

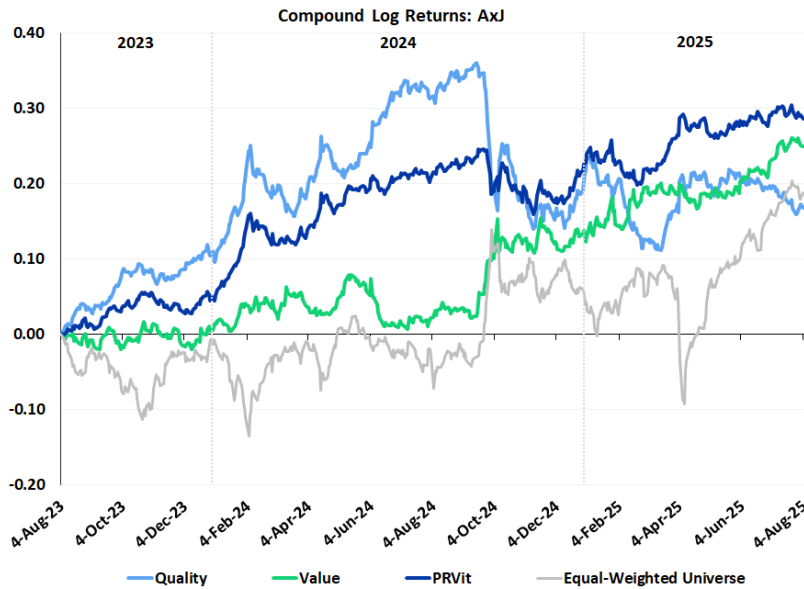
PRVit Factor Report – Asia

Results through July 2025

Asia ex Japan Results

Quality continued the slide that started in June, although it did tick up in the final four days of the month (see **Figure 3** on page 2 for full details on the monthly performance for all factors). Value started its recovery in mid-May and trended up through most of June and July. PRVit has generally followed Quality’s trajectory, getting a boost from cheap Value working in March through July.

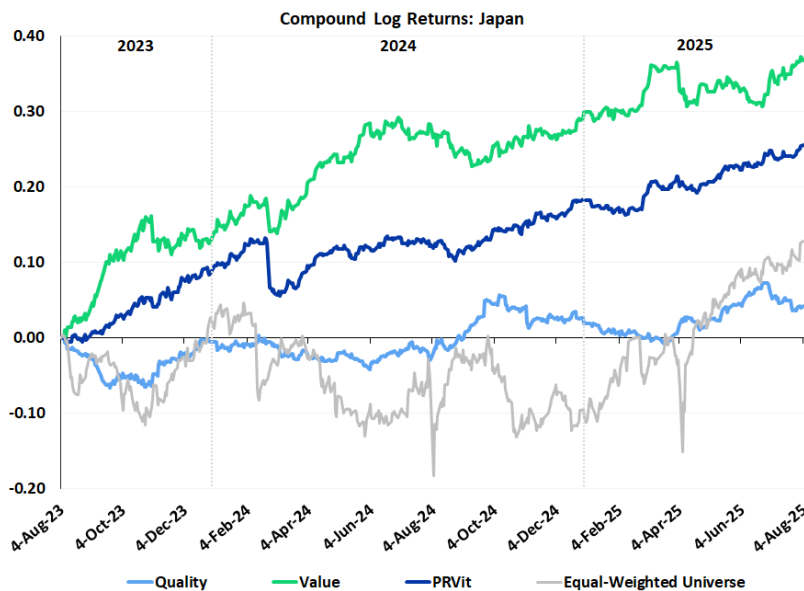
Figure 1: Factor Performance – Asia ex Japan



Japan Results

After slipping most of June, Value rebounded sharply at the end of June and throughout July (+422bps spread for the month). Quality had worked from the end of March through the third week of June but then dropped almost as rapidly as Value took off. The Value’s outperformance was strong enough to offset Quality’s struggles which drove PRVit up, netting +58bps for the month of July (see page 2, **Figure 4**).

Figure 2: Factor Performance - Japan



Notes

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).

Key Takeaways:

- Quality did not work in either region.
- Cheap Value outperformed expensive Value by over 400bps in both regions.
- See page 2 for a full breakdown by subfactors of PRVit.
- Sector attractiveness can be found 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 positive cumulative alpha.

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PRVit Performance by Factor

Factor performance for PRVit sub-factors for AxJ and Japan over time can be found in **Figures 3 and 4**. 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.

