Quant Corner: March 19, 2026

Factor Performance

Through the third week of March, we see Risk (**orange**) working everywhere except Japan as the Middle East conflict continued to curb investors' appetite for Risk. PRVit (**purple**) generated alpha in the U.S., the U.K., AxJ, the Emerging Markets, and the Global universe. Profitability (**turquoise**) worked in Europe and the U.K. Quality (**blue**) worked in Europe, the U.K., and AxJ. Cheap Value (green) outperformed expensive Value in AxJ and the Emerging Markets.

Figure 1: Factor Spreads

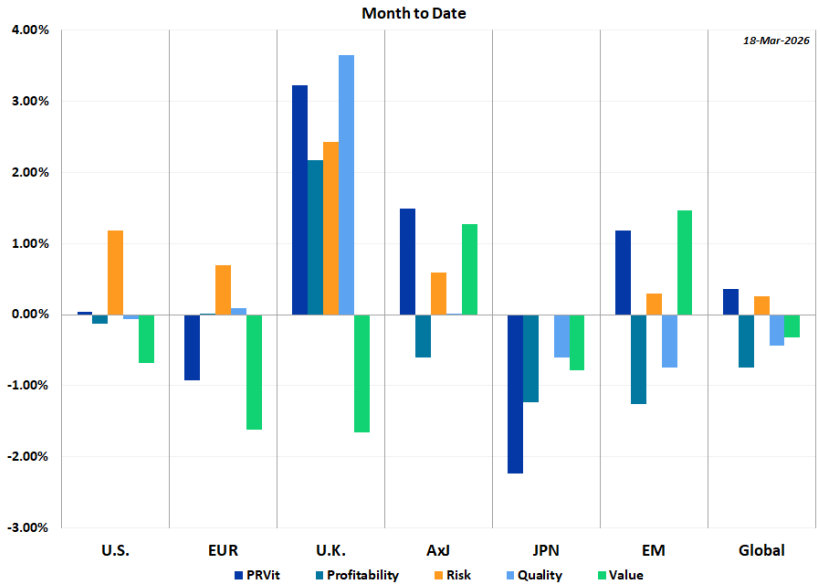
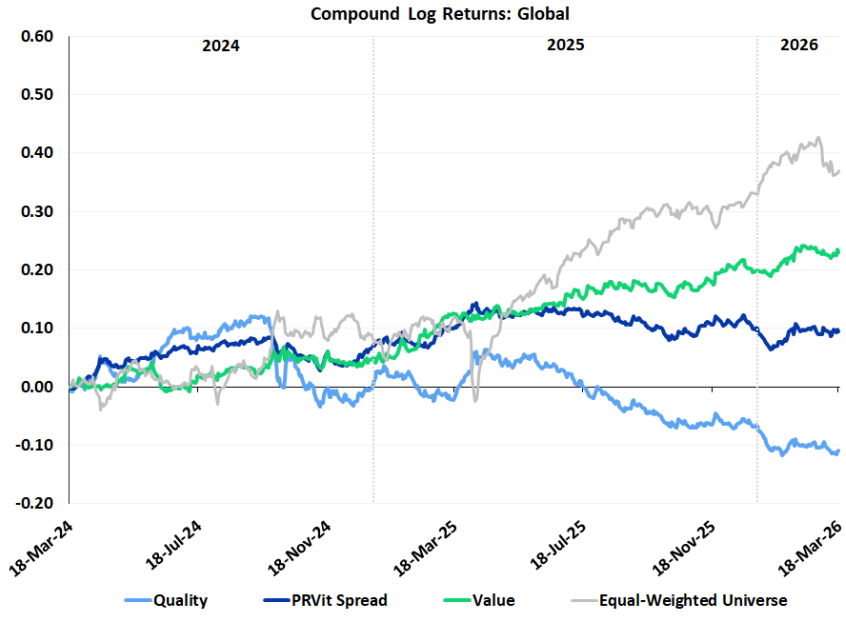


Figure 2 and **Figures 3 – 8** on page 2 show the daily Quality, Value, and PRVit factor performance for the last 24 months. Calculations are based on daily re-balancing. The 'equal-weighted universe' lines are included to show market direction: when the colored factor lines are moving up, they are generating alpha, and when they are over the '0' line of the y-axis, they have had positive cumulative alpha.

