

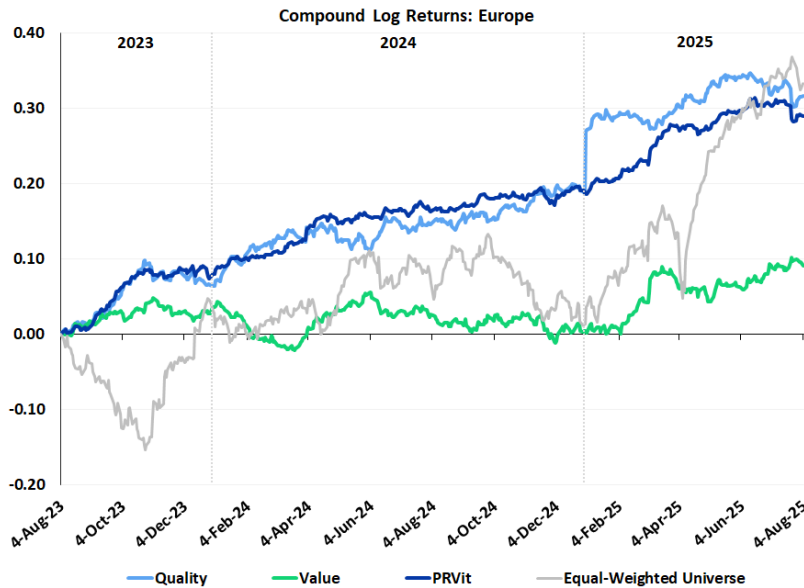
## PRVit Factor Report – Europe and the United Kingdom

### Results through July 2025

#### Europe Results

PRVit had been trending up through June but lost some alpha in July as Quality rolled over in mid-July. Value had a substantial run in February and into early March, rolled over from mid-March to early May, and then was up from May through July (see **Figure 3** on page 2).

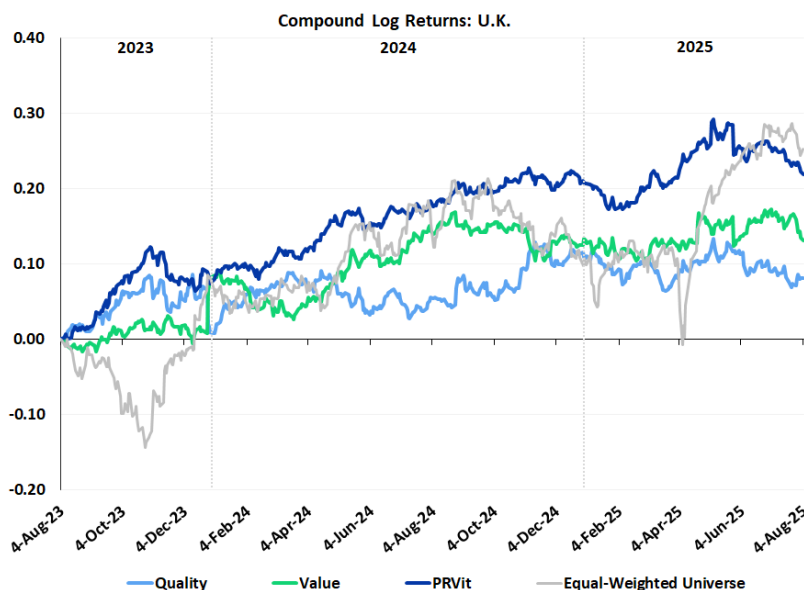
**Figure 1: Factor Performance – Europe ex the U.K.**



#### U.K. Results

PRVit trended down during July after some volatility in May and June (see **Figure 4** on page 2). Quality also slipped through most of July, although it did tick up in the final days of the month and into August. Value had a strong month in June through mid-July but then dropped significantly at the end of the month.

