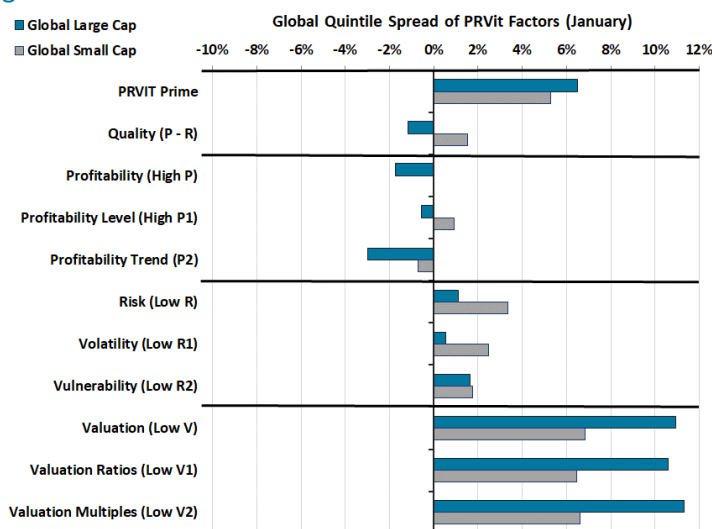


PRVit Report – Global

January Results

PRVit had its 2nd strongest month in the last 10 years in both our Global Large Cap and Small Cap universes, driven by cheap Value (**Figure 1**). Value spreads were +1093bps in Large Cap (2nd best in our history) and +684bps in Small Cap (10th best). As we noted in our recent [The “I” Word...Inflation Its Here](#) report, rate hikes hit more expensively valued companies harder as they are getting more of their market value from future EVA. As rates increase, the Cost of Capital increases, which leads to higher discounting of that future value creation. The strong performance of our Value factor over the last 2 months would indicate that investors are cutting exposure to these high growth expectation names.

Figure 1: Factor Performance



Sector Attractiveness

We recently published our [Sector Attractiveness: Global Analysis](#) which listed sectors from most favorable to least favorable and provided some historical back test results. In **Figure 2** below, we breakout the Large Cap and Small Cap universes. Small Cap results exclude Pharma, Biotech, and Life Sciences. Over the last 20 years, the Annualized Average Return of the favorable sectors versus the unfavorable sectors in the Large Cap universe has been +27bps (for a 12-month holding period). In Small Cap, the average spread has been +105bps. See the Sector Attractiveness report for more specifics on these calculations. Sectors above the average are attractive: Financials and Materials are the most attractive names in Large Cap; Financials, Materials, and Consumer Staples are the most attractive names in Small Cap. As we have noted in our [2022 Energy Outlook](#) report:

EVA Momentum has been driven by rising oil prices which have moved strongly higher throughout 2021 and into 2022. Given its importance in profitability levels across the sector, the price of oil is a key indicator for improving EVA [which would drive Quality higher].

Figure 2: Sector Attractiveness

| Global Large Cap | | | | Global Small Cap | | | |
|------------------------|-------|---------|-------|------------------------|-------|---------|-------|
| | PRVit | Quality | Value | | PRVit | Quality | Value |
| Financials | 62 | 63 | 48 | Financials | 68 | 63 | 48 |
| Materials | 55 | 58 | 53 | Materials | 53 | 58 | 53 |
| Consumer Staples | 46 | 62 | 67 | Consumer Staples | 52 | 62 | 67 |
| Communication Services | 44 | 50 | 57 | Industrials | 50 | 54 | 62 |
| Consumer Discretionary | 44 | 55 | 64 | Utilities | 49 | 39 | 50 |
| Industrials | 44 | 54 | 62 | Consumer Discretionary | 49 | 55 | 64 |
| Health Care | 44 | 62 | 71 | Communication Services | 45 | 50 | 57 |
| Energy | 42 | 35 | 41 | Information Technology | 45 | 61 | 76 |
| Information Technology | 40 | 61 | 76 | Health Care | 42 | 62 | 71 |
| Utilities | 39 | 39 | 50 | Energy | 40 | 35 | 41 |
| Large Cap | 47 | 56 | 60 | Small Cap | 51 | 50 | 50 |

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.

Key Takeaways:

- Our Value factor was strong for the second month in a row.
- Investors lost their appetite for Risk as low Risk outperformed high Risk.
- The **Best of the Best** and **Attractive Value** zones had the strongest performance.

Methodology:

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. In other words, does the top quintile tend to outperform the 2nd quintile, does the 2nd quintile outperform the 3rd quintile, etc. An IC around 5% indicates a very monotonic result.

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About ISS EVA

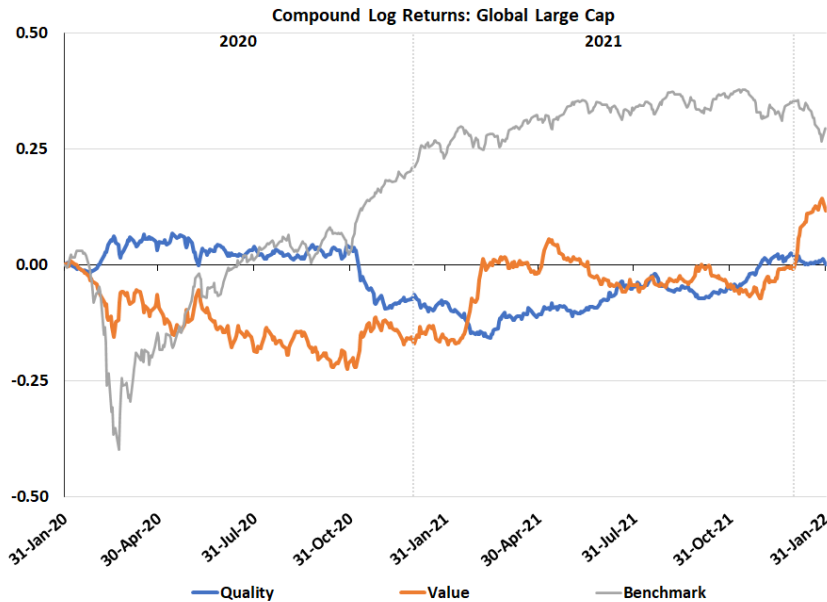
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Factor Rotation: Daily Performance Over Trailing 24 Months

Large Cap and Small Cap daily factor performance over the last two years are included below. Note these graphs are based on daily re-balancing of factors (versus monthly re-balancing used in all other analysis). The 'equal-weighted universe' lines are included to show market direction. When the colored factor lines (blue = Quality, orange = Value) are moving up, that factor is generating alpha, and when the lines are over the '0' line of the y-axis, they have positive cumulative alpha.

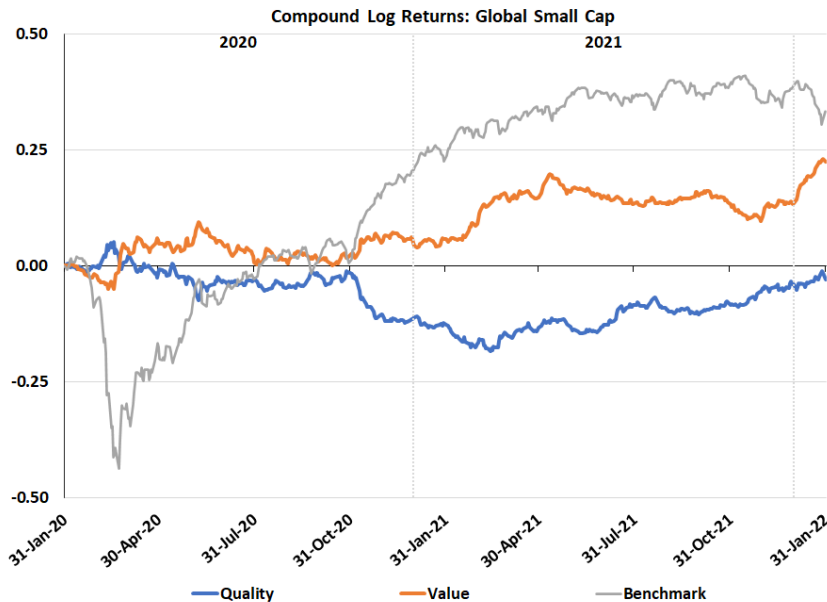
Figure 3: Global Large Cap



Global Large Cap

Value ended 2021 just about flat over the last 2 years but shot up dramatically in January as the markets rolled over. Quality had been steadily generating alpha since October 2021 but dipped some in early January. The recovery in the latter half of the month was not enough to get Quality net positive for January.

