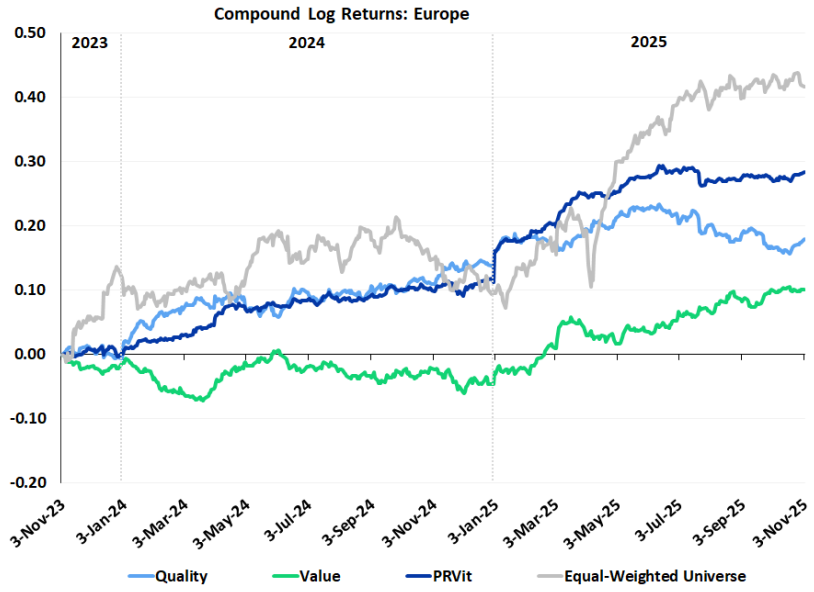
PRVit Factor Report – Europe and the United Kingdom

October 2025

Europe Results

PRVit continued to be mostly flat in October as increasing alpha in Quality offset declining alpha in Value. Our Quality factor had been driven down by Risk as investors added to Risk positions, but in October, low-Risk names outperformed high-Risk names by 62bps. Please see **Figure 3** on page 2 for monthly statistics.

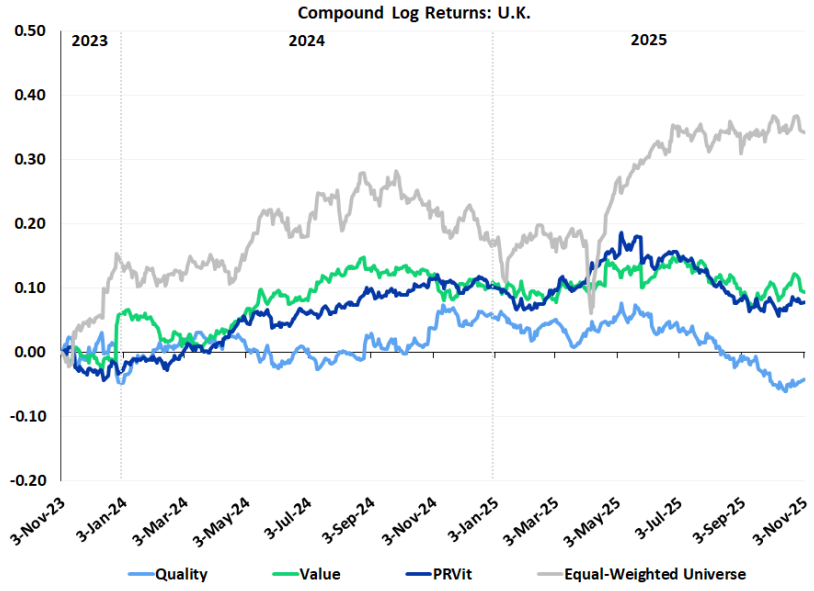
Figure 1: Factor Performance – Europe ex the U.K.



U.K. Results

Cheap Value slipped in the first week of October, climbed for the next 3 weeks, but then faltered again in the final week of the month. Quality had been trending down since mid-May but appeared to rebound mid-October. With both Quality and Value off, PRVit has also seen a declining alpha. In **Figure 4** on page 2, we note that Profitability Trend (P2) is the only factor that has averaged a positive spread over the last 3 months.

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:

- Investors added to Risk in both universes again. See negative Risk results in **Figures 3** & **4** on page 2.
- Cheap stocks outperformed expensive stocks in Europe for the fifth month in a row.
- 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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About ISS EVA

We are an independent, equity-research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. Our experienced team of global analysts offers both fundamental and quantitative company analysis on our +29,000 stock universe.