In July (“1M” columns), investors added Risk (R) in both universes as high-Risk names outperformed low-Risk names by 209bps in AxJ and 155bps in Japan. In Japan, Value has generated the highest alpha over time (86bps/month) and in July, Value’s spread was 422bps as cheap stocks outperformed expensive stocks.

Figure 3: Asia ex Japan – All Cap

Asia ex Japan	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)	-7.6%	-2.17%	-2.2%	-0.39%	-0.9%	-1.09%	3.5%	0.54%	2.5%	0.24%	3.7%	0.55%	4.2%	0.60%
Profitability Level (High P1)	-5.7%	-1.64%	-2.1%	-0.55%	-0.2%	-0.89%	3.8%	0.67%	3.0%	0.31%	4.0%	0.54%	3.9%	0.28%
Profitability Trend (High P2)	-7.6%	-1.64%	-1.5%	-0.02%	-1.7%	-0.98%	1.9%	0.46%	1.1%	0.23%	2.2%	0.51%	3.3%	0.88%
Risk (Low R)	-2.5%	-2.09%	-1.1%	-1.30%	1.9%	-0.79%	5.7%	0.67%	5.2%	0.55%	5.3%	0.65%	4.2%	0.45%
Volatility (Low R1)	-4.7%	-2.80%	-2.6%	-1.97%	0.2%	-1.85%	6.0%	0.41%	5.9%	0.44%	5.8%	0.49%	4.5%	0.27%
Vulnerability (Low R2)	1.2%	0.32%	1.2%	0.48%	2.8%	0.91%	2.7%	0.70%	2.1%	0.54%	2.3%	0.55%	1.9%	0.41%
Quality (High P - R)	-7.6%	-2.45%	-2.4%	-0.91%	-0.1%	-1.17%	5.0%	0.78%	4.1%	0.51%	5.1%	0.78%	5.2%	0.72%
Valuation (Low V)	16.3%	4.37%	7.6%	2.03%	5.9%	1.86%	3.2%	0.88%	3.4%	0.82%	2.2%	0.55%	1.6%	0.60%
Valuation Ratios (Low V1)	16.2%	4.31%	7.7%	2.01%	5.8%	2.05%	2.6%	0.81%	2.9%	0.79%	1.5%	0.47%	0.9%	0.51%
Valuation Multiples (Low V2)	13.5%	3.24%	6.4%	1.60%	5.5%	1.41%	4.8%	1.04%	4.5%	0.91%	3.9%	0.75%	3.4%	0.75%
PRVit	4.3%	0.52%	2.8%	0.33%	3.7%	0.19%	6.5%	1.28%	5.8%	1.03%	5.8%	1.03%	5.5%	1.01%
PRVit Prime	6.8%	0.93%	3.4%	0.50%	4.5%	0.55%	5.4%	1.06%	4.9%	0.88%	5.1%	0.87%	5.1%	1.06%

Figure 4: Japan – All Cap

Japan	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)	-11.9%	-2.60%	6.5%	1.71%	1.4%	0.68%	-2.2%	-0.23%	-2.4%	-0.46%	-0.1%	0.10%	0.2%	0.07%
Profitability Level (High P1)	-14.7%	-2.75%	4.7%	1.71%	1.5%	0.61%	-1.9%	-0.33%	-1.9%	-0.44%	0.7%	0.21%	0.5%	0.14%
Profitability Trend (High P2)	-2.5%	-0.73%	6.9%	1.75%	0.5%	0.41%	-1.4%	-0.04%	-2.0%	-0.32%	-0.7%	0.00%	-0.2%	0.08%
Risk (Low R)	-7.8%	-1.55%	-3.2%	-1.54%	0.6%	-0.30%	1.8%	0.06%	1.2%	-0.08%	2.4%	0.31%	3.0%	0.40%
Volatility (Low R1)	-3.2%	-0.65%	-5.4%	-1.98%	2.1%	-0.23%	3.8%	0.35%	2.6%	0.04%	3.2%	0.29%	3.6%	0.33%
Vulnerability (Low R2)	-7.3%	-1.45%	-0.8%	-0.49%	-1.0%	-0.14%	0.3%	-0.02%	0.0%	-0.07%	0.9%	0.16%	1.2%	0.22%
Quality (High P - R)	-12.4%	-3.02%	4.4%	0.62%	1.8%	0.48%	-1.1%	-0.24%	-1.5%	-0.46%	1.0%	0.19%	1.4%	0.21%
Valuation (Low V)	25.8%	4.22%	6.8%	0.92%	3.7%	0.47%	8.6%	1.68%	7.4%	1.46%	4.2%	0.67%	4.9%	0.86%
Valuation Ratios (Low V1)	25.2%	4.19%	4.6%	0.60%	3.0%	0.33%	8.0%	1.46%	7.1%	1.38%	3.8%	0.59%	4.4%	0.80%
Valuation Multiples (Low V2)	21.8%	3.45%	9.9%	1.18%	5.0%	0.59%	8.7%	1.63%	7.2%	1.33%	4.4%	0.68%	4.6%	0.77%
PRVit	5.4%	0.58%	6.4%	0.74%	3.8%	0.64%	5.5%	1.04%	4.3%	0.75%	4.1%	0.71%	4.6%	0.78%
PRVit Prime	4.5%	0.40%	6.9%	1.03%	3.9%	0.68%	5.5%	1.06%	4.3%	0.73%	4.1%	0.70%	4.6%	0.77%