Figure 4: Global Small Cap



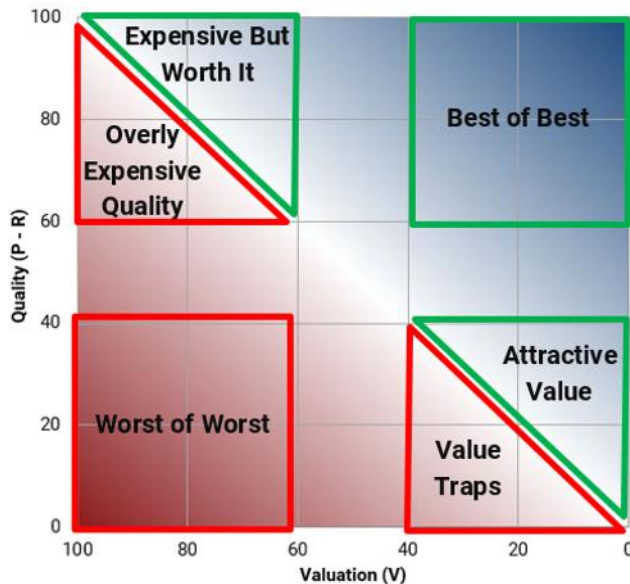
Global Small Cap

Value accelerated its run from December. Quality, which dipped in Large Cap, persisted on its slow and steady recovery.

HEAT MAP: Examining the Zones

Our HEAT Map captures the key factors that comprise PRVit: the trade-off between Quality and Valuation. Our Quality score is plotted on the y-axis where the higher the value, the better the quality. Our Valuation factor is plotted on the x-axis where the cheaper values are to the right and the expensive values are to the left. The green areas are in the 'Favorable' region: the upper left one is our 'Expensive But Worth It' category where $PRVit > 70$, $Quality > 60$ and $Valuation > 60$ while the lower-right one is our 'Attractive Value' category where $PRVit > 70$, $Quality < 40$ and $Valuation < 40$. Our 'Best of Best' green box is $PRVit > 70$, $Quality > 60$ and $Valuation < 40$: these companies have the largest disconnect between their Quality and Valuation. The red areas are in the 'Unfavorable' region: the upper-left one is our 'Overly Expensive Quality' where $PRVit < 30$, $Quality > 60$ and $Valuation > 60$ while the lower-right one is our 'Value Traps' where $PRVit < 30$, $Quality < 40$ and $Valuation < 40$. And, of course, we highlight the 'Worst of Worst' in the red box where $PRVit < 30$, $Quality < 40$ and $Valuation > 60$: we sometimes refer to these as 'Story Stocks' because if you own these, you better have a good story (See Figure 3).

Figure 5: HEAT Map Zones



HEAT Map Primer

The beauty of the HEAT map is the visual trade-off between **Quality** and **Valuation**: companies in the favorable (blue) area offer higher quality and/or cheaper valuation than those in the unfavorable (red) area.

The y-axis is our measure of **Quality** where the higher the score, the higher the company's quality or Risk-Adjusted Profitability is. This is a composite score including Level and Trend of Profitability (P1 and P2) as well as Volatility and Vulnerability (R1 and R2).

The x-axis is our measure of **Valuation** which includes Wealth Ratios and Wealth Multiples (V1 and V2). This axis is plotted in reverse, so the most expensive stocks (highest V scores) are to the left and the cheapest V scores are plotted to the right.

The upper left area tends to contain growth names while the bottom right area tends to be the value plays.

Zones: Current Analysis

In Figure 4, we summarize the performance of these zones for the Large and Small Cap markets across various time slices. The **Attractive Value** zone had the strongest performance in Large Cap (+566bps) and Small Cap (+278bps) followed by **Best of the Best** (in both universes). **Worst of the Worst** and **Overly Expensive Quality** were weakest zones in both universes. Historically, the **Expensive But Worth It** zone has had the strongest performance in Large Cap (averaging 37bps/month) while **Best of the Best** has been the strongest in Small Cap (averaging 51bps/month).

Figure 6: Zone Alpha

| Avg Monthly Spread vs Benchmark Zones | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|--------|
| | Large | Small | Large | Small | Large | Small | Large | Small | Large | Small | Large | Small | Large | Small |
| Best of the Best | 3.96% | 2.08% | 1.91% | 0.99% | 0.78% | 0.48% | -0.11% | 0.10% | 0.02% | 0.23% | 0.14% | 0.30% | 0.26% | 0.51% |
| Expensive But Worth It | 1.56% | 1.02% | 1.20% | 0.22% | 0.88% | 0.40% | 0.35% | 0.20% | 0.40% | 0.32% | 0.35% | 0.30% | 0.37% | 0.38% |
| Overly Expensive Quality | -3.74% | -2.55% | -1.47% | -0.24% | -0.10% | -0.31% | 0.26% | 0.03% | 0.14% | -0.13% | -0.13% | -0.16% | -0.11% | -0.05% |
| Attractive Value | 5.66% | 2.78% | 1.75% | 0.78% | 0.36% | 0.12% | -0.09% | 0.02% | -0.02% | 0.09% | 0.20% | 0.13% | -0.04% | 0.45% |
| Value Trap | 2.41% | 1.62% | 0.24% | 0.62% | 0.90% | 0.25% | 0.06% | 0.31% | -0.28% | 0.12% | -0.21% | -0.17% | -0.18% | -0.26% |
| Worst of the Worst | -3.67% | -4.70% | -3.28% | -2.57% | -1.52% | -1.28% | -0.05% | -0.25% | -0.21% | -0.42% | -0.34% | -0.50% | -0.35% | -0.55% |

In Figures 7 & 8 (next page), we plot the long-term returns of these zones.

Long-Term Zone Performance

The graphs below show compounded performance of our zones versus the equal-weighted average of each universe (**Best of the Best**, **Expensive But Worth It**, **Overly Expensive Quality**, **Attractive Value**, **Value Traps** and **Worst of the Worst**). See explanation of zones on previous page.