Figure 2: Global Factor Performance, Trailing 24 Months



Notes

In our weekly Quant Corner report, we break down factor performance for the major universes: the U.S. 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

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.

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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.

Visit our website www.EVAexpress.com

Daily Factor Performance – Quality, Value, and PRVit

Figures 3-8 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. See Emerging Markets on the next page.

Figure 3: U.S. Large Cap

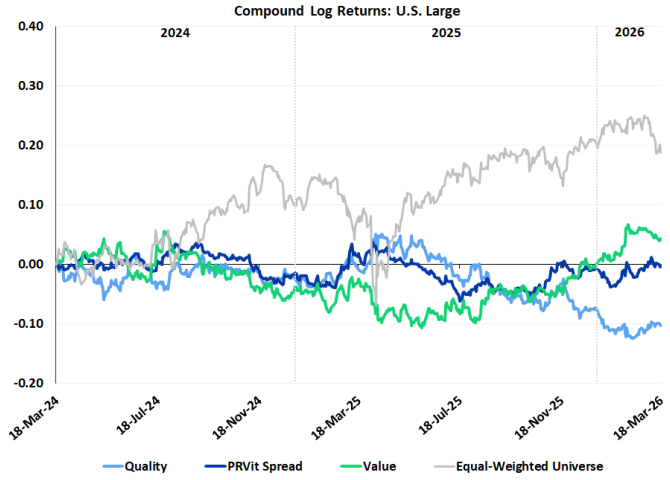


Figure 4: U.S. Small Cap

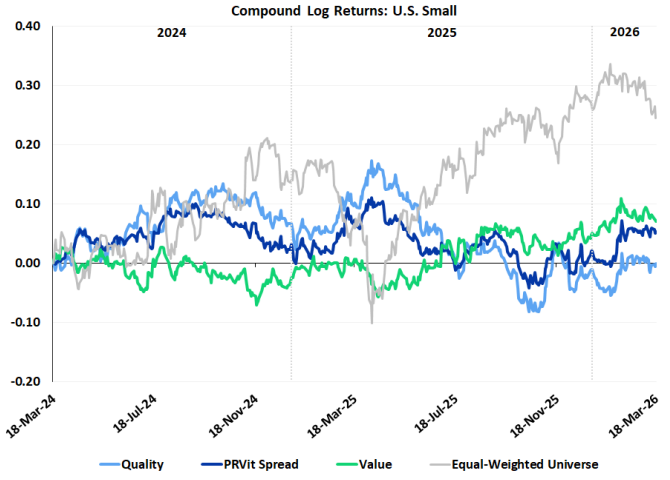


Figure 5: Europe

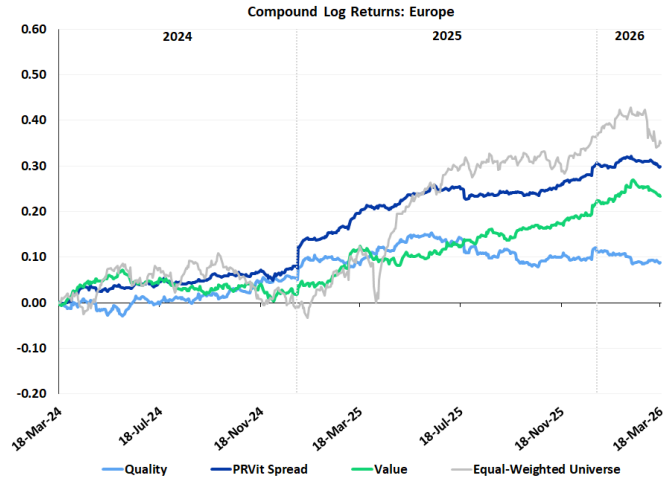


Figure 6: U.K.