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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)	4.5%	0.57%	1.6%	-0.07%	4.9%	0.70%	3.4%	0.65%	2.6%	0.43%	3.0%	0.56%	2.9%	0.59%
Profitability Level (High P1)	5.6%	0.51%	0.5%	-0.44%	3.6%	0.30%	2.8%	0.56%	2.2%	0.33%	2.8%	0.47%	2.6%	0.47%
Profitability Trend (High P2)	2.4%	0.08%	3.0%	0.59%	5.7%	0.94%	3.4%	0.72%	2.6%	0.51%	2.3%	0.50%	2.9%	0.70%
Risk (Low R)	1.0%	0.62%	-5.9%	-1.43%	-0.9%	-0.67%	1.5%	0.09%	1.3%	-0.04%	2.2%	0.28%	2.7%	0.48%
Volatility (Low R1)	0.8%	0.12%	-5.6%	-1.90%	-0.5%	-0.50%	1.2%	-0.05%	1.3%	-0.22%	2.0%	0.15%	2.5%	0.28%
Vulnerability (Low R2)	0.5%	0.89%	-3.5%	-0.40%	-0.9%	-0.24%	0.9%	0.11%	0.8%	0.15%	1.1%	0.21%	1.4%	0.39%
Quality (High P - R)	4.8%	0.58%	-1.3%	-1.01%	3.6%	0.20%	3.3%	0.55%	2.5%	0.26%	3.3%	0.51%	3.5%	0.78%
Valuation (Low V)	-1.4%	0.34%	2.5%	1.06%	3.1%	0.80%	1.3%	0.38%	2.5%	0.87%	0.3%	0.15%	1.2%	0.54%
Valuation Ratios (Low V1)	-2.0%	0.72%	2.0%	1.04%	2.2%	0.60%	0.8%	0.29%	2.1%	0.76%	-0.1%	0.10%	0.4%	0.37%
Valuation Multiples (Low V2)	1.6%	0.78%	4.1%	0.86%	5.7%	0.72%	3.1%	0.59%	3.6%	0.90%	1.5%	0.28%	2.6%	0.74%
PRVit	2.4%	0.63%	0.9%	-0.03%	6.0%	0.89%	4.0%	0.85%	4.0%	0.87%	3.2%	0.63%	3.8%	0.96%
PRVit Prime	1.6%	0.12%	0.7%	-0.20%	5.4%	0.63%	4.0%	0.82%	3.5%	0.76%	2.8%	0.56%	3.5%	0.86%

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)	3.3%	-0.84%	-1.7%	-0.98%	1.3%	0.17%	2.3%	0.22%	2.2%	0.10%	3.3%	0.42%	3.2%	0.52%
Profitability Level (High P1)	1.9%	-1.10%	-3.5%	-1.71%	-0.4%	-0.29%	0.9%	0.04%	1.6%	0.00%	3.1%	0.31%	2.8%	0.44%
Profitability Trend (High P2)	3.0%	0.88%	0.8%	0.49%	3.6%	0.99%	3.3%	0.66%	2.3%	0.35%	2.3%	0.32%	2.9%	0.64%
Risk (Low R)	-5.1%	0.32%	-7.8%	-1.77%	-3.1%	-0.83%	-0.3%	-0.15%	0.4%	-0.15%	1.7%	0.11%	2.4%	0.33%
Volatility (Low R1)	-1.7%	-1.01%	-10.3%	-2.91%	-4.4%	-1.63%	-0.6%	-0.64%	0.3%	-0.54%	1.2%	-0.13%	2.4%	0.12%
Vulnerability (Low R2)	-7.4%	-0.75%	-2.5%	-0.50%	-1.0%	-0.69%	0.0%	-0.16%	0.4%	0.05%	1.1%	0.30%	0.8%	0.10%
Quality (High P - R)	0.6%	-0.50%	-4.3%	-1.81%	-0.1%	-0.41%	1.7%	0.02%	1.9%	0.02%	3.3%	0.43%	3.7%	0.57%
Valuation (Low V)	3.6%	-1.67%	2.0%	-0.81%	1.2%	-0.33%	2.3%	0.57%	3.5%	1.18%	0.5%	0.33%	1.2%	0.41%
Valuation Ratios (Low V1)	2.2%	-1.41%	1.2%	-1.19%	0.6%	-0.75%	1.7%	0.36%	2.8%	1.01%	0.0%	0.16%	0.8%	0.33%
Valuation Multiples (Low V2)	5.3%	-0.19%	2.6%	-0.17%	3.2%	0.36%	3.1%	0.54%	4.4%	1.07%	1.6%	0.26%	2.3%	0.40%
PRVit	1.7%	-0.26%	-3.5%	-1.21%	0.9%	-0.04%	3.1%	0.62%	3.9%	0.87%	2.9%	0.59%	4.1%	0.86%
PRVit Prime	2.3%	-0.03%	-3.3%	-1.01%	1.1%	-0.05%	3.2%	0.61%	3.9%	0.90%	2.9%	0.62%	4.2%	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, all three factors trended up in 2022, 2023, and 2024, and all three have been up in the first half of 2025. In the U.K., Value has been the strongest-performing factor over the last three years, but Profitability and Risk have been positive with lower volatility. Profitability was up to start the year, but Value and Risk were mostly flat (net).