**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 third 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.

Casey Lea

Global Director of Quantitative Research

ISS EVA Equity Research Team

[evaanalytics@iss-stoxx.com](mailto: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](http://www.EVAexpress.com)

**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 2<sup>nd</sup> quintile, the 2<sup>nd</sup> quintile outperforms the 3<sup>rd</sup> 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)	1.9%	-1.27%	4.9%	0.59%	4.3%	0.72%	3.0%	0.68%	2.7%	0.48%	3.1%	0.60%	2.9%	0.60%
Profitability Level (High P1)	0.2%	-2.63%	3.6%	0.17%	3.2%	0.43%	2.5%	0.55%	2.4%	0.41%	2.9%	0.51%	2.6%	0.48%
Profitability Trend (High P2)	4.8%	-1.23%	5.9%	0.71%	4.9%	0.85%	3.1%	0.71%	2.5%	0.52%	2.3%	0.51%	2.9%	0.70%
Risk (Low R)	-6.6%	-4.00%	-3.7%	-1.94%	1.3%	-0.21%	2.0%	0.24%	1.7%	0.06%	2.4%	0.35%	2.7%	0.50%
Volatility (Low R1)	-10.8%	-2.61%	-4.2%	-1.25%	1.8%	0.13%	1.8%	0.10%	1.8%	-0.07%	2.3%	0.25%	2.6%	0.30%
Vulnerability (Low R2)	0.6%	-2.01%	-1.3%	-1.11%	0.2%	-0.02%	1.3%	0.22%	0.9%	0.14%	1.3%	0.23%	1.4%	0.40%
Quality (High P - R)	-1.6%	-2.71%	2.3%	-0.64%	4.0%	0.59%	3.2%	0.64%	2.8%	0.36%	3.5%	0.59%	3.6%	0.79%
Valuation (Low V)	5.7%	1.62%	6.0%	1.05%	1.7%	0.51%	1.6%	0.41%	1.8%	0.67%	0.2%	0.11%	1.1%	0.54%
Valuation Ratios (Low V1)	5.2%	1.64%	5.1%	1.08%	1.0%	0.29%	1.1%	0.30%	1.5%	0.59%	-0.2%	0.06%	0.3%	0.37%
Valuation Multiples (Low V2)	6.5%	-1.56%	7.9%	0.21%	4.1%	0.49%	3.5%	0.70%	2.9%	0.74%	1.4%	0.25%	2.6%	0.74%
PRVit	2.4%	-2.71%	7.0%	0.25%	5.2%	0.91%	4.2%	0.94%	3.8%	0.84%	3.2%	0.66%	3.8%	0.97%
PRVit Prime	1.5%	-2.61%	6.5%	0.07%	5.5%	0.80%	3.9%	0.82%	3.4%	0.76%	2.8%	0.59%	3.5%	0.87%