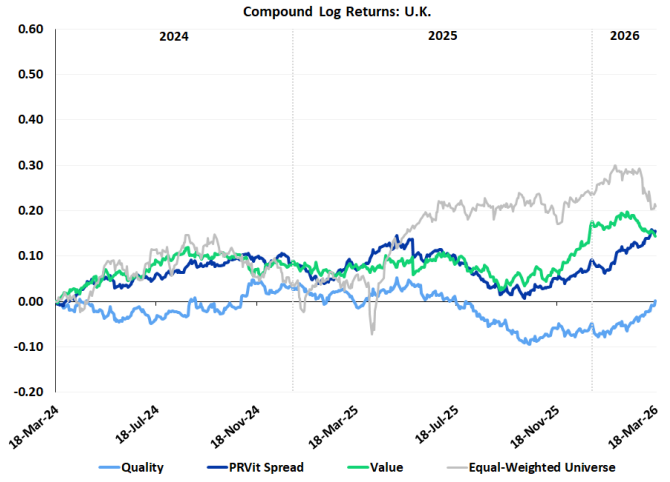


Figure 7: Asia ex Japan

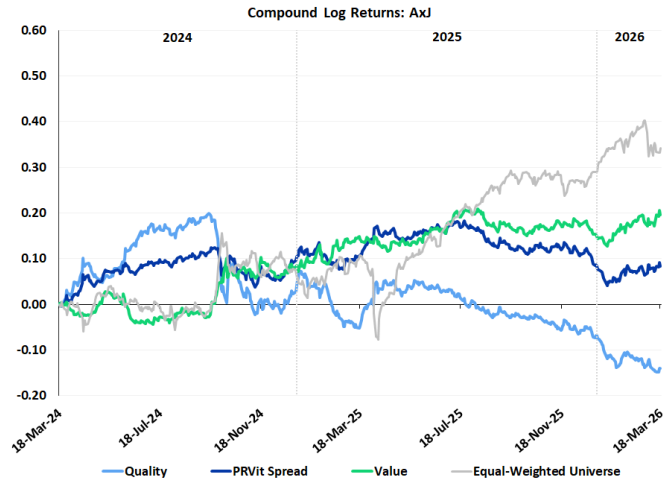


Figure 8: Japan

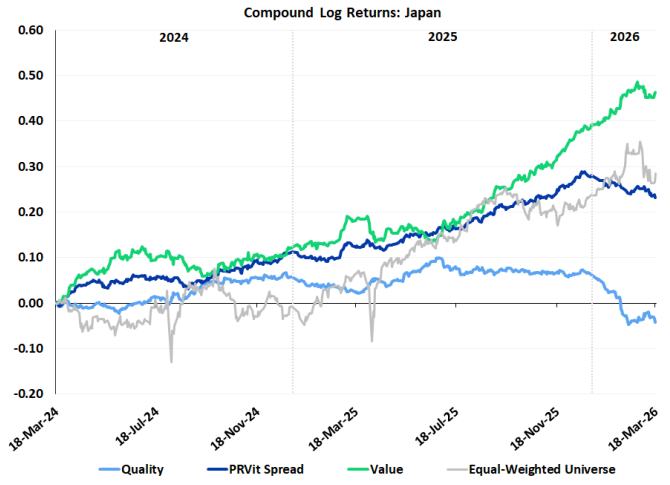
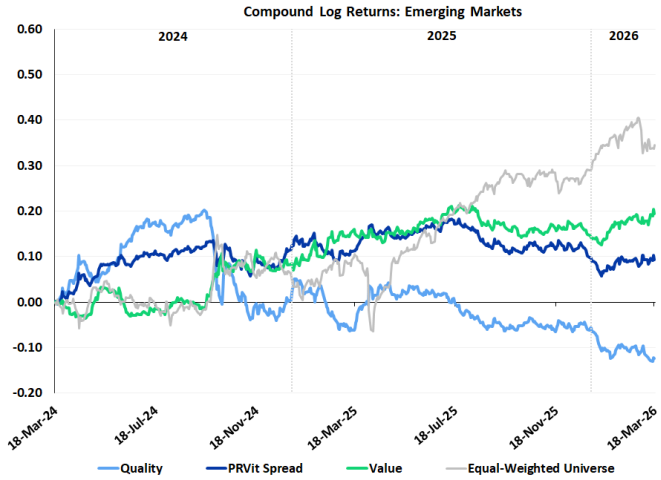