Figure 5: Europe All Cap

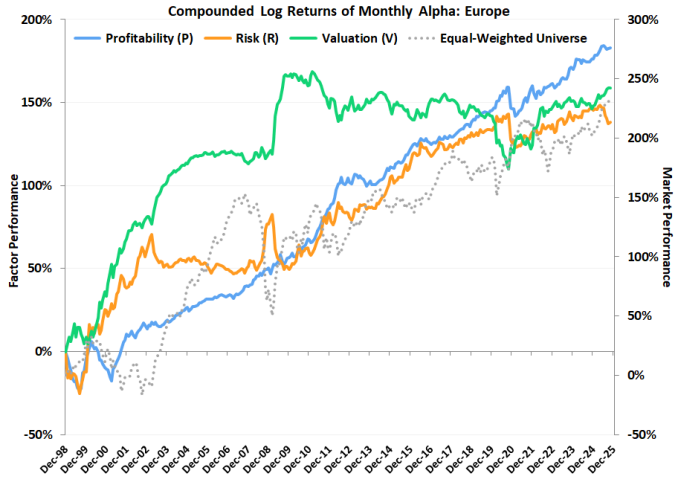
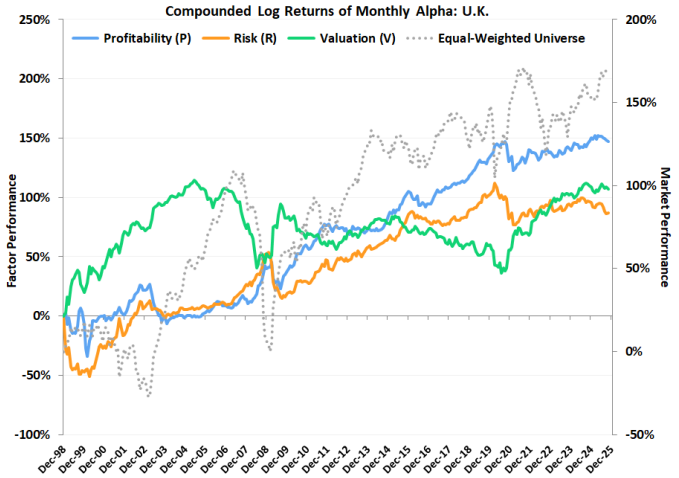