**Figure 4: U.K. All Cap**

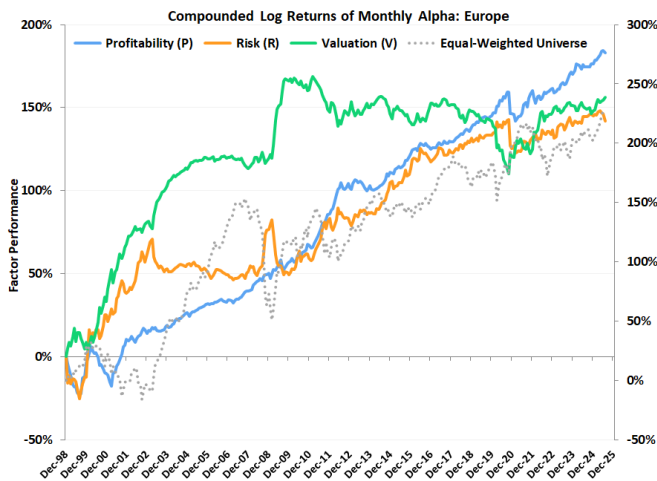
U.K.	1M		3M		1Y		3Y		5Y		10Y		Since Dec'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	0.8%	-1.10%	-0.8%	-0.50%	3.1%	0.72%	2.5%	0.35%	2.5%	0.15%	3.6%	0.51%	3.3%	0.52%
Profitability Level (High P1)	-1.4%	-1.87%	-3.1%	-0.93%	0.9%	0.27%	1.3%	0.08%	2.0%	0.10%	3.4%	0.43%	2.9%	0.45%
Profitability Trend (High P2)	4.3%	2.47%	2.0%	0.76%	5.2%	1.21%	3.3%	0.61%	2.4%	0.35%	2.6%	0.37%	2.9%	0.64%
Risk (Low R)	-4.9%	-1.98%	-1.6%	-0.74%	-2.4%	-0.55%	0.2%	0.02%	0.8%	-0.09%	2.1%	0.21%	2.5%	0.34%
Volatility (Low R1)	-7.2%	-4.16%	-6.6%	-2.76%	-1.9%	-1.11%	0.2%	-0.49%	0.8%	-0.45%	1.7%	-0.03%	2.5%	0.14%
Vulnerability (Low R2)	1.5%	-0.58%	3.5%	0.18%	-1.8%	-0.86%	0.2%	-0.08%	0.5%	0.10%	1.3%	0.33%	0.8%	0.11%
Quality (High P - R)	-1.6%	-1.50%	-1.2%	-0.68%	1.5%	0.19%	2.0%	0.15%	2.2%	0.14%	3.7%	0.55%	3.7%	0.59%
Valuation (Low V)	-8.7%	-1.80%	3.7%	1.65%	1.4%	0.00%	2.0%	0.68%	3.4%	1.30%	0.3%	0.31%	1.2%	0.44%
Valuation Ratios (Low V1)	-7.7%	-0.96%	4.0%	1.93%	0.7%	-0.45%	1.4%	0.48%	2.8%	1.12%	-0.2%	0.13%	0.8%	0.35%
Valuation Multiples (Low V2)	-6.6%	-3.08%	4.1%	0.80%	3.4%	0.42%	2.9%	0.67%	4.3%	1.08%	1.5%	0.25%	2.3%	0.39%
PRVit	-8.7%	-2.61%	0.8%	0.14%	2.8%	0.37%	3.2%	0.72%	4.1%	0.95%	3.2%	0.66%	4.2%	0.88%
PRVit Prime	-8.9%	-3.27%	1.2%	-0.24%	3.0%	0.48%	3.3%	0.73%	4.2%	1.01%	3.3%	0.68%	4.2%	0.94%

**Compound Total Alpha for Factors**

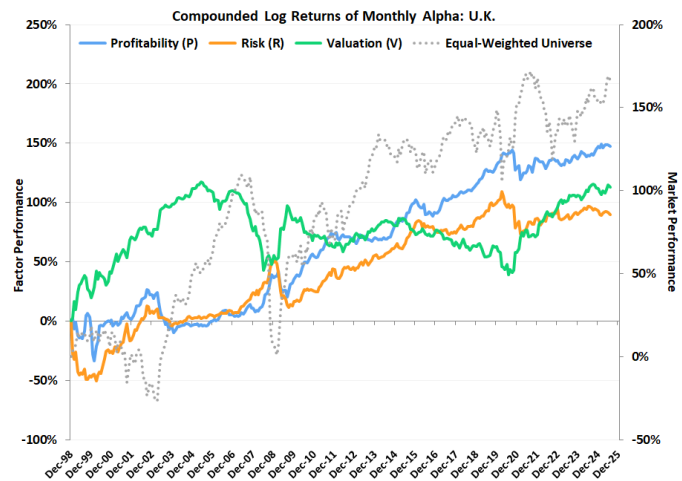
The graphs below are the compound log returns of the total alpha generated by each of our key factors: Profitability (P), Risk (R), and Value (V). In these graphs, the benchmarks are provided for timing: the alpha lines are not relative to those lines.