Figure 7: Long-Term Zone Performance – Global Large Cap

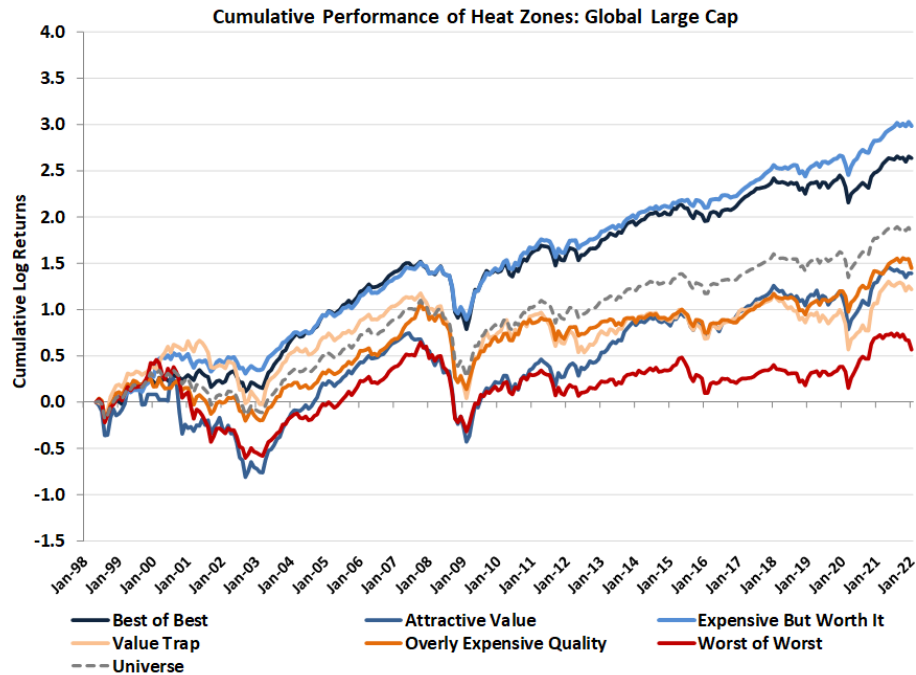
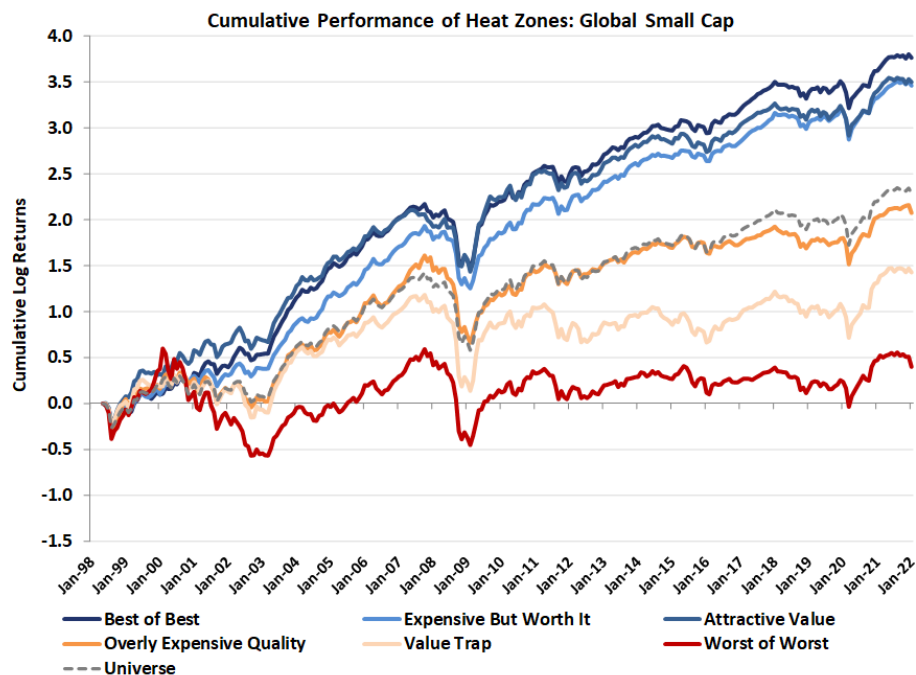


Figure 8: Long-Term Zone Performance – Global Small Cap



PRVit Performance and Factor Returns: Global

Figures 5-7 show the performance of the PRVit model in different market cap ranges. 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. In other words, does the top quintile tend to outperform the 2nd quintile, does the 2nd quintile outperform the 3rd quintile, etc. An IC around 5% indicates a very monotonic result.

Figure 9: Global All Cap

| Global All | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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) | -2.8% | -0.43% | 3.0% | 0.85% | 2.9% | 0.58% | 2.9% | 0.31% | 3.5% | 0.51% | 3.4% | 0.53% | 3.4% | 0.59% |
| Profitability Level (High P1) | -0.6% | 0.57% | 4.3% | 1.44% | 3.3% | 0.57% | 3.1% | 0.25% | 3.6% | 0.44% | 3.1% | 0.41% | 3.3% | 0.52% |
| Profitability Trend (High P2) | -5.1% | -1.36% | 0.4% | 0.11% | 1.3% | 0.38% | 1.6% | 0.29% | 2.2% | 0.45% | 2.7% | 0.56% | 2.7% | 0.65% |
| Risk (Low R) | 8.8% | 2.93% | 6.5% | 2.05% | 4.1% | 0.59% | 1.6% | -0.28% | 2.8% | 0.11% | 3.7% | 0.44% | 3.2% | 0.46% |
| Volatility (Low R1) | 8.8% | 2.05% | 8.5% | 2.02% | 5.2% | 0.58% | 1.8% | -0.51% | 2.8% | -0.11% | 3.8% | 0.27% | 2.9% | 0.08% |
| Vulnerability (Low R2) | 5.1% | 1.71% | 1.8% | 0.69% | 1.0% | 0.12% | 0.5% | 0.01% | 1.2% | 0.19% | 1.5% | 0.31% | 1.8% | 0.52% |
| Quality (High P - R) | 0.9% | 0.87% | 4.9% | 1.58% | 3.9% | 0.72% | 3.0% | 0.15% | 4.0% | 0.49% | 4.2% | 0.63% | 4.0% | 0.68% |
| Valuation (Low V) | 26.5% | 7.96% | 10.3% | 2.92% | 4.3% | 1.33% | -0.1% | 0.03% | 0.1% | 0.07% | 0.5% | 0.21% | 1.4% | 0.52% |
| Valuation Ratios (Low V1) | 25.1% | 7.41% | 9.7% | 2.79% | 4.0% | 1.29% | -0.3% | 0.04% | -0.3% | 0.03% | 0.1% | 0.15% | 0.9% | 0.42% |
| Valuation Multiples (Low V2) | 26.8% | 7.83% | 11.5% | 3.06% | 5.1% | 1.29% | 0.7% | -0.08% | 1.4% | 0.14% | 1.8% | 0.30% | 2.8% | 0.65% |
| PRVit | 19.4% | 5.84% | 10.4% | 3.04% | 5.7% | 1.41% | 2.4% | 0.16% | 3.5% | 0.49% | 4.1% | 0.69% | 4.5% | 0.96% |
| PRVit Prime | 17.2% | 5.49% | 11.2% | 3.44% | 5.8% | 1.46% | 2.4% | 0.17% | 3.1% | 0.42% | 3.6% | 0.61% | 4.3% | 0.96% |

Figure 10: Global Large Cap

| Large Cap | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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) | -9.9% | -1.74% | 1.3% | 0.85% | 2.5% | 0.64% | 2.8% | 0.45% | 3.4% | 0.55% | 2.5% | 0.41% | 2.5% | 0.51% |
| Profitability Level (High P1) | -6.5% | -0.56% | 3.2% | 1.38% | 2.5% | 0.67% | 2.7% | 0.39% | 3.3% | 0.49% | 2.0% | 0.32% | 2.2% | 0.47% |
| Profitability Trend (High P2) | -12.2% | -2.99% | -1.4% | -0.33% | 1.6% | 0.44% | 2.0% | 0.37% | 2.4% | 0.47% | 2.4% | 0.43% | 2.3% | 0.52% |
| Risk (Low R) | 2.3% | 1.12% | 7.9% | 2.38% | 4.2% | 0.57% | 1.1% | -0.19% | 2.4% | 0.12% | 3.1% | 0.38% | 2.2% | 0.36% |
| Volatility (Low R1) | 0.4% | 0.53% | 8.2% | 2.01% | 4.9% | 0.74% | 0.8% | -0.34% | 1.9% | -0.05% | 2.8% | 0.23% | 1.7% | 0.07% |
| Vulnerability (Low R2) | 2.8% | 1.64% | 3.7% | 1.33% | 1.3% | 0.19% | 0.3% | -0.06% | 1.3% | 0.15% | 1.5% | 0.24% | 1.5% | 0.39% |
| Quality (High P - R) | -8.1% | -1.17% | 4.6% | 1.68% | 3.8% | 0.77% | 2.8% | 0.27% | 3.9% | 0.53% | 3.4% | 0.51% | 2.9% | 0.57% |
| Valuation (Low V) | 38.0% | 10.93% | 16.5% | 4.78% | 5.9% | 1.90% | -1.4% | -0.38% | -1.4% | -0.31% | 0.1% | 0.04% | 0.8% | 0.28% |
| Valuation Ratios (Low V1) | 36.6% | 10.59% | 15.7% | 4.94% | 5.6% | 2.04% | -1.4% | -0.28% | -1.6% | -0.29% | -0.1% | 0.04% | 0.5% | 0.23% |
| Valuation Multiples (Low V2) | 39.6% | 11.30% | 17.6% | 5.29% | 6.8% | 2.08% | -1.0% | -0.40% | -0.5% | -0.22% | 0.6% | 0.05% | 1.6% | 0.33% |
| PRVit | 20.6% | 6.62% | 14.5% | 4.53% | 7.1% | 1.95% | 1.6% | 0.05% | 2.7% | 0.32% | 3.4% | 0.52% | 3.3% | 0.65% |
| PRVit Prime | 18.8% | 6.50% | 14.6% | 4.62% | 6.8% | 1.86% | 1.5% | 0.02% | 2.3% | 0.21% | 2.8% | 0.36% | 3.0% | 0.60% |