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 the benchmark lines.

Figure 5: Asia ex Japan – All Cap

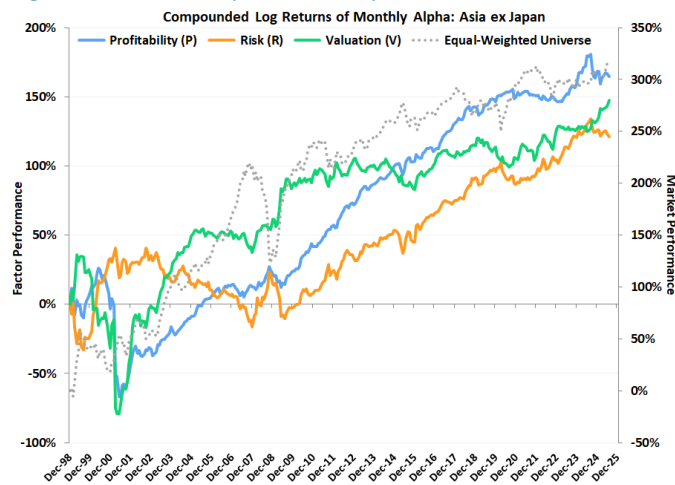
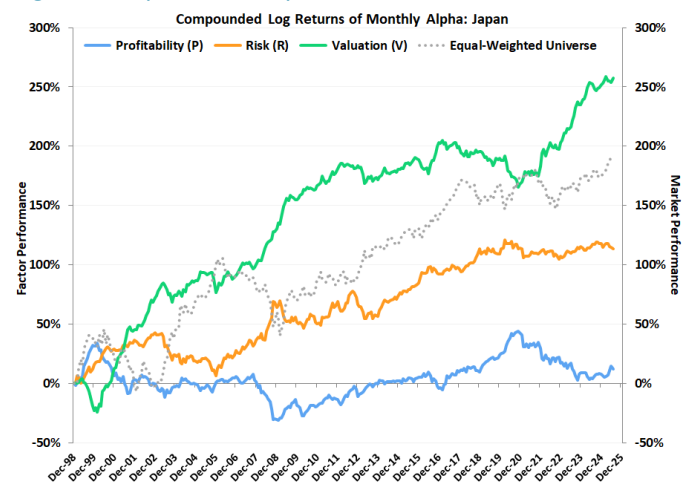


Figure 6: Japan – All Cap



PRVit Performance by Sector

Figures 7–8 show the average monthly PRVit spreads for the AxJ and Japan All Cap universes by sector. In AxJ July (‘1M’ columns), 8 of the 11 sectors posted a positive spreads, led by Communication Services, Consumer Discretionary, and Energy. In Japan, 6 of 11 sectors posted a positive spread, with Discretionary, Materials, and Communication Services seeing the strongest performance.