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 July (“1M” columns), PRVit had a positive spread in 6 of 11 sectors in Europe and 4 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	
	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	5.2%	-0.16%	17.8%	1.42%	4.1%	0.85%	4.1%	0.75%	2.9%	0.53%	3.6%	0.62%	3.7%	1.23%
MATERIALS	-2.0%	-0.35%	8.2%	1.87%	7.6%	1.33%	6.1%	1.57%	2.7%	0.39%	1.6%	0.23%	4.9%	1.25%
INDUSTRIALS	8.2%	1.19%	8.7%	0.70%	5.8%	1.03%	5.0%	1.37%	4.5%	1.26%	3.9%	1.02%	5.0%	1.31%
CONS DISC	6.5%	-1.23%	2.2%	-1.00%	4.5%	0.61%	3.6%	0.77%	3.7%	0.79%	2.8%	0.57%	2.9%	1.06%
CONS STAP	-0.4%	-2.78%	4.4%	1.26%	7.5%	1.35%	6.4%	1.43%	4.3%	0.98%	3.4%	0.73%	5.8%	1.01%
HEALTH CARE	-6.6%	-25.15%	6.7%	-6.86%	7.4%	-0.86%	3.1%	-0.40%	3.3%	0.16%	2.8%	0.18%	3.7%	0.68%
FINANCIALS	-5.5%	0.59%	2.3%	0.52%	2.1%	0.51%	2.3%	0.29%	1.6%	0.31%	1.5%	0.29%	1.8%	0.37%
INFO TECH	-2.2%	4.79%	1.8%	3.14%	3.5%	1.97%	3.8%	1.45%	4.3%	1.25%	3.4%	0.79%	3.1%	1.33%
COMM SVC	-9.1%	0.66%	1.0%	0.56%	3.8%	0.19%	5.1%	0.83%	6.7%	1.49%	1.1%	0.48%	4.4%	1.22%
UTILITIES	-1.4%	0.28%	4.3%	0.72%	6.6%	0.79%	7.7%	1.39%	4.7%	0.58%	2.5%	0.29%	3.3%	0.87%
REAL ESTATE	20.7%	2.59%	10.1%	1.44%	6.0%	1.31%	2.6%	0.46%	4.1%	1.03%	4.9%	0.91%	4.9%	0.91%

**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	16.9%	0.86%	20.9%	9.43%	4.1%	4.81%	1.0%	4.95%	-0.5%	1.55%	1.7%	2.07%	6.5%	1.75%
MATERIALS	8.5%	-0.02%	-2.8%	1.71%	3.5%	1.69%	1.4%	0.23%	0.8%	-0.04%	3.1%	0.40%	4.9%	0.83%
INDUSTRIALS	5.6%	5.37%	12.4%	2.89%	9.8%	2.00%	6.0%	1.43%	7.0%	1.68%	3.2%	0.74%	4.9%	0.96%
CONS DISC	0.3%	0.16%	5.3%	1.95%	7.1%	2.55%	7.6%	2.62%	6.6%	2.03%	4.5%	1.26%	4.5%	0.96%
CONS STAP	-16.6%	-12.80%	4.8%	-2.47%	12.8%	1.57%	10.3%	0.57%	9.3%	1.26%	6.7%	1.22%	5.3%	1.06%
HEALTH CARE	-34.3%	-13.75%	-21.6%	-7.65%	3.2%	1.69%	3.1%	0.81%	5.7%	0.51%	5.6%	0.39%	5.2%	0.59%
FINANCIALS	-3.7%	-4.10%	1.7%	-0.60%	-2.6%	-0.57%	-0.7%	-0.17%	-1.0%	-0.08%	-0.3%	0.36%	3.9%	0.65%
INFO TECH	-15.6%	-5.36%	-13.9%	-4.24%	-3.7%	-5.05%	-0.1%	0.09%	2.0%	1.15%	2.0%	1.22%	3.5%	1.33%
COMM SVC	-40.5%	-18.27%	-15.5%	-7.09%	-16.0%	-4.35%	-3.3%	-0.65%	0.1%	1.13%	7.4%	1.56%	6.5%	0.98%
UTILITIES	-6.7%	-2.74%	33.9%	1.66%	-5.8%	-0.48%	5.7%	1.77%	2.7%	1.12%	-1.5%	0.31%	3.2%	0.24%
REAL ESTATE	-13.6%	3.46%	-0.8%	1.81%	6.3%	1.35%	4.2%	0.42%	7.3%	0.79%	8.5%	1.03%	8.5%	1.03%

**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, Communication Services, IT, and Utilities are the most attractive sectors. In the U.K., Health Care, Communication Services, and Industrials are the most attractive sectors. Europe scores as attractive (PRVit = 51), off slightly from 52 in April. The U.K. continued to score as slightly unattractive (PRVit = 48).