Figure 11: Global Small Cap

| Small Cap | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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% | -0.04% | 3.3% | 0.92% | 2.8% | 0.55% | 2.7% | 0.24% | 3.2% | 0.49% | 3.4% | 0.59% | 3.5% | 0.67% |
| Profitability Level (High P1) | 1.2% | 0.94% | 4.6% | 1.54% | 3.4% | 0.68% | 2.9% | 0.25% | 3.3% | 0.43% | 3.2% | 0.48% | 3.4% | 0.60% |
| Profitability Trend (High P2) | -3.2% | -0.70% | 0.8% | 0.30% | 1.2% | 0.41% | 1.4% | 0.27% | 1.9% | 0.43% | 2.6% | 0.60% | 2.7% | 0.70% |
| Risk (Low R) | 10.7% | 3.35% | 6.3% | 1.92% | 4.2% | 0.56% | 1.9% | -0.30% | 3.0% | 0.09% | 3.9% | 0.45% | 3.5% | 0.47% |
| Volatility (Low R1) | 11.5% | 2.48% | 8.9% | 2.02% | 5.6% | 0.53% | 2.3% | -0.57% | 3.2% | -0.14% | 4.2% | 0.28% | 3.3% | 0.06% |
| Vulnerability (Low R2) | 5.8% | 1.75% | 1.3% | 0.48% | 1.0% | 0.05% | 0.6% | 0.02% | 1.1% | 0.20% | 1.5% | 0.33% | 1.8% | 0.55% |
| Quality (High P - R) | 3.5% | 1.54% | 5.0% | 1.55% | 3.9% | 0.70% | 2.9% | 0.12% | 3.7% | 0.44% | 4.3% | 0.67% | 4.2% | 0.74% |
| Valuation (Low V) | 23.8% | 6.84% | 9.1% | 2.08% | 4.2% | 1.08% | 0.8% | 0.15% | 1.2% | 0.22% | 1.1% | 0.26% | 1.8% | 0.54% |
| Valuation Ratios (Low V1) | 22.5% | 6.46% | 8.5% | 2.06% | 3.9% | 1.05% | 0.6% | 0.18% | 0.7% | 0.20% | 0.6% | 0.21% | 1.2% | 0.45% |
| Valuation Multiples (Low V2) | 23.2% | 6.62% | 10.0% | 2.31% | 4.9% | 0.95% | 1.7% | 0.04% | 2.4% | 0.29% | 2.5% | 0.41% | 3.4% | 0.74% |
| PRVit | 18.9% | 5.87% | 9.5% | 2.64% | 5.6% | 1.22% | 2.9% | 0.18% | 3.9% | 0.54% | 4.5% | 0.74% | 4.9% | 1.03% |
| PRVit Prime | 16.6% | 5.27% | 10.4% | 3.08% | 5.7% | 1.30% | 2.9% | 0.24% | 3.5% | 0.51% | 4.0% | 0.68% | 4.7% | 1.03% |

Global ex U.S. Results on Next Page

PRVit Performance and Factor Returns: Global ex U.S.

Figures 8-10 show performance of the PRVit model in different market cap ranges for the Global universe excluding the United States.

Figure 12: Global ex U.S. All Cap

| Global ex U.S. All | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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) | -4.0% | -0.76% | 1.4% | 0.22% | 1.6% | 0.23% | 2.9% | 0.39% | 3.6% | 0.62% | 3.7% | 0.66% | 3.3% | 0.50% |
| Profitability Level (High P1) | -2.1% | -0.42% | 2.5% | 0.49% | 2.1% | 0.09% | 3.1% | 0.28% | 3.7% | 0.48% | 3.5% | 0.49% | 3.1% | 0.43% |
| Profitability Trend (High P2) | -5.4% | -1.60% | -0.3% | -0.27% | 0.3% | 0.17% | 1.6% | 0.38% | 2.3% | 0.57% | 2.8% | 0.67% | 2.5% | 0.60% |
| Risk (Low R) | 5.4% | 1.30% | 2.6% | 0.52% | 3.1% | 0.14% | 2.3% | -0.10% | 3.4% | 0.25% | 4.2% | 0.54% | 2.9% | 0.31% |
| Volatility (Low R1) | 6.7% | 1.15% | 5.4% | 0.85% | 5.0% | 0.32% | 2.6% | -0.32% | 3.6% | 0.07% | 4.4% | 0.37% | 2.9% | 0.01% |
| Vulnerability (Low R2) | 2.6% | 1.02% | -0.8% | -0.10% | -0.1% | -0.08% | 0.7% | 0.13% | 1.3% | 0.27% | 1.8% | 0.36% | 1.5% | 0.39% |
| Quality (High P - R) | -1.2% | -0.29% | 2.3% | 0.30% | 2.5% | 0.27% | 3.3% | 0.30% | 4.3% | 0.64% | 4.7% | 0.78% | 3.9% | 0.59% |
| Valuation (Low V) | 23.5% | 6.86% | 8.1% | 1.89% | 3.9% | 1.01% | 0.1% | -0.01% | 0.5% | 0.11% | 0.9% | 0.24% | 1.6% | 0.54% |
| Valuation Ratios (Low V1) | 22.2% | 6.52% | 7.5% | 1.75% | 3.6% | 0.90% | -0.2% | -0.05% | 0.0% | 0.02% | 0.3% | 0.15% | 1.0% | 0.41% |
| Valuation Multiples (Low V2) | 23.9% | 7.12% | 9.3% | 2.31% | 4.6% | 0.94% | 1.1% | -0.06% | 2.0% | 0.25% | 2.5% | 0.43% | 3.0% | 0.67% |
| PRVit | 16.2% | 4.51% | 7.1% | 1.63% | 4.5% | 0.81% | 2.8% | 0.21% | 4.1% | 0.62% | 4.7% | 0.83% | 4.4% | 0.87% |
| PRVit Prime | 14.0% | 4.25% | 7.9% | 2.00% | 4.5% | 0.83% | 2.6% | 0.23% | 3.6% | 0.55% | 4.1% | 0.71% | 4.1% | 0.86% |

