Quant Corner: August 28, 2025

Factor Performance

Figure 1 shows the compound performance of our PRVit, Quality, and Value factors for the Global universe. Quality has continued to trend down as cheap Value has trended up. PRVit is off slightly as the outperformance of Value was not sufficient to offset the decline in Quality. Figure 2 is the same graph for the U.S. All Cap universe. Cheap Value had stronger performance in the U.S. and the overall PRVit factor generated higher alpha than in the Global universe.

Figure 1: Global Factor Rotation

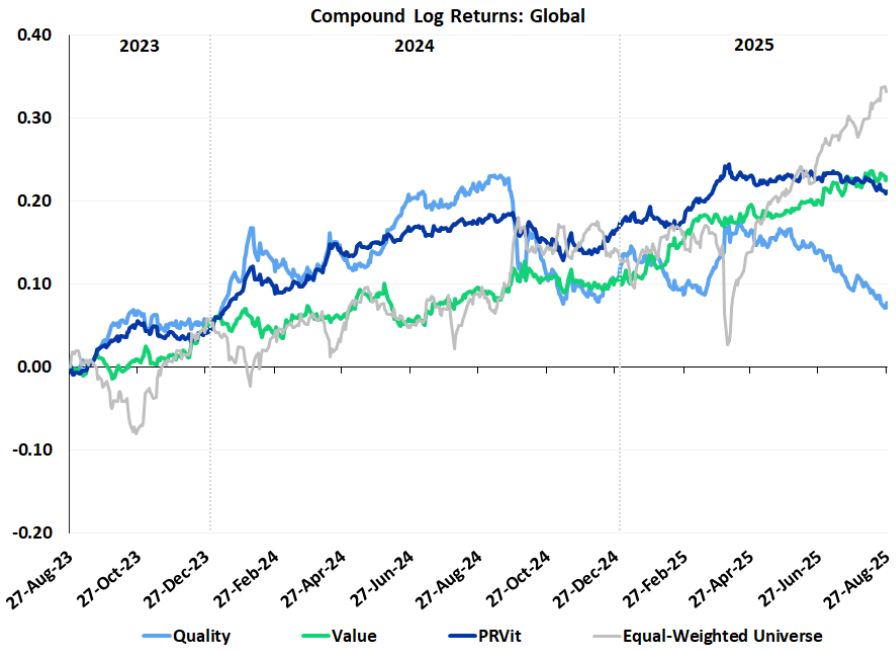
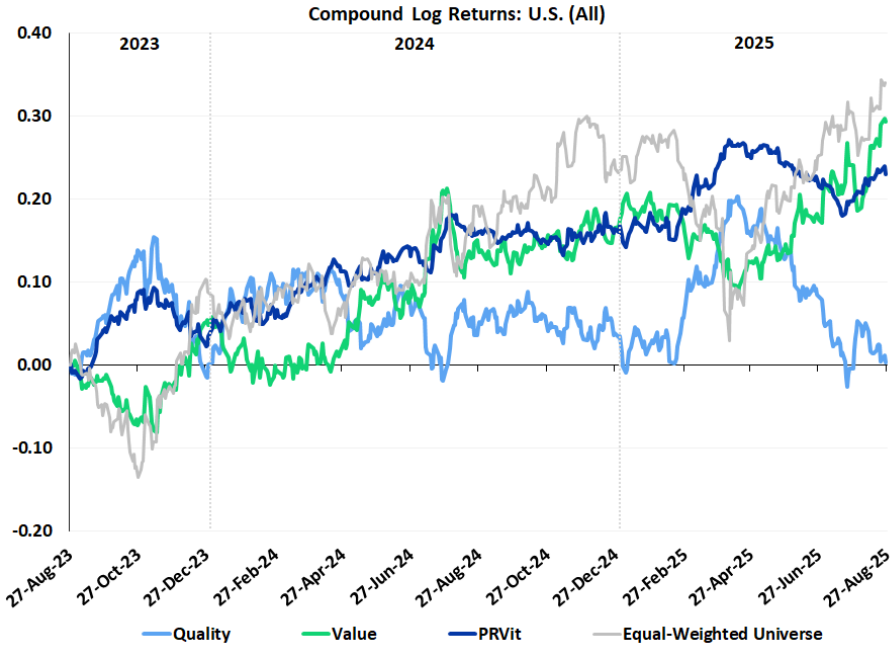