Figure 9: Emerging Markets

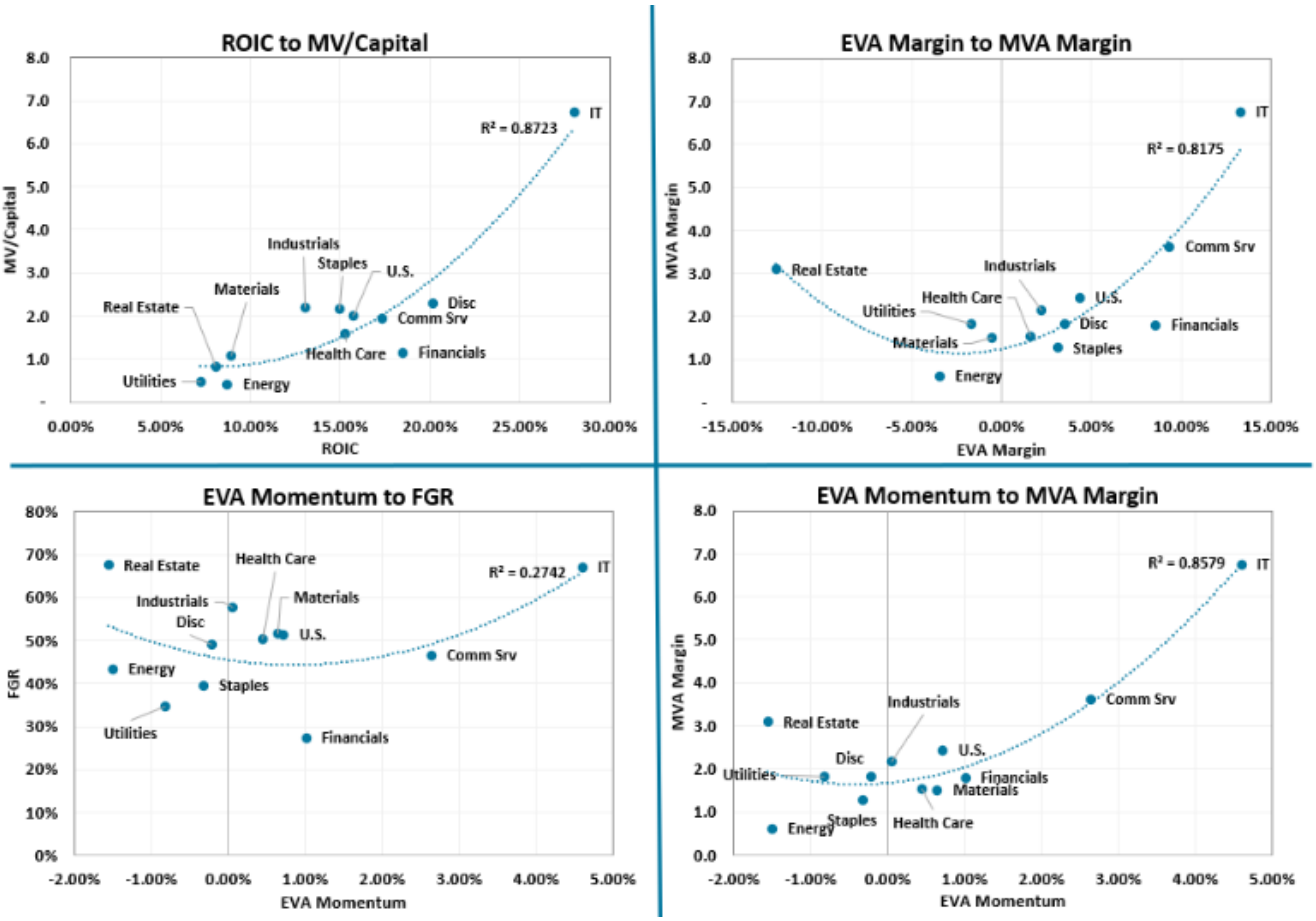


Value had been working since Q4 2025, rolled over at the end of February, and then rebounded again in March. Quality continued to slip.

Sector Review

In **Figure 10**, the top graphs plot profitability (ROIC and EVA Margin) to Valuation (MV/Capital and MVA Margin). MVA Margin is the Market Value Added (Market Value less Capital) over Sales. **Financials** continue to trade at a discount relative to profits. **Health Care** has moved to profitable and gets a positive MVA Margin. In the bottom two graphs, we plot sector growth (EVA Momentum) versus Valuation (Future Growth Reliance and MVA Margin). Expectations for **Discretionary** and **Industrials** are elevated, given flat-to-negative EVA Momentum. **Staples** and **Utilities** have low growth and low expectations. Results are from the end of February 2026.