Figure 13: Global ex U.S. Large Cap

| Global ex U.S. Large Cap | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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) | -7.8% | -1.18% | 2.1% | 0.71% | 1.6% | 0.38% | 2.8% | 0.47% | 3.5% | 0.58% | 2.7% | 0.47% | 2.3% | 0.42% |
| Profitability Level (High P1) | -5.0% | -0.57% | 3.0% | 0.91% | 1.6% | 0.37% | 3.0% | 0.46% | 3.5% | 0.52% | 2.3% | 0.34% | 2.1% | 0.40% |
| Profitability Trend (High P2) | -9.7% | -2.10% | 0.4% | 0.26% | 1.0% | 0.48% | 1.6% | 0.36% | 2.2% | 0.45% | 2.3% | 0.45% | 2.0% | 0.39% |
| Risk (Low R) | 1.1% | 0.43% | 2.5% | 0.87% | 2.5% | 0.07% | 1.1% | -0.25% | 2.4% | 0.14% | 3.2% | 0.40% | 2.2% | 0.38% |
| Volatility (Low R1) | 1.9% | 0.92% | 4.4% | 1.03% | 4.0% | 0.51% | 1.1% | -0.35% | 2.2% | -0.01% | 2.8% | 0.22% | 1.8% | -0.02% |
| Vulnerability (Low R2) | -0.1% | 0.49% | -0.5% | 0.13% | 0.2% | -0.11% | 0.4% | -0.04% | 1.3% | 0.16% | 1.8% | 0.32% | 1.6% | 0.43% |
| Quality (High P - R) | -6.4% | -0.77% | 2.9% | 1.03% | 2.3% | 0.42% | 2.9% | 0.36% | 3.9% | 0.59% | 3.6% | 0.58% | 2.8% | 0.50% |
| Valuation (Low V) | 32.7% | 9.58% | 12.1% | 3.47% | 5.1% | 1.58% | -1.6% | -0.47% | -1.2% | -0.29% | 0.3% | 0.08% | 1.4% | 0.46% |
| Valuation Ratios (Low V1) | 30.8% | 9.01% | 11.1% | 3.39% | 4.8% | 1.55% | -1.7% | -0.40% | -1.5% | -0.28% | 0.1% | 0.08% | 0.9% | 0.38% |
| Valuation Multiples (Low V2) | 34.7% | 10.25% | 13.5% | 3.98% | 5.7% | 1.53% | -1.1% | -0.49% | -0.3% | -0.18% | 0.8% | 0.05% | 2.1% | 0.53% |
| PRVit | 19.6% | 5.60% | 10.7% | 3.12% | 5.3% | 1.39% | 1.3% | -0.02% | 2.7% | 0.36% | 3.5% | 0.55% | 3.5% | 0.74% |
| PRVit Prime | 16.1% | 5.17% | 10.4% | 3.31% | 4.7% | 1.31% | 0.9% | -0.11% | 2.1% | 0.21% | 2.6% | 0.39% | 3.1% | 0.69% |

Figure 14: Global ex U.S. Small Cap

| Global ex U.S. Small Cap | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'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) | -2.3% | -0.58% | 1.3% | 0.17% | 1.7% | 0.26% | 2.7% | 0.36% | 3.4% | 0.63% | 3.9% | 0.75% | 3.5% | 0.61% |
| Profitability Level (High P1) | -0.7% | -0.23% | 2.5% | 0.39% | 2.4% | 0.12% | 2.9% | 0.24% | 3.5% | 0.46% | 3.8% | 0.57% | 3.3% | 0.50% |
| Profitability Trend (High P2) | -3.7% | -1.25% | -0.5% | -0.33% | 0.2% | 0.15% | 1.5% | 0.40% | 2.2% | 0.63% | 2.9% | 0.77% | 2.6% | 0.68% |
| Risk (Low R) | 6.7% | 1.66% | 2.7% | 0.33% | 3.4% | 0.14% | 2.9% | -0.04% | 3.8% | 0.30% | 4.7% | 0.58% | 3.2% | 0.26% |
| Volatility (Low R1) | 8.2% | 1.24% | 5.9% | 0.64% | 5.4% | 0.22% | 3.3% | -0.31% | 4.3% | 0.10% | 5.1% | 0.41% | 3.3% | -0.03% |
| Vulnerability (Low R2) | 3.5% | 1.24% | -0.8% | -0.11% | -0.1% | -0.09% | 0.9% | 0.17% | 1.3% | 0.30% | 1.8% | 0.37% | 1.4% | 0.37% |
| Quality (High P - R) | 0.9% | 0.04% | 2.2% | 0.10% | 2.7% | 0.22% | 3.4% | 0.31% | 4.3% | 0.65% | 5.0% | 0.86% | 4.1% | 0.64% |
| Valuation (Low V) | 20.5% | 5.87% | 6.8% | 1.22% | 3.5% | 0.67% | 1.1% | 0.14% | 1.6% | 0.29% | 1.5% | 0.29% | 2.0% | 0.50% |
| Valuation Ratios (Low V1) | 19.4% | 5.51% | 6.3% | 1.15% | 3.2% | 0.58% | 0.7% | 0.09% | 1.0% | 0.17% | 0.7% | 0.16% | 1.3% | 0.38% |
| Valuation Multiples (Low V2) | 20.0% | 5.74% | 7.9% | 1.53% | 4.2% | 0.57% | 2.1% | 0.12% | 3.2% | 0.44% | 3.5% | 0.56% | 3.5% | 0.69% |
| PRVit | 14.7% | 4.34% | 5.9% | 1.09% | 4.3% | 0.62% | 3.5% | 0.33% | 4.8% | 0.76% | 5.4% | 0.94% | 4.8% | 0.90% |
| PRVit Prime | 13.1% | 3.95% | 7.0% | 1.59% | 4.4% | 0.64% | 3.4% | 0.34% | 4.3% | 0.70% | 4.8% | 0.84% | 4.6% | 0.88% |

Sector Results on Next Page

PRVit Performance by Sector

PRVit had strong performance in all sectors in Large Cap (Figure 11) and most sectors in Small Cap (Figure 13). Figures 12 and 14 are Global ex U.S. universe results.

Figure 15: PRVit Performance by Sector – Global Large Cap

| PRVit vs Industry | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|-------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Large Cap | 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 | 3.1% | 5.28% | 11.9% | 3.01% | 4.7% | 0.79% | 2.1% | 0.62% | 4.0% | 0.95% | 2.7% | 0.60% | 3.6% | 0.74% |
| MATERIALS | 30.4% | 9.80% | 11.6% | 3.70% | 1.2% | 0.00% | -2.2% | -0.93% | -0.3% | -0.50% | 2.9% | 0.16% | 3.7% | 0.62% |
| INDUSTRIALS | 10.4% | 3.85% | 15.4% | 4.83% | 8.5% | 2.41% | 3.3% | 0.55% | 3.5% | 0.58% | 4.4% | 0.62% | 4.0% | 0.84% |
| CONS DISC | 9.0% | 3.47% | 13.2% | 3.98% | 10.3% | 2.93% | 2.9% | 0.08% | 2.8% | 0.27% | 2.4% | 0.27% | 2.1% | 0.28% |
| CONS STAP | 20.5% | 6.65% | 17.0% | 4.17% | 5.7% | 1.30% | 1.8% | -0.31% | 2.2% | -0.04% | 2.9% | 0.31% | 3.2% | 0.53% |
| HEALTH CARE | 29.8% | 10.84% | 24.7% | 9.05% | 12.1% | 4.58% | 1.2% | 0.17% | 1.6% | -0.10% | 2.6% | 0.39% | 3.1% | 1.02% |
| FINANCIALS | 2.9% | 1.68% | 3.8% | 1.29% | 2.8% | 0.77% | 1.6% | 0.11% | 2.4% | 0.29% | 2.0% | 0.24% | 2.9% | 0.49% |
| INFO TECH | 32.6% | 9.46% | 29.4% | 9.49% | 11.3% | 2.86% | 2.4% | 0.30% | 2.0% | 0.20% | 2.7% | 0.26% | 3.4% | 0.78% |
| COMM SVC | 52.3% | 16.83% | 25.9% | 8.07% | 8.7% | 2.23% | -0.6% | -0.43% | 0.0% | -0.12% | 1.5% | 0.23% | 2.3% | 0.55% |
| UTILITIES | 9.3% | 0.91% | 4.0% | -0.02% | 5.9% | 1.10% | -2.6% | -0.40% | 0.1% | -0.02% | 1.6% | 0.19% | 3.1% | 0.40% |
| REAL ESTATE | 20.4% | 3.85% | -1.2% | -0.57% | 0.3% | 0.28% | 0.4% | 0.09% | 1.4% | 0.28% | 1.2% | 0.25% | 1.2% | 0.25% |