Figure 6: United Kingdom All Cap



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 October ("1M" columns), PRVit had a positive spread in 5 of 11 sectors in Europe and 6 of 11 sectors in the U.K. Over the last year, PRVit has averaged a positive spread in all sectors in Europe except Health Care. 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	
Europe	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	-12.7%	-6.79%	-15.3%	-3.73%	1.6%	0.26%	3.2%	0.67%	1.9%	0.32%	3.0%	0.53%	3.5%	1.18%
MATERIALS	-6.4%	-2.44%	-1.5%	-0.61%	6.5%	1.12%	5.6%	1.36%	2.7%	0.35%	1.5%	0.13%	4.9%	1.23%
INDUSTRIALS	6.6%	2.87%	4.1%	1.82%	6.5%	1.17%	5.1%	1.46%	4.5%	1.28%	3.9%	1.02%	5.0%	1.31%
CONS DISC	-2.8%	1.20%	-1.6%	-0.51%	3.6%	0.14%	3.1%	0.60%	3.6%	0.71%	2.6%	0.53%	2.9%	1.04%
CONS STAP	17.0%	1.64%	6.3%	1.29%	7.3%	1.64%	5.6%	1.10%	4.5%	1.03%	3.6%	0.75%	5.8%	1.01%
HEALTH CARE	-12.6%	-2.67%	-6.9%	-5.15%	2.9%	-2.78%	2.9%	-0.54%	3.6%	0.11%	2.3%	-0.06%	3.6%	0.62%
FINANCIALS	2.9%	1.43%	0.9%	0.73%	2.6%	0.49%	3.3%	0.60%	1.7%	0.37%	1.6%	0.32%	1.8%	0.37%
INFO TECH	-5.0%	-6.22%	1.2%	-1.84%	3.3%	1.29%	3.1%	1.30%	4.7%	1.38%	3.3%	0.72%	3.1%	1.30%
COMM SVC	9.7%	3.27%	9.7%	2.81%	7.4%	0.89%	5.8%	0.96%	7.4%	1.65%	1.3%	0.58%	4.4%	1.24%
UTILITIES	3.0%	-0.44%	-2.2%	0.39%	7.0%	1.09%	6.6%	1.09%	5.1%	0.74%	2.8%	0.37%	3.2%	0.87%
REAL ESTATE	-4.1%	-2.15%	-1.7%	-1.10%	4.4%	1.43%	3.3%	0.66%	3.9%	0.88%	4.8%	0.85%	4.8%	0.85%

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

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec'98	
U.K.	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	-47.8%	-6.46%	-19.0%	-3.29%	-5.9%	1.72%	0.4%	0.79%	-1.6%	1.49%	1.4%	2.08%	6.2%	1.69%
MATERIALS	22.1%	7.12%	-2.9%	-1.40%	2.0%	2.23%	0.5%	-0.10%	-0.1%	-0.31%	3.0%	0.22%	4.8%	0.80%
INDUSTRIALS	16.0%	-10.01%	6.7%	-3.51%	9.3%	0.38%	6.7%	1.08%	7.6%	1.60%	3.3%	0.65%	4.9%	0.92%
CONS DISC	29.6%	10.25%	9.2%	3.61%	7.1%	2.92%	8.0%	2.91%	7.2%	2.20%	4.5%	1.29%	4.5%	0.97%
CONS STAP	-11.6%	2.42%	3.8%	4.66%	9.2%	1.41%	9.4%	0.38%	9.2%	1.64%	6.6%	1.35%	5.4%	1.08%
HEALTH CARE	35.0%	3.96%	16.5%	3.95%	9.7%	2.88%	4.8%	0.83%	5.0%	0.19%	5.4%	0.23%	5.3%	0.63%
FINANCIALS	-34.5%	-5.41%	-11.8%	-1.92%	-4.6%	-1.03%	-1.3%	-0.36%	-1.8%	-0.34%	-1.0%	0.26%	3.7%	0.63%
INFO TECH	22.0%	2.03%	-7.4%	-3.65%	-4.5%	-6.68%	-1.3%	-0.85%	2.5%	1.18%	1.5%	1.08%	3.4%	1.28%
COMM SVC	3.0%	-6.42%	-10.4%	-6.42%	-11.7%	-4.69%	-3.1%	-1.32%	-1.2%	0.47%	7.7%	1.46%	6.3%	0.94%
UTILITIES	-68.3%	-5.33%	2.8%	-0.19%	-5.7%	-1.54%	6.6%	1.66%	3.3%	1.22%	-1.0%	0.29%	3.2%	0.23%
REAL ESTATE	2.4%	6.81%	-4.2%	5.15%	-1.1%	1.62%	3.3%	1.40%	6.7%	0.86%	8.1%	1.11%	8.1%	1.11%

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, IT, Utilities, and Communication Services are the most attractive sectors. In the U.K., Health Care, Industrials, and Communication Services are the most attractive sectors. Europe scores as neutral (PRVit = 50) for the second month in a row. The U.K. remained unattractive (PRVit = 46), the second month in a row.

