2%	0.10%	4.8%	1.22%
INDUSTRIALS	7.4%	2.01%	4.8%	0.94%	6.6%	1.29%	5.4%	1.57%	4.9%	1.44%	3.8%	1.02%	5.0%	1.30%
CONS DISC	0.5%	-1.30%	3.8%	-0.88%	3.8%	0.07%	3.2%	0.54%	3.8%	0.86%	2.4%	0.47%	2.9%	1.08%
CONS STAP	-3.3%	-1.43%	14.1%	1.47%	10.1%	1.72%	7.4%	1.29%	6.3%	1.36%	3.9%	0.80%	6.0%	1.01%
HEALTH CARE	-11.6%	-1.68%	7.0%	1.86%	4.7%	-1.81%	3.9%	-0.17%	4.8%	0.52%	2.7%	-0.02%	3.7%	0.70%
FINANCIALS	10.5%	2.19%	3.4%	2.27%	2.3%	0.92%	3.6%	0.84%	1.8%	0.44%	1.8%	0.36%	1.6%	0.38%
INFO TECH	-14.7%	-4.35%	5.2%	2.20%	6.4%	2.74%	4.2%	1.73%	5.8%	1.92%	3.3%	0.70%	3.3%	1.30%
COMM SVC	-18.7%	-6.40%	1.1%	-1.39%	7.0%	-0.09%	5.6%	0.60%	6.6%	1.37%	1.2%	0.55%	4.5%	1.24%
UTILITIES	-18.1%	-4.37%	4.1%	0.71%	2.9%	0.36%	6.2%	1.05%	5.7%	0.91%	2.9%	0.37%	3.3%	0.90%
REAL ESTATE	1.1%	0.44%	1.1%	-0.16%	5.1%	0.25%	2.8%	0.17%	4.0%	0.77%	4.8%	0.80%	4.8%	0.80%

Figure 8: PRVit Performance by Sector – U.K. All Cap

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec'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
U.K.														
ENERGY	20.0%	0.84%	25.9%	14.49%	9.9%	7.81%	2.8%	1.57%	-0.6%	1.94%	2.1%	2.43%	6.3%	1.65%
MATERIALS	-25.7%	-10.00%	-10.5%	-5.72%	-3.8%	-1.62%	0.0%	-0.51%	-0.6%	-0.60%	3.3%	0.45%	4.7%	0.78%
INDUSTRIALS	9.1%	4.58%	12.0%	2.92%	12.3%	0.90%	7.6%	1.17%	7.5%	1.49%	3.8%	0.72%	5.1%	0.94%
CONS DISC	-2.5%	5.55%	-0.3%	3.00%	8.3%	3.50%	7.3%	3.14%	7.6%	2.69%	4.5%	1.29%	4.5%	0.98%
CONS STAP	6.1%	2.47%	-1.5%	-1.10%	3.4%	0.64%	9.9%	0.11%	9.6%	1.72%	6.3%	1.28%	5.3%	1.09%
HEALTH CARE	22.9%	-5.40%	6.3%	-3.43%	1.4%	-0.36%	4.7%	0.55%	6.8%	1.33%	4.8%	-0.09%	5.2%	0.54%
FINANCIALS	7.3%	6.61%	5.3%	2.64%	-2.9%	0.16%	-2.1%	-0.41%	-2.5%	-0.30%	-0.9%	0.34%	3.7%	0.66%
INFO TECH	-9.2%	-1.54%	28.0%	17.08%	9.6%	4.00%	2.9%	1.39%	4.4%	2.27%	2.6%	1.75%	3.8%	1.54%
COMM SVC	-22.5%	-13.36%	-4.8%	-5.35%	-11.1%	-5.32%	-4.0%	-1.71%	-2.1%	-0.20%	6.2%	1.02%	6.0%	0.79%
UTILITIES	-68.3%	-8.79%	-1.7%	-0.96%	-7.1%	-1.42%	3.5%	0.86%	-0.8%	0.32%	-1.4%	0.28%	2.9%	0.15%
REAL ESTATE	-16.8%	-5.28%	-11.2%	0.37%	-2.5%	1.20%	2.2%	1.06%	5.1%	0.37%	7.7%	1.02%	7.7%	1.02%

Sector Attractiveness

In Figure 9, we provide average PRVit scores by sector for the two regions. PRVit above 50 is attractive and sectors above the regional average are most attractive.

In Europe, Energy, IT, and Industrials continue to be the most attractive sectors. In the U.K., Industrials, Communication Services, and Energy are the most attractive sectors. Europe scores as neutral (PRVit = 50) for the sixth month in a row. The U.K. remained unattractive (PRVit = 49) for the sixth month in a row (but did recover 1 point from last month’s average score). IT and Utilities have the widest differences in average PRVit score.