Figure 10: Profitability/Valuation and Growth/Valuation Analysis – U.S. (End of February Data)



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 11: Future Growth Reliance

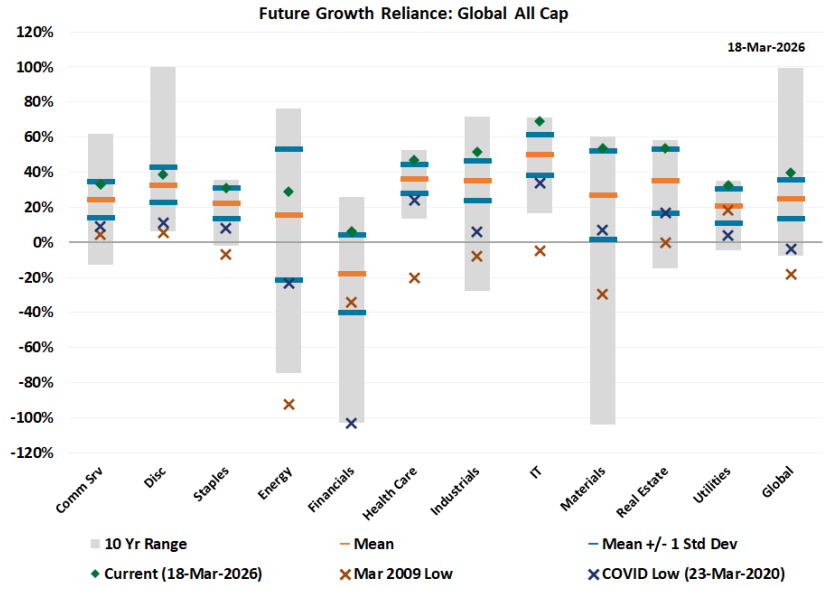


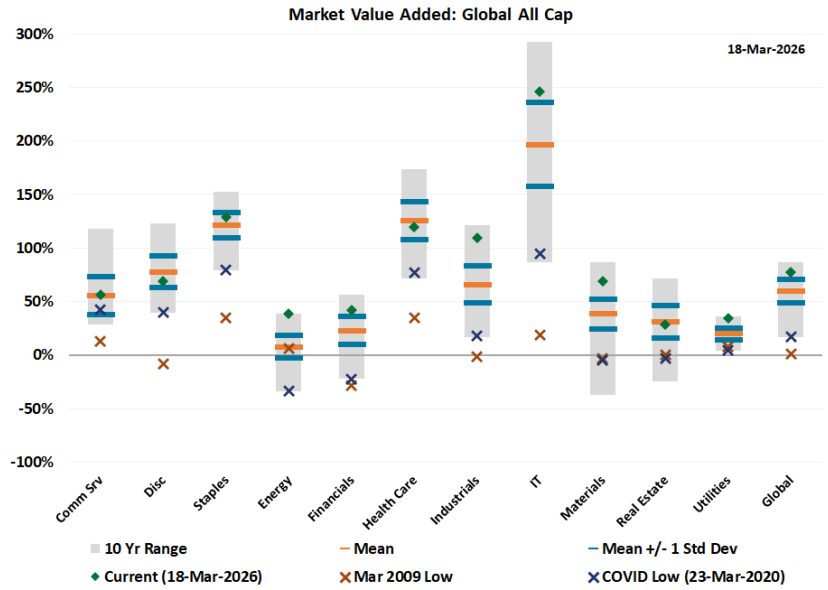
Chart Legend

Figures 11 and **12** 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)

IT (+1.6x), Industrials (+1.4x), and Health Care (+1.3x) have the highest expectations. Energy (+0.4x), Discretionary (+0.6x), and Communication Services (+0.9x) have the lowest expectations (despite all being above average historical levels).

Figure 12: MVA Spread



Market Value Added Spread (MVA Spread)

Energy (+2.9x), Utilities (+2.8x), and Industrials (+2.5x) have the highest price-to-books relative to their histories. Discretionary (-0.6x), Health Care (-0.3x), and Communication Services (+0.0x) have some of the lowest price premiums (despite Comm Services being above its average historical levels).

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

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