Figure 9: Sector Attractiveness

Europe	PRVit	Quality	Value
Information Technology	57	58	53
Utilities	54	48	35
Communication Services	53	57	42
Industrials	53	62	51
Materials	51	40	32
Energy	51	40	30
Health Care	50	54	54
Consumer Staples	46	59	42
Financials	46	62	42
Consumer Discretionary	45	54	46
Europe Average	50	56	44

U.K.	PRVit	Quality	Value
Health Care	56	60	49
Industrials	53	68	48
Communication Services	51	64	52
Materials	49	47	36
Consumer Staples	48	68	41
Consumer Discretionary	45	52	38
Energy	43	33	24
Information Technology	41	61	77
Financials	40	54	42
Utilities	39	45	49
U.K. Average	46	57	45

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

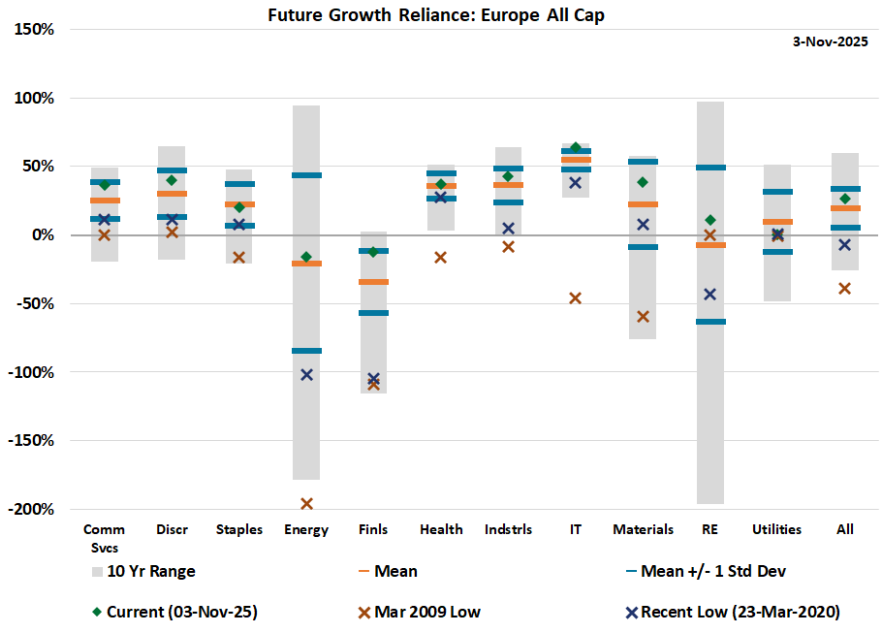
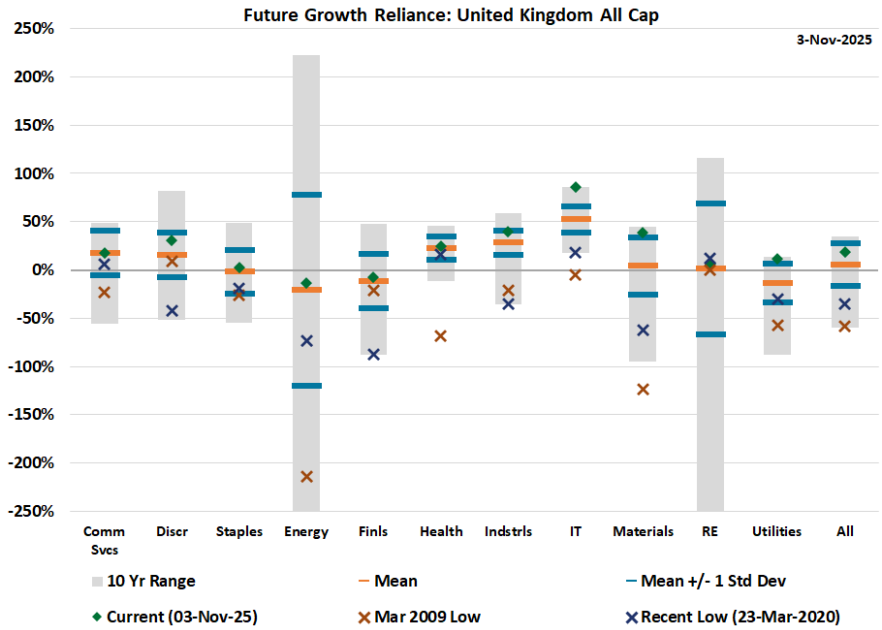


Figure 11: Expectations Analysis – United Kingdom



Formulas

Future Growth Reliance (FGR) = FVA / Market Cap

Future Value Added (FVA) = Market Cap – Current Value Added (CVA)

Current Value Added (CVA) = EVA / Cost of Capital (no-growth scenario)

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

Europe

IT (+1.4x), Financials (+1.0x), and Communication Services (+0.9x) have the highest expectations. Utilities (-0.4x), Staples (-0.1x), and Energy (+0.1x) have the lowest relative expectations (despite the latter being above the historical average).