Figure 2: U.S. All Cap Factor Rotation



Notes

In our weekly Quant Corner report, we break down factor performance for the major universes: the U.S., Europe (EUR and the U.K.), Asia ex Japan (AxJ), Japan, the Emerging Markets (EM), and our full Global universe. This report will not be as comprehensive as the full-month reports listed below.

The latest regional reports can be found here:

Global
United States
Europe/United Kingdom
Asia/Japan

Methodology

The 'spreads' terminology used in this report is the difference between the average return of the top 20% of stocks less the return of the bottom 20% of stocks on a given factor (top = highest Quality, cheapest Value, and most attractive PRVit). Top and bottom, as well as universe averages, are based on equally weighted baskets of stocks.

Casey Lea
Global Director of Quantitative Research

ISS EVA Equity Research Team
evaanalytics@iss-stoxx.com

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.

Visit our website www.EVAexpress.com

Daily Factor Performance – Quality and Value

Figures 3-18 show daily Quality, Value, and PRVit factor performance for the last 24 months. Calculations are based on daily re-balancing. 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 had positive cumulative alpha.

Figure 3: U.S. Large Cap

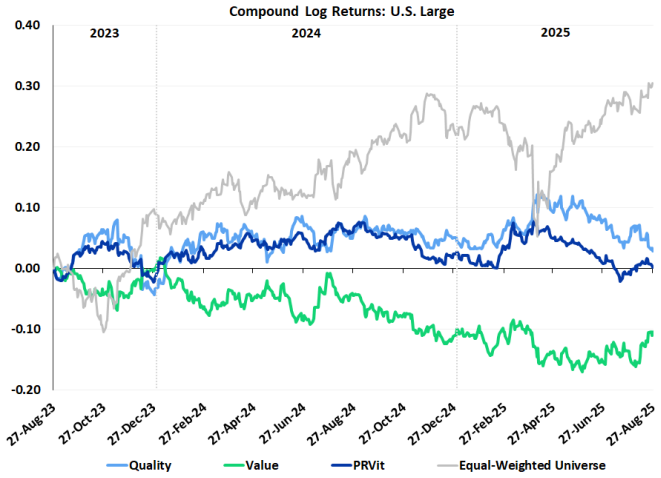


Figure 4: U.S. Small Cap

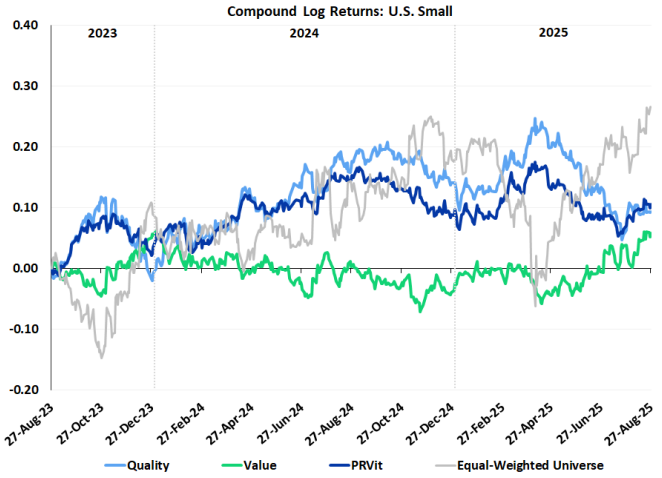


Figure 5: Europe

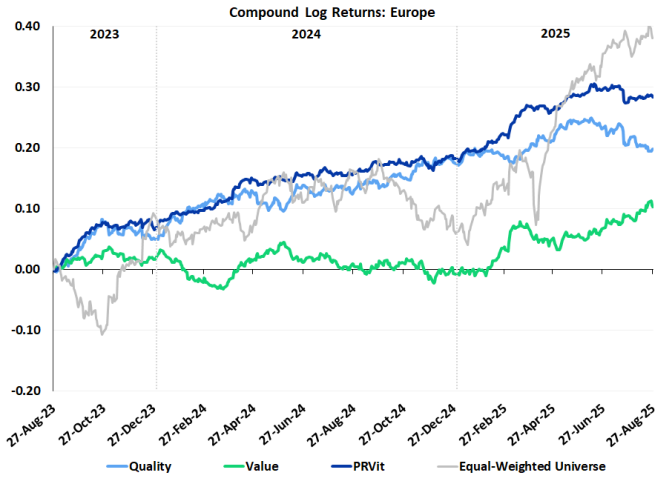


Figure 6: U.K.

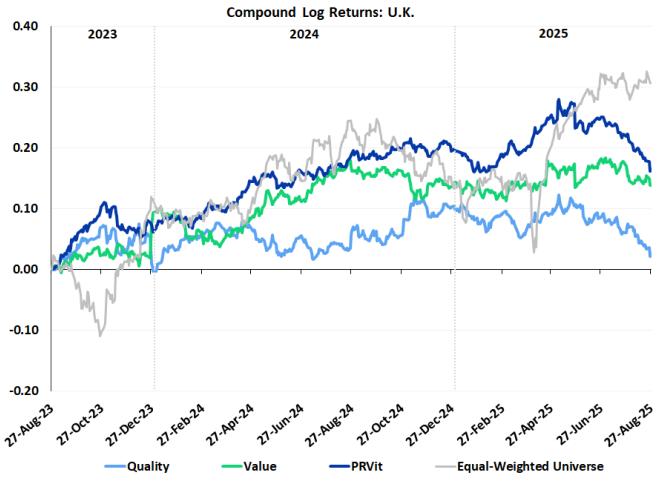


Figure 7: Asia ex Japan

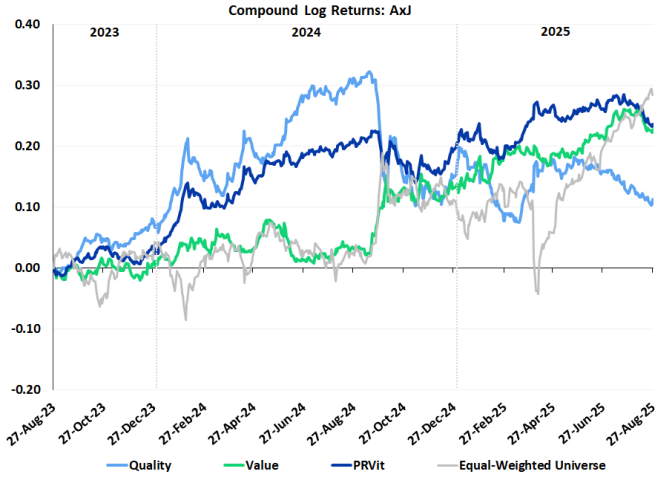
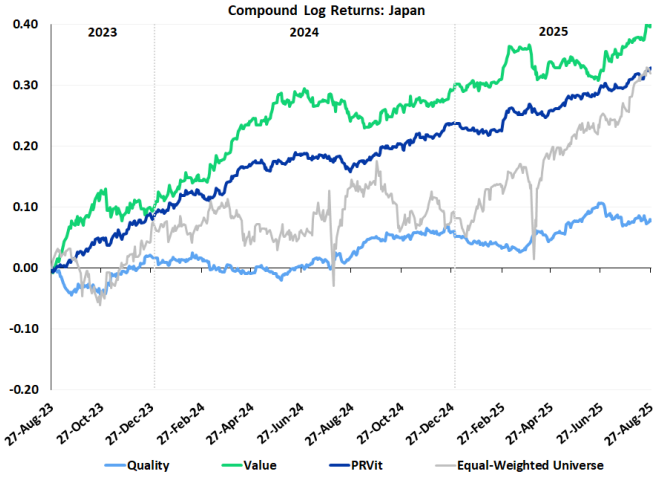