Figure 7: PRVit Performance by Sector – Asia ex Japan

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
Asia ex Japan														
ENERGY	12.8%	3.42%	6.0%	0.95%	5.2%	1.06%	8.6%	1.69%	8.5%	1.92%	6.2%	1.69%	5.1%	1.17%
MATERIALS	6.9%	0.32%	4.0%	0.49%	3.8%	0.33%	4.6%	0.77%	3.6%	0.19%	4.1%	0.59%	4.5%	0.67%
INDUSTRIALS	8.6%	1.87%	2.1%	0.46%	3.7%	0.23%	6.5%	1.02%	5.7%	0.88%	6.0%	0.99%	5.4%	0.96%
CONS DISC	14.2%	3.43%	8.1%	2.33%	7.9%	1.70%	5.5%	1.12%	4.3%	0.78%	4.5%	0.72%	5.3%	1.46%
CONS STAP	8.7%	0.48%	5.7%	0.33%	6.3%	1.13%	5.4%	1.43%	4.5%	1.17%	5.1%	0.96%	7.3%	1.64%
HEALTH CARE	4.5%	-0.71%	4.6%	-0.10%	4.7%	0.71%	6.7%	1.56%	7.0%	1.73%	6.2%	1.09%	7.6%	1.63%
FINANCIALS	3.0%	-2.60%	4.7%	-0.29%	6.6%	0.80%	4.8%	0.93%	4.1%	0.88%	3.7%	0.67%	4.4%	1.07%
INFO TECH	-2.2%	-0.70%	0.3%	0.14%	1.7%	-0.78%	5.8%	0.89%	6.6%	1.20%	6.6%	1.12%	6.4%	1.52%
COMM SVC	11.3%	5.66%	9.0%	2.12%	3.3%	0.97%	6.5%	1.77%	4.9%	1.11%	4.3%	0.89%	5.3%	0.98%
UTILITIES	11.8%	2.13%	6.4%	0.62%	6.9%	1.51%	6.0%	1.12%	4.0%	0.46%	3.6%	0.38%	4.8%	0.95%
REAL ESTATE	14.2%	2.77%	0.3%	0.24%	4.3%	2.06%	-1.4%	0.25%	-1.1%	0.11%	0.4%	0.29%	0.4%	0.29%

Figure 8: PRVit Performance by Sector – Japan

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
Japan														
ENERGY	-17.1%	-2.46%	16.5%	2.48%	13.2%	4.17%	0.3%	1.44%	0.5%	0.50%	2.3%	0.87%	2.0%	-0.11%
MATERIALS	9.7%	3.63%	6.2%	1.64%	5.2%	2.88%	6.3%	2.03%	4.0%	0.74%	3.9%	0.65%	4.9%	0.75%
INDUSTRIALS	10.8%	2.58%	8.3%	2.07%	3.7%	0.63%	8.1%	1.44%	5.9%	1.03%	4.3%	0.79%	4.3%	0.77%
CONS DISC	13.0%	3.71%	8.8%	1.38%	3.9%	0.97%	5.3%	1.20%	2.7%	0.41%	2.3%	0.33%	4.2%	0.76%
CONS STAP	11.6%	0.09%	8.0%	0.24%	5.7%	0.17%	6.1%	0.87%	3.8%	0.56%	3.3%	0.39%	5.4%	0.94%
HEALTH CARE	-10.7%	-9.05%	-0.5%	-3.90%	8.0%	0.62%	11.2%	1.43%	10.2%	1.75%	6.7%	0.45%	6.4%	0.15%
FINANCIALS	-32.1%	-5.64%	-11.6%	-0.02%	-4.0%	-0.44%	-4.8%	-1.43%	-0.2%	-0.49%	1.2%	-0.11%	2.7%	0.19%
INFO TECH	6.5%	-1.31%	6.1%	-1.52%	7.1%	0.61%	6.8%	1.25%	6.1%	1.00%	5.3%	0.79%	5.4%	0.80%
COMM SVC	22.4%	3.47%	1.1%	0.30%	2.0%	0.62%	5.0%	0.83%	4.6%	0.62%	5.3%	0.78%	6.9%	1.67%
UTILITIES	-45.7%	-8.68%	-20.3%	-3.51%	0.5%	-0.86%	6.5%	0.94%	5.2%	-0.55%	4.2%	0.00%	5.6%	-0.29%
REAL ESTATE	-10.4%	1.03%	-1.3%	-0.79%	5.4%	2.51%	9.7%	2.56%	10.1%	3.81%	7.8%	2.36%	7.8%	2.36%

Sector Attractiveness

In Figure 9, we provide an update of our sector attractiveness tables for the two universes. In the AxJ space, Financials, Utilities, and Energy are the most attractive sectors. In Japan, Materials, Health Care, and Information Technology are the most attractive sectors. Overall, AxJ is more attractive than Japan (50 vs 48), similar to the last two months.

Figure 9: Sector Attractiveness

AxJ	PRVit	Quality	Value	Japan	PRVit	Quality	Value
Financials	57	60	49	Materials	59	51	22
Utilities	56	39	44	Health Care	58	61	38
Energy	56	40	38	Information Technology	57	66	49
Consumer Staples	54	67	61	Energy	53	47	19
Health Care	51	54	72	Industrials	50	59	35
Consumer Discretionary	50	58	60	Consumer Discretionary	46	61	37
Materials	49	40	54	Utilities	45	34	16
Industrials	49	48	59	Consumer Staples	42	61	37
Communication Services	47	47	61	Communication Services	38	58	54
Information Technology	45	42	69	Financials	35	50	30
AxJ Average	50	49	59	Japan Average	48	58	36

Pharma, Biotech, and Life Science companies with market caps under \$5B have been removed from both regions, as well as all Real Estate companies. Please see the report [PRVit Report – Asia ex Japan](#) for the effectiveness of our Sector Attractiveness report (page 14, Figures 40 and 41 of that report).