United Kingdom

IT (+2.5x), Utilities (+1.3x), and Materials (+1.2x) have the highest relative expectations. Communication Services (+0.0x), Energy (+0.1x), and Financials (+0.2x) have some of the lowest expectations (despite all 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 comprises 70% of the sector market cap.

EVA & ESG Index

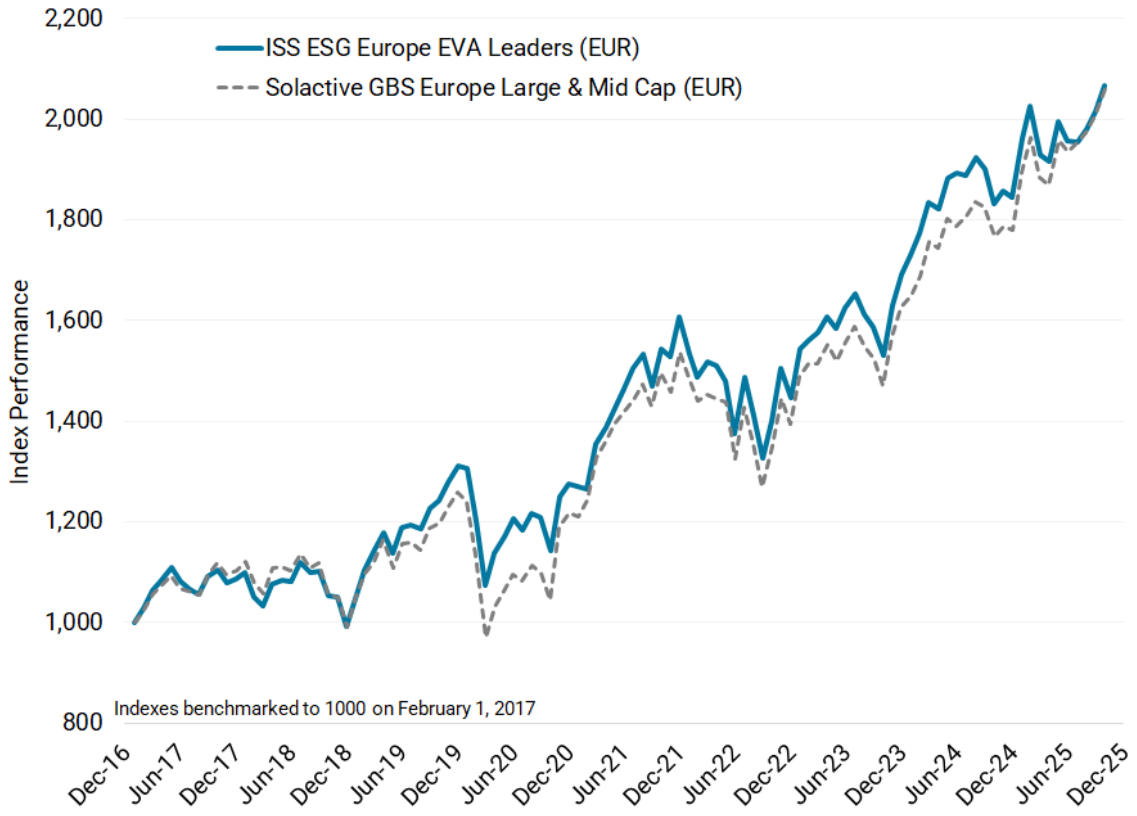
Creation of the index follows a four-step process and starts with the screening of constituents of the Solactive Global Benchmark Series. From there, ISS ESG screens are applied to remove prospective constituents with Red Norm-Based Research flags, Red Controversial Weapons flags, and those with an overall ESG Corporate Rating of D-, D, and D+. Next, the EVA screen is applied to remove prospective constituents with a negative EVA Margin. Last, 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 Global for similar graphs with those regional indexes.

Figure 12: ISS ESG Europe 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 +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

Analyst Certification - The Research Analyst(s) who prepared this report hereby certify that the views expressed herein accurately reflect the analyst(s) personal view(s) about the subject company and their securities and that they have not been and will not be directly or indirectly compensated for expressing specific recommendation(s) or view(s) in the report.

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