Figure 8: Japan



Market Expectations

Our Future Growth Reliance (FGR) indicates the percentage of the market cap coming from investors' expectations for future wealth creation (Future Value Added or FVA), above and beyond the current level of value creation (Current Value Added or CVA). The MVA Spread is our equivalent to a price-to-book: Current Value Added (CVA) plus Future Value Added (FVA) divided by Capital. Values in the parentheses are the z-scores for the current FGR (above)/MVA Spread (below) and indicate how much the current values differ from the standard deviation. Formula: ***(Current Value – Mean)/Standard Deviation***.

Figure 9: Future Growth Reliance

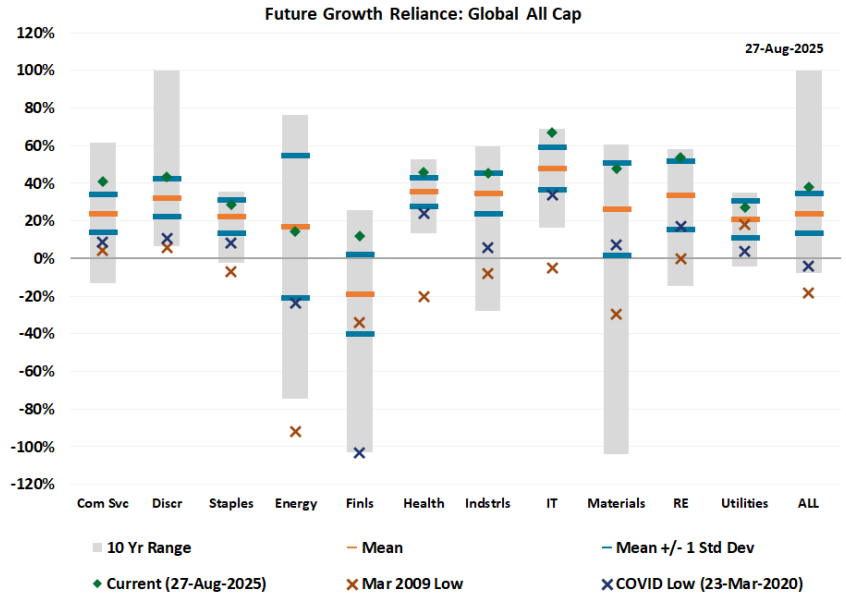


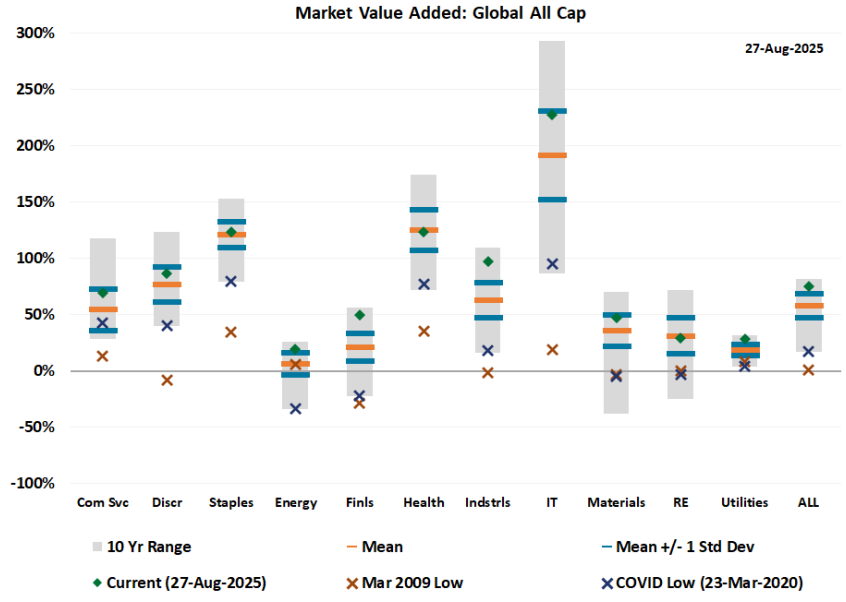
Chart Legend

Figures 9 and **10** plot values seen 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.