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 the 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 the lows from March 2009, and the blue 'Xs' represent the lows of March 2020. **Figure 11** shows the same data points for Japan.

Figure 10: Expectations Analysis Asia ex Japan

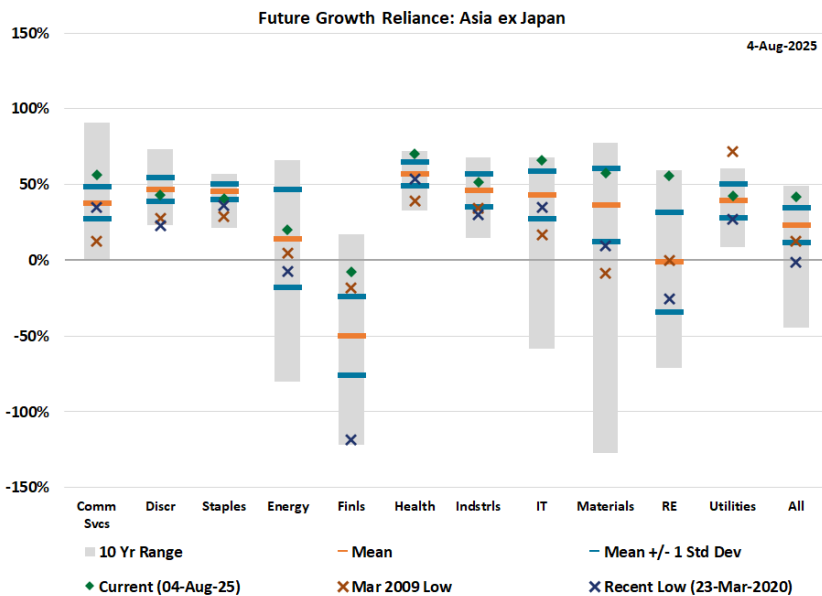
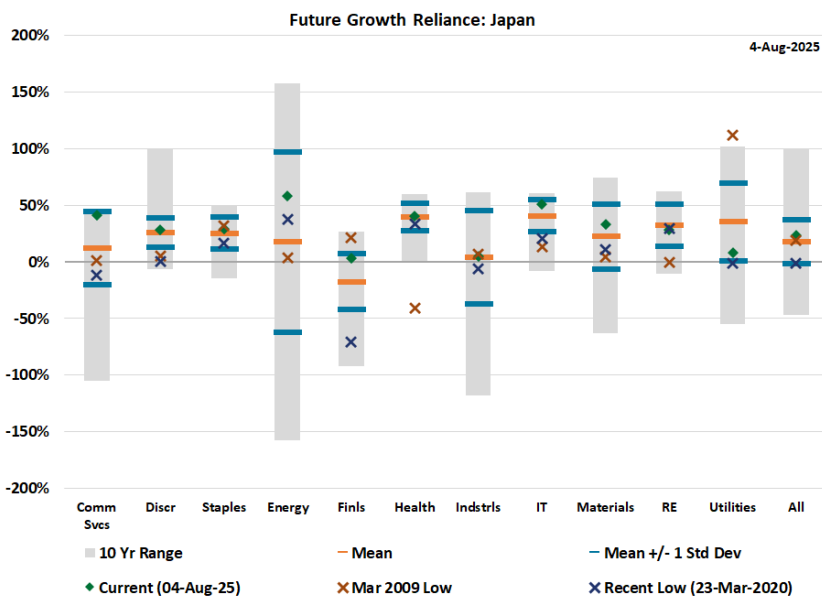


Figure 11: Expectations Analysis Japan



Formulas

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

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

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

NOTE: Parenthetical values below are the z-score: (current value – 10 year mean)/standard deviation

Asia ex Japan

Communication Services (+1.8x), Health Care (+1.7x), and Financials (+1.6x) have some of the highest expectations relative to their 10-year means. Staples (-0.9x), Discretionary (-0.5x), and Energy (+0.2x) have the lowest expectations.

Japan

Communication Services (+0.9x), Financials (+0.8x), and IT (+0.7x) have the highest expectations relative to their historical average expectations. Utilities (-0.8x), Industrials (+0.0x), and Health Care (+0.1x) have some of the lowest relative expectations (despite the latter two being above their historical mean).

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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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