Figure 9: Sector Attractiveness

Europe	PRVit	Quality	Value	U.K.	PRVit	Quality	Value
Energy	57	42	29	Industrials	56	70	47
Information Technology	56	59	51	Communication Services	54	63	48
Industrials	53	61	49	Energy	51	44	31
Utilities	51	44	36	Consumer Staples	49	68	40
Health Care	51	55	51	Consumer Discretionary	49	53	33
Communication Services	51	52	42	Health Care	49	55	48
Materials	50	38	31	Materials	46	48	40
Consumer Staples	48	60	41	Information Technology	45	75	75
Consumer Discretionary	47	54	44	Financials	44	56	39
Financials	44	61	42	Utilities	42	52	50
Europe Average	50	55	43	U.K. Average	49	60	42

The universe for each region includes all companies in the ISS EVA with a market cap greater than \$1B, excluding the Real Estate sector and Pharmaceuticals, Biotechnology, and Life Science firms under \$5B.

Expectations Analysis

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

Figure 10 below plots FGR for Europe 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. U.K. results can be found in Figure 11.

Figure 10: Expectations Analysis – Europe

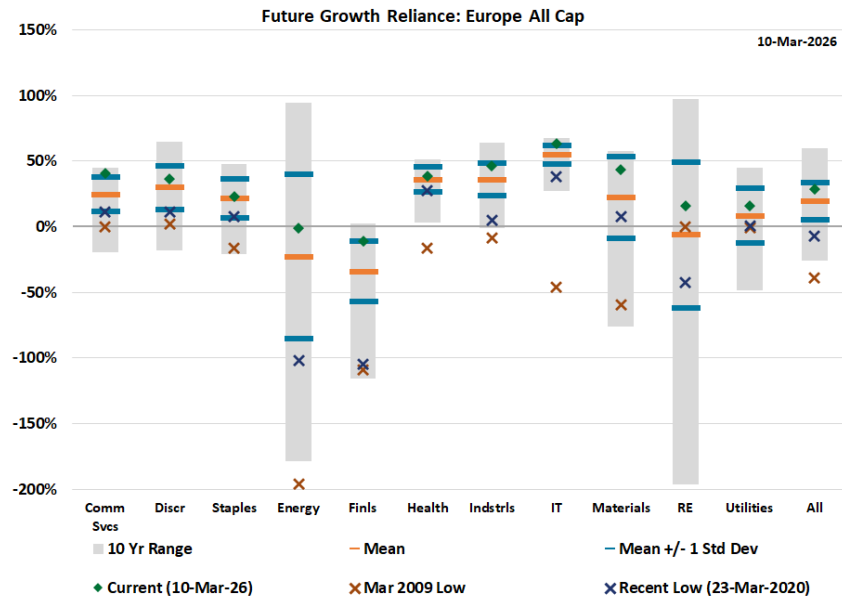
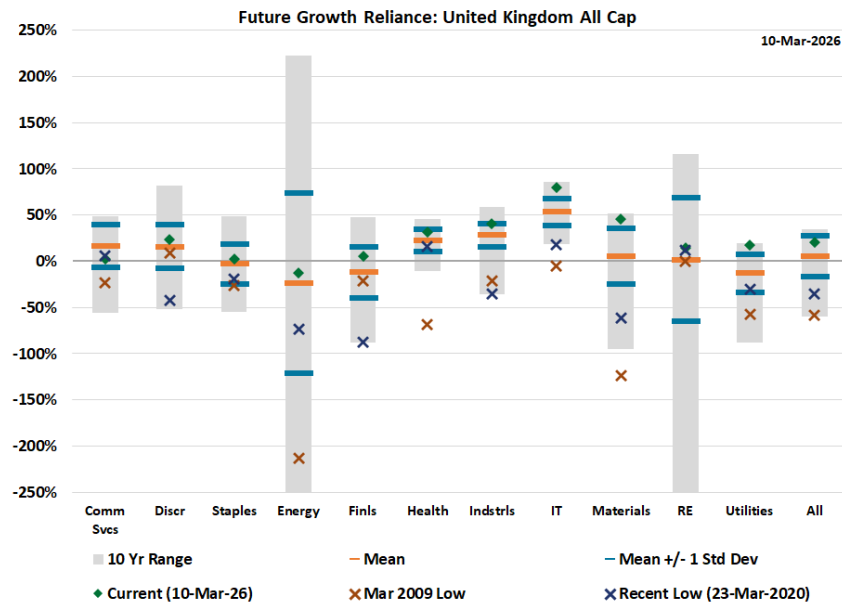


Figure 11: Expectations Analysis – United Kingdom



Formulas

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

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

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

('Xs' below represent the number of standard deviations the current value is from the mean)

Europe

Communication Services (+1.2x), IT (+1.2x), and Financials (+1.0x) have the highest expectations. Staples (+0.1x), Health Care (+0.3x), and Energy (+0.3x) have some of the lowest relative expectations (despite being above their historical averages).

United Kingdom

IT (+1.8x), Utilities (+1.5x), and Materials (+1.3x) have the highest relative expectations. Communication Services (-0.6x), Energy (+0.1x), and Staples (+0.2x) have some of the lowest expectations (despite the latter two being above their historical averages).

The energy sector is driven by BP, which had reported the worst EVA Margin in a decade. A negative EVA Margin drives CVA negative. The market was looking past the quarter and priced in a full recovery, which drove the FGR up (negative CVA must be offset by higher FVA). IT has seen a dramatic jump this month with the inclusion of ARM Holdings, which has a market cap that constitutes 70% of the sector market cap.

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 +29,000 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) / EV

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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