Future Growth Reliance (FGR)

Communication Services (+1.7x), IT (+1.7x), and Financials (+1.5x) have the highest expectations. Energy (-0.1x), Utilities (+0.6x), and Staples (+0.8x) have the lowest expectations (despite the latter two being above average historical levels).

Figure 10: MVA Spread



Market Value Added Spread (MVA Spread)

Financials (+2.4x), Industrials (+2.3x), and Utilities (+1.9x) have the highest price-to-books relative to their histories. Health Care (-0.1x), Staples (+0.2x), and Discretionary (+0.6x) have some of the lowest price premiums.

Formulas

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

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

Market Value Added (MVA) =
CVA + FVA

Future Growth Reliance (FGR) =
FVA / Market Cap

MVA Spread =
MVA / Capital (Net business assets after EVA adjustments)

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.

Disclaimer - This report and all of the information contained in it, including without limitation all text, data, graphs and charts, is the property of ISS STOXX and/or its licensors and is provided for informational purposes only. The information may not be modified, reverse-engineered, reproduced or disseminated, in whole or in part, without prior written permission from ISS STOXX.

This report and the recommendations, ratings and/or other analytical content in the report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

The user of this report assumes all risks of any use that it may make or permit to be made of the information. While ISS STOXX exercised due care in compiling this report, ISS STOXX makes no express or implied warranties or representations with respect to the information in, or any results to be obtained by the use of, the report. In particular, the recommendations, ratings and/or other analytical content in the report are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies. ISS STOXX shall not be liable for any losses or damages arising from or in connection with the information contained herein or the use of, reliance on, or inability to use any such information.

Please note the issuer(s) mentioned within this report and/or material may have a commercial relationship with ISS Corporate Solutions, Inc. ("ISS-Corporate"), a wholly owned subsidiary of Institutional Shareholder Services Inc., or ISS-Corporate may have provided advisory or analytical services to the issuer(s) in connection with the information described in this report. No employee of ISS-Corporate played a role in the preparation of this report. If you are an institutional client of ISS STOXX, you may inquire about any issuer's use of products and services from ISS-Corporate via ProxyExchange or by emailing disclosure@issgovernance.com.

Additionally, the issuer(s) mentioned within this report and/or material may be a client of ISS STOXX, or the parent of, or affiliated with, a client of ISS STOXX. One or more of the proponents of a shareholder proposal at an upcoming meeting may be a client of ISS STOXX, or the parent of, or affiliated with, a client of ISS STOXX. None of the sponsors of any shareholder proposal(s) played a role in preparing this report.

ISS STOXX is majority owned by Deutsche Börse AG ("DB"), an international exchange organization. Both ISS STOXX and DB have established standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings ("Research Offerings") produced by ISS STOXX.

Further information about conflict mitigation can be found here.

Registered Trademarks - EVA®, EVA Momentum® and PRVit® are registered trademarks, and VARP™ and Value-At-A-Reasonable-Price™ are trademarks of Institutional Shareholder Services Inc. and EVA Dimensions, LLC. Russell 3000 is a registered trademark of The Frank Russell Company. S&P is a registered trademark of The McGraw-Hill Companies.

EVA is a registered services mark of Institutional Shareholder Services Inc. (in the field of financial data, valuation analytics and investment management) and of Stern Stewart & Co. (in the field of financial and incentive consulting).

© 2025 Copyright Institutional Shareholder Services Inc. All rights reserved.

Research Division

Senior Management Team

Casey Lea
Executive Director
Global Director of Quantitative Research

Gavin Thomson
Executive Director
Global Director of Fundamental Research