Figure 16: PRVit Performance by Sector – Global ex U.S. Large Cap

| PRVit vs Industry | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|--------------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Global ex U.S. Large Cap | 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 | 18.1% | 5.80% | 21.6% | 4.31% | 6.2% | 1.20% | 1.0% | 0.35% | 3.5% | 0.83% | 3.4% | 0.90% | 4.2% | 1.32% |
| MATERIALS | 34.2% | 10.53% | 12.1% | 3.69% | -0.2% | -0.49% | -1.4% | -0.82% | 0.2% | -0.39% | 2.8% | 0.29% | 3.7% | 0.66% |
| INDUSTRIALS | 13.0% | 3.44% | 15.6% | 4.08% | 7.4% | 2.11% | 2.7% | 0.47% | 3.3% | 0.65% | 4.1% | 0.71% | 4.3% | 0.89% |
| CONS DISC | 4.4% | 0.90% | 6.4% | 1.74% | 6.6% | 1.88% | 2.5% | 0.05% | 2.9% | 0.36% | 2.7% | 0.32% | 2.6% | 0.58% |
| CONS STAP | 19.5% | 7.21% | 11.6% | 4.19% | 2.2% | 1.20% | 0.6% | -0.08% | 2.4% | 0.19% | 2.1% | 0.28% | 3.8% | 0.85% |
| HEALTH CARE | 27.6% | 8.25% | 18.3% | 6.77% | 10.7% | 3.87% | 0.9% | 0.10% | 1.1% | -0.33% | 2.3% | 0.26% | 2.0% | 0.89% |
| FINANCIALS | 3.8% | 0.12% | 3.8% | 0.94% | 1.5% | 0.34% | 0.3% | -0.37% | 1.4% | 0.03% | 1.4% | 0.16% | 3.0% | 0.50% |
| INFO TECH | 31.5% | 10.05% | 15.7% | 6.52% | 8.7% | 2.48% | 1.8% | 0.02% | 2.9% | 0.32% | 3.3% | 0.19% | 3.2% | 0.48% |
| COMM SVC | 43.3% | 12.41% | 17.6% | 5.35% | 6.5% | 1.95% | -0.2% | -0.05% | 0.4% | 0.02% | 2.2% | 0.45% | 2.8% | 1.04% |
| UTILITIES | 18.1% | 4.09% | 7.0% | 1.71% | 8.3% | 1.85% | -1.8% | -0.39% | 0.9% | 0.07% | 1.2% | 0.23% | 3.2% | 0.66% |
| REAL ESTATE | 12.8% | 2.53% | 4.3% | -1.33% | 5.0% | 0.99% | 3.2% | 0.51% | 3.9% | 0.60% | 3.8% | 0.57% | 3.8% | 0.57% |

Figure 17: PRVit Performance by Sector – Global Small Cap

| PRVit vs Industry | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|-------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Small Cap | 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 | 7.6% | 2.42% | 10.9% | 2.62% | 4.0% | 0.92% | 1.0% | 0.10% | 3.0% | 0.93% | 2.8% | 0.79% | 3.7% | 0.95% |
| MATERIALS | 25.2% | 7.13% | 9.0% | 1.41% | 2.8% | -0.62% | 0.9% | -0.58% | 2.9% | 0.29% | 4.8% | 0.90% | 4.2% | 0.82% |
| INDUSTRIALS | 15.7% | 4.58% | 12.7% | 3.45% | 6.4% | 1.33% | 3.0% | 0.35% | 4.0% | 0.66% | 5.0% | 0.98% | 4.8% | 1.14% |
| CONS DISC | 2.6% | 0.29% | 6.0% | 1.27% | 2.8% | 0.51% | 2.0% | -0.03% | 2.1% | 0.21% | 3.4% | 0.58% | 4.9% | 1.24% |
| CONS STAP | 19.3% | 5.28% | 8.7% | 2.25% | 4.1% | 1.11% | 3.2% | 0.36% | 4.0% | 0.74% | 5.0% | 0.98% | 5.4% | 1.29% |
| HEALTH CARE | 32.6% | 10.34% | 25.1% | 8.45% | 13.4% | 3.42% | 5.1% | 0.27% | 4.8% | 0.14% | 4.6% | 0.25% | 5.9% | 0.95% |
| FINANCIALS | -1.8% | -0.34% | -0.4% | -0.12% | 2.5% | 0.91% | 3.3% | 0.76% | 3.9% | 0.86% | 2.9% | 0.58% | 4.3% | 1.05% |
| INFO TECH | 26.5% | 6.66% | 13.9% | 3.95% | 9.2% | 1.80% | 4.8% | 0.45% | 4.5% | 0.54% | 4.1% | 0.56% | 4.8% | 0.90% |
| COMM SVC | 19.1% | 4.85% | 12.4% | 4.29% | 5.8% | 1.35% | 2.9% | 0.11% | 1.1% | -0.74% | 2.8% | -0.02% | 5.1% | 1.25% |
| UTILITIES | 31.3% | 8.44% | 12.6% | 4.76% | 6.4% | 1.86% | 0.4% | 0.22% | 2.4% | 0.44% | 3.7% | 0.62% | 4.4% | 0.70% |
| REAL ESTATE | 15.8% | 3.78% | 2.0% | -0.26% | -0.1% | 0.24% | -0.1% | 0.07% | 1.7% | 0.50% | 1.8% | 0.51% | 1.8% | 0.51% |

Figure 18: PRVit Performance by Sector – Global ex U.S. Small Cap

| PRVit vs Industry | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|--------------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Global ex U.S. Small Cap | 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 | 7.5% | 2.33% | 2.6% | -0.32% | 3.2% | 0.29% | 2.2% | 0.43% | 3.5% | 1.17% | 3.6% | 1.07% | 3.5% | 0.79% |
| MATERIALS | 21.7% | 5.83% | 8.8% | 0.99% | 4.1% | -0.05% | 1.6% | -0.42% | 3.4% | 0.45% | 5.1% | 0.89% | 4.5% | 0.79% |
| INDUSTRIALS | 14.6% | 4.68% | 10.4% | 2.66% | 4.8% | 0.66% | 3.8% | 0.48% | 5.0% | 0.80% | 5.5% | 0.98% | 4.6% | 0.88% |
| CONS DISC | 3.1% | 1.01% | 4.0% | 0.63% | 2.4% | 0.11% | 2.1% | -0.08% | 2.7% | 0.27% | 4.0% | 0.65% | 5.0% | 1.09% |
| CONS STAP | 16.6% | 4.24% | 5.2% | 0.86% | 3.7% | 0.93% | 3.7% | 0.43% | 4.8% | 0.92% | 5.7% | 1.08% | 6.0% | 1.28% |
| HEALTH CARE | 21.7% | 6.58% | 17.2% | 5.46% | 9.8% | 2.11% | 5.9% | 0.61% | 5.9% | 0.41% | 5.8% | 0.55% | 4.9% | 0.44% |
| FINANCIALS | 0.1% | -0.30% | -2.3% | -0.56% | 1.5% | 0.54% | 3.5% | 0.86% | 4.3% | 1.00% | 3.4% | 0.68% | 3.9% | 0.85% |
| INFO TECH | 22.9% | 5.78% | 9.5% | 2.53% | 7.6% | 1.37% | 5.5% | 0.61% | 6.2% | 0.90% | 5.7% | 0.86% | 5.0% | 0.76% |
| COMM SVC | 12.5% | 2.47% | 9.4% | 1.97% | 4.4% | 0.41% | 2.7% | 0.17% | 2.3% | 0.02% | 3.9% | 0.28% | 5.6% | 1.06% |
| UTILITIES | 25.3% | 7.00% | 12.7% | 2.92% | 5.9% | 0.74% | 0.4% | -0.27% | 2.2% | 0.16% | 3.6% | 0.53% | 3.9% | 0.56% |
| REAL ESTATE | 8.5% | 1.18% | 1.4% | -0.35% | 1.1% | -0.18% | 0.7% | 0.07% | 2.3% | 0.58% | 2.4% | 0.59% | 2.4% | 0.59% |

PRVit Performance and Factor Returns by Region

In January, all regions posted strong, positive PRVit spreads (Figure 19). Cheap Value outperformed expensive Value everywhere (Figure 20). Figure 21 shows the average monthly spreads over the past year – cheap Value has generated the highest average spreads in most regions despite being negative for a few months at the end of 2021 (until the strong recovery in December and January).