**Figure 9: Sector Attractiveness**

Europe	PRVit	Quality	Value	U.K.	PRVit	Quality	Value
Communication Services	56	57	44	Health Care	57	60	47
Information Technology	54	59	57	Communication Services	55	63	52
Utilities	54	49	36	Industrials	53	69	49
Industrials	52	63	52	Consumer Staples	51	70	45
Energy	52	43	28	Consumer Discretionary	48	55	41
Financials	50	65	44	Energy	46	37	24
Health Care	50	55	55	Information Technology	44	67	74
Materials	49	42	35	Financials	43	56	45
Consumer Staples	46	59	45	Materials	41	40	41
Consumer Discretionary	45	56	47	Utilities	40	47	50
Europe Average	51	57	46	U.K. Average	48	59	47

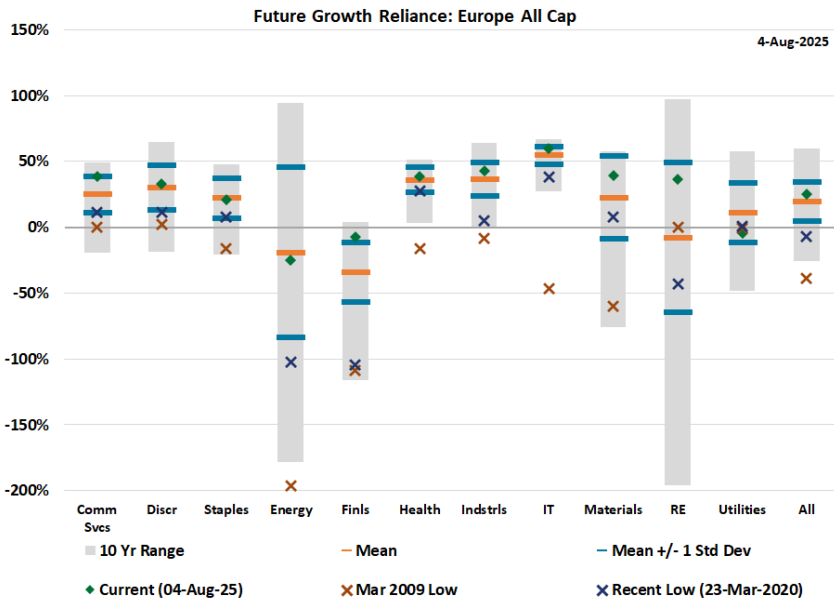
The universe for each region includes all companies in the ISS EVA with a market cap greater than \$1B, excluding the Real Estate sector and Pharmaceuticals, Biotechnology, and Life Science firms under \$5B.

**Expectations Analysis**

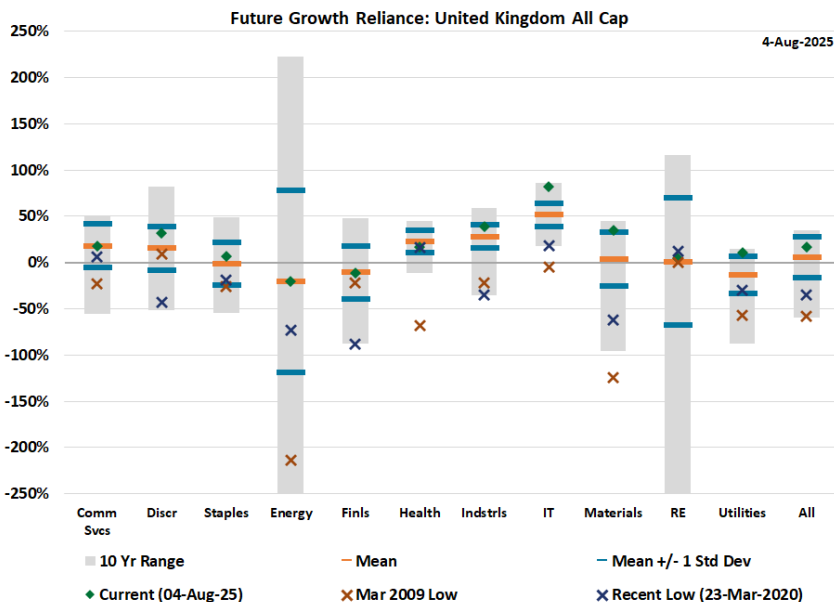
A key driver of our Value scores is the imbedded expectations of the market. For this, we use the Future Growth Reliance (FGR) metric, which computes the implied future EVA growth.