Figure 19: PRVit Performance by Region

| PRVit Prime Returns | 1M | | 3M | | 1Y | | 3Y | | 5Y | | 10Y | | Since May'98 | |
|--|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Region / Economy Type in Global All Cap Universe | 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 | 16.6% | 4.33% | 7.0% | 1.31% | 3.9% | 0.40% | 2.6% | 0.04% | 4.1% | 0.53% | 4.4% | 0.64% | 4.5% | 0.82% |
| EUROPE | 8.7% | 3.27% | 8.9% | 3.05% | 5.6% | 1.70% | 2.2% | 0.43% | 2.3% | 0.48% | 3.4% | 0.77% | 3.9% | 1.02% |
| LATIN AMERICA | 9.7% | 3.30% | 12.2% | 4.89% | 4.0% | 1.65% | 2.6% | 0.15% | 2.5% | 0.38% | 3.5% | 0.68% | 3.9% | 0.87% |
| MIDDLE EAST AND AFRICA | 16.1% | 7.23% | 7.9% | 3.58% | 4.3% | 1.37% | 3.3% | 0.57% | 3.7% | 0.66% | 4.3% | 0.82% | 4.7% | 1.21% |
| NORTH AMERICA | 25.5% | 8.43% | 21.9% | 7.22% | 11.6% | 3.40% | 3.0% | 0.25% | 2.6% | 0.16% | 2.9% | 0.39% | 4.0% | 0.92% |
| DEVELOPED | 17.1% | 5.74% | 14.9% | 4.97% | 7.7% | 2.20% | 2.4% | 0.27% | 2.5% | 0.31% | 3.2% | 0.54% | 4.0% | 0.89% |
| EMERGING | 17.9% | 5.07% | 6.5% | 1.26% | 3.8% | 0.38% | 2.6% | -0.05% | 4.3% | 0.51% | 4.3% | 0.63% | 4.6% | 1.07% |

Figure 20: Factor Performance by Region – Last Month

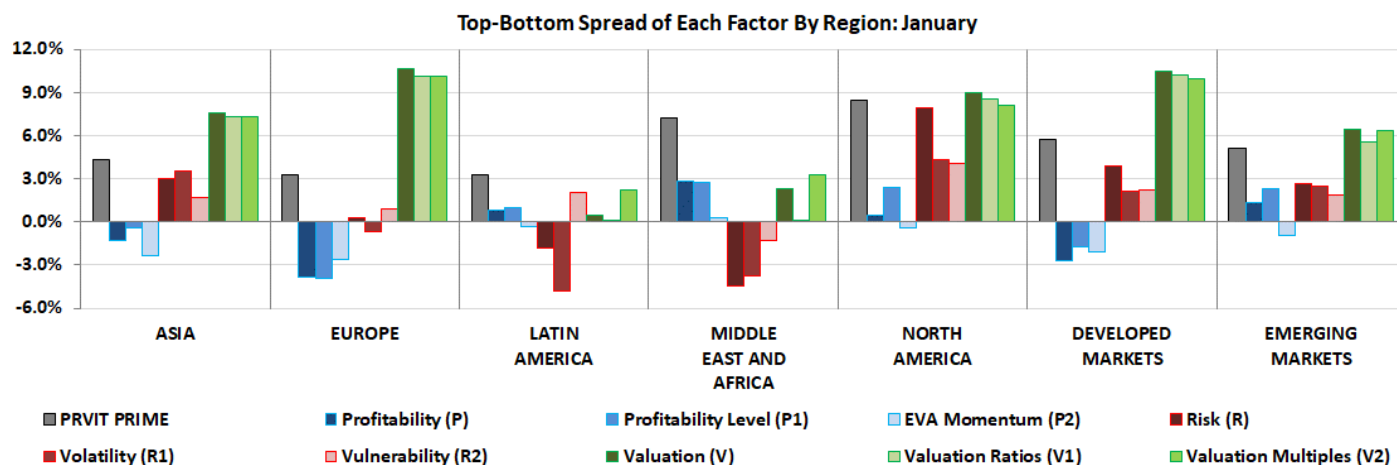
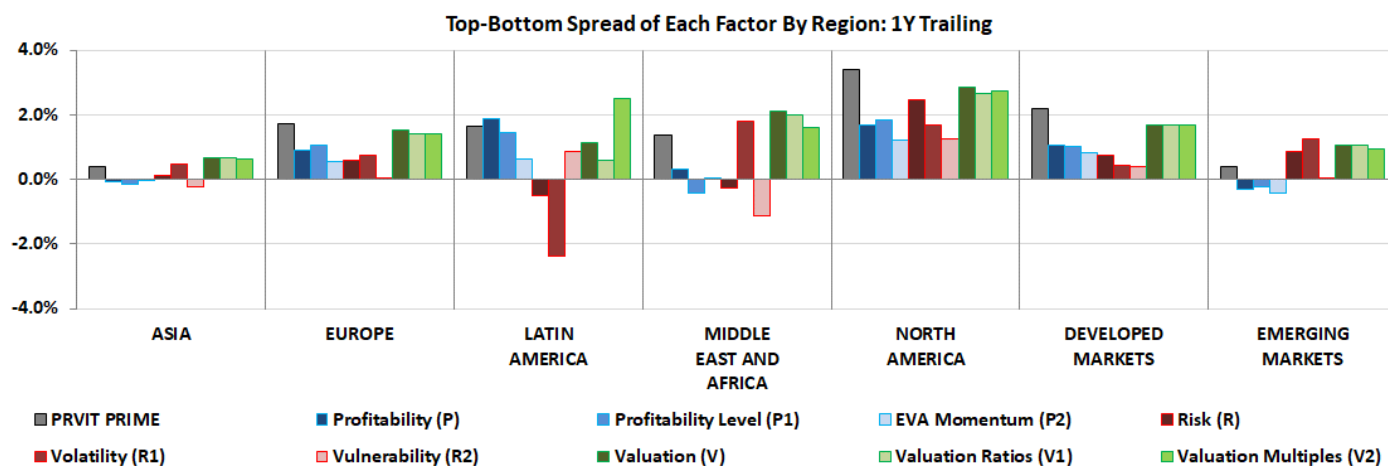


Figure 21: Factor Performance by Region – Trailing 1 Year



PRVit Performance by Quintiles and Long/Short

Figures 22 and 25 show the quintile performance over various time slices. Over the long term, PRVit performance tends to be monotonic (1st quintile beats the 2nd quintile, 2nd quintile beats the 3rd quintile, etc.). On the right (**Figures 23 and 26**), we isolate the performance of the top and bottom quintiles and show the alpha from buying the top quintile (long) or selling the bottom quintile (short).

Global Large Cap Commentary

In January, the top quintile outperformed the universe average (+388bps) and was the strongest performing quintile. The bottom quintile underperformed (-262bps) and was the worst performing quintile. The total PRVit spread was +650bps which was the 8th best month in our history. Since May 1998, long alpha averages +28bps and short alpha averages +32bps which means alpha is relatively balanced long and short.

Figure 22: Stock Returns by PRVit Quintiles

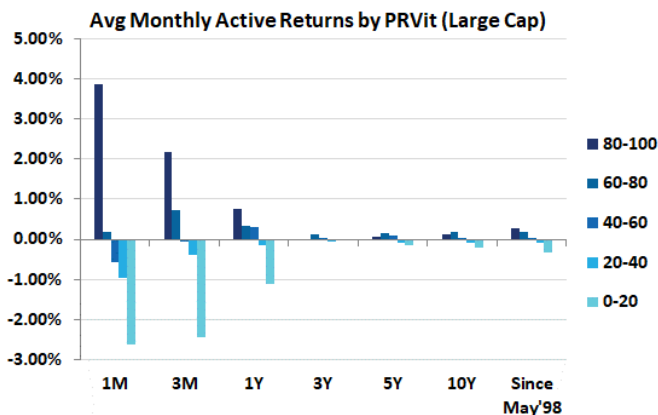
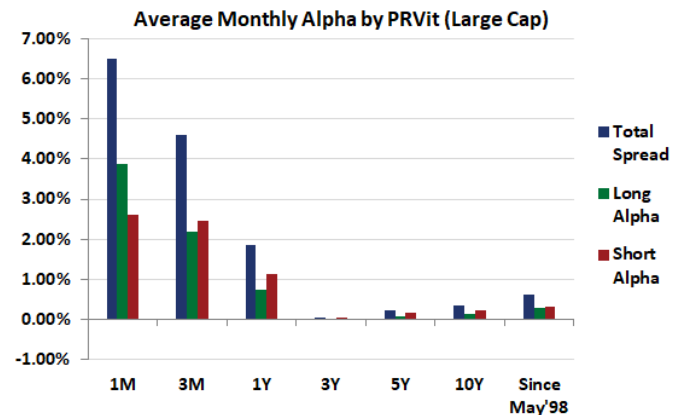