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**

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

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

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

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

**Europe**

Financials (+1.2x), Communication Services (+1.0x), and IT (+0.8x) have the highest expectations. Utilities (-0.7x), Energy (-0.1x), and Staples (-0.1x) have the lowest expectations.

**United Kingdom**

IT (+2.5x), Utilities (+1.2x), and Materials (+1.1x) have the highest relative expectations. Health Care (-0.5x), Financials (-0.0x), and Communication Services (-0.0x) have the lowest expectations.

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**

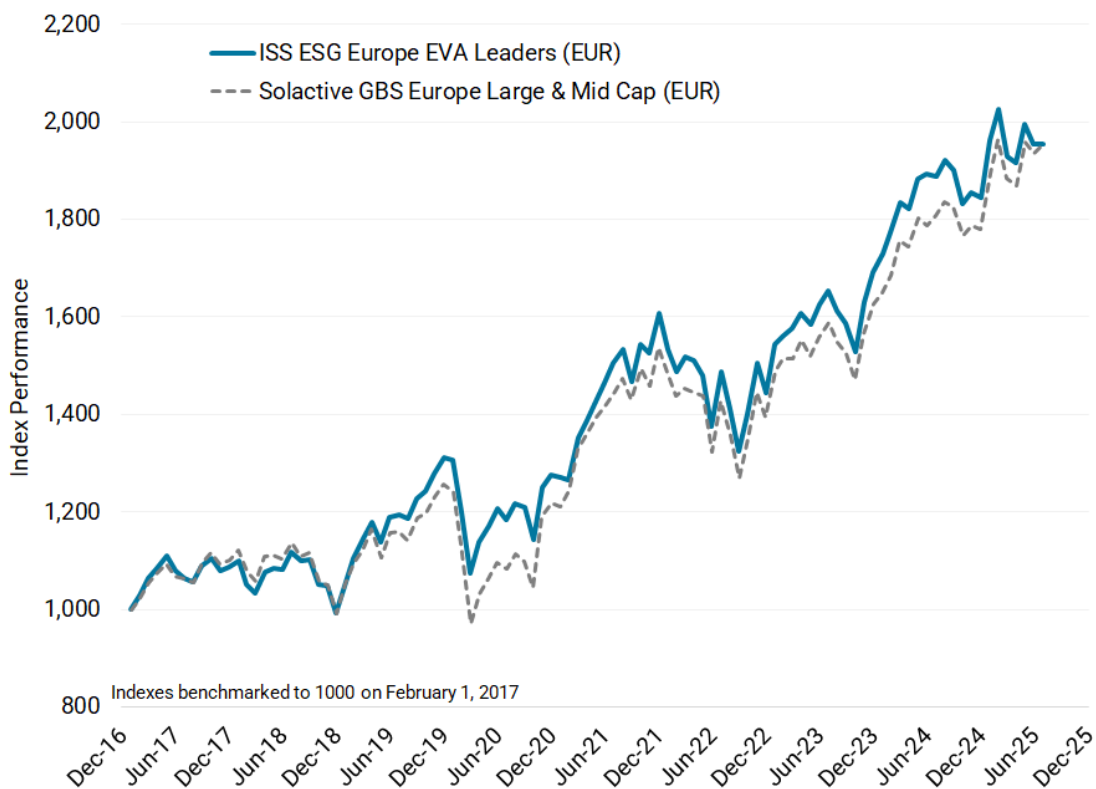
Creation of the index follows a four-step process and starts with the screening of constituents of the Solactive Global Benchmark Series. From there, ISS ESG screens are applied to remove prospective constituents with Red [Norm-Based Research](#) flags, Red Controversial Weapons flags, and those with an overall [ISS 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 = $\Delta$ 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 = $\Delta$ 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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Executive Director

Global Director of Quantitative Research

**Gavin Thomson**  
Executive Director

Global Director of Fundamental Research