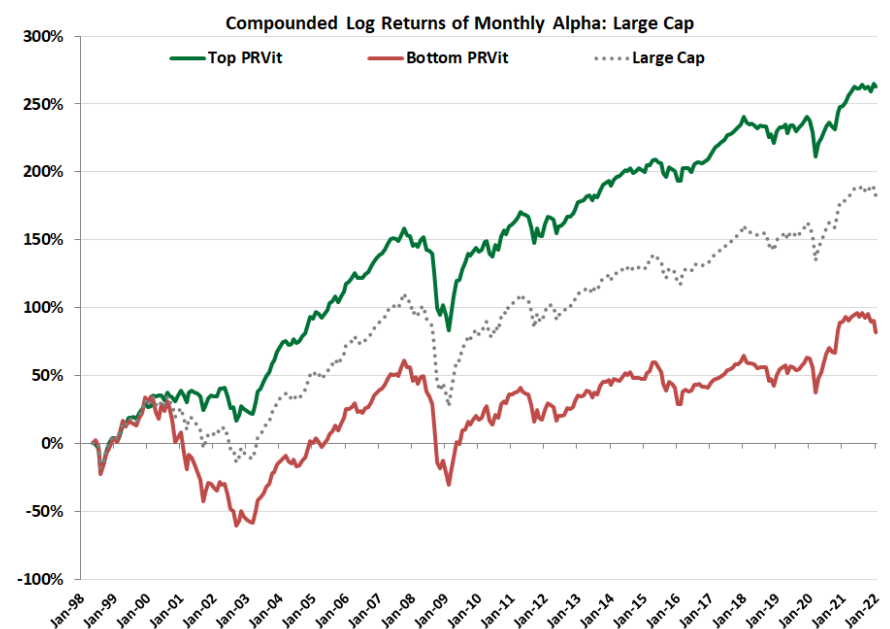
Figure 23: Long and Short Alpha



Compound Top and Bottom Quintiles

In **Figure 24**, we plot the return of the top (green line) and bottom (red line) quintiles of PRVit versus the equal-weighted benchmark returns. The top and bottom quintiles are re-balanced monthly and include all companies trading at the time. The difference between the green line and the dotted gray line is the **long alpha** while the difference between the red line and the dotted gray line is the **short alpha**. The difference between the green line and the red line is the total spread or total alpha.

Figure 24: Compound Performance of Top and Bottom Quintiles



Global Small Cap Commentary

In January, the top quintile outperformed the universe (+209bps) and was the strongest performing quintile. The bottom quintile was the worst performing quintile and underperformed the universe (-318bps) which generated an overall PRVit spread of +527bps. Over our full history, long alpha averages +49bps/month and short alpha averages +54bps/month. Results over all time slices are monotonic.

Figure 25: Stock Returns by PRVit Quintiles

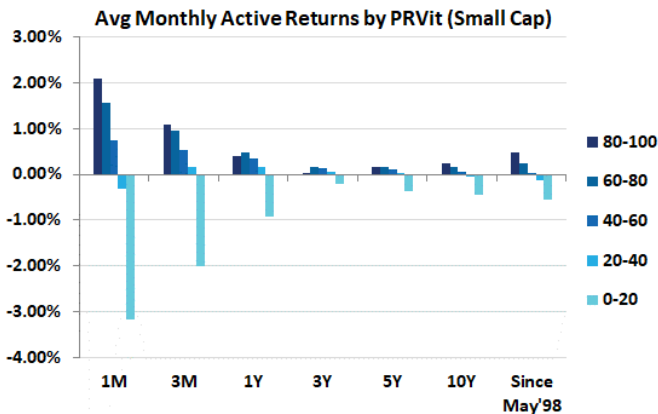
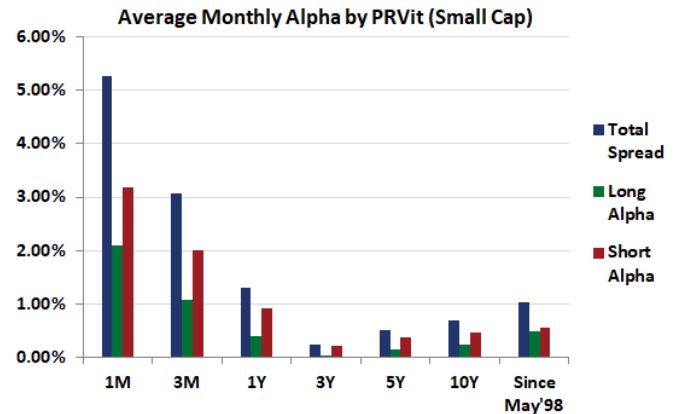


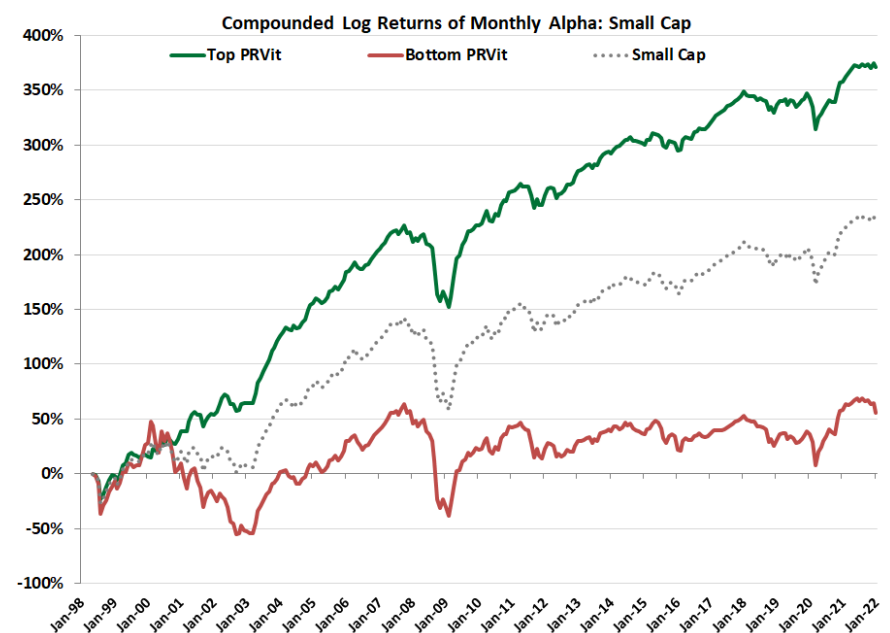
Figure 26: Long and Short Alpha



Compound Top and Bottom Quintiles

In **Figure 27**, we plot the return of the top (green line) and bottom (red line) quintiles of PRVit versus the equal-weighted benchmark returns. The top and bottom quintiles are re-balanced monthly and include all companies trading at the time. The difference between the green line and the dotted gray line is the **long alpha** while the difference between the red line and the dotted gray line is the **short alpha**. The difference between the green line and the red line is the total spread or total alpha.

Figure 27: Compound Performance of Top and Bottom Quintiles



Long-Term Select Factor Performance

The graphs below show compounded top/bottom spreads of our key factors: Profitability, Risk, and Value. The 'Equal Benchmark' line is graphed on the secondary y-axis to show what factors work during certain market conditions. The factor performance is cumulative alpha: when the colored lines are above 0%, they have generated alpha.

Profitability has been the most consistent factor over time in both universes. Value has had a strong recovery in the last 2 months, but overall lags the other factors in Large Cap (with significantly more volatility). Value is the 2nd best factor in Small Cap thanks to the sizable drop in Risk (investors had shown strong appetite for adding Risk at the end of 2020 and into the early half of 2021).

Figure 28: Compounded Spreads – Global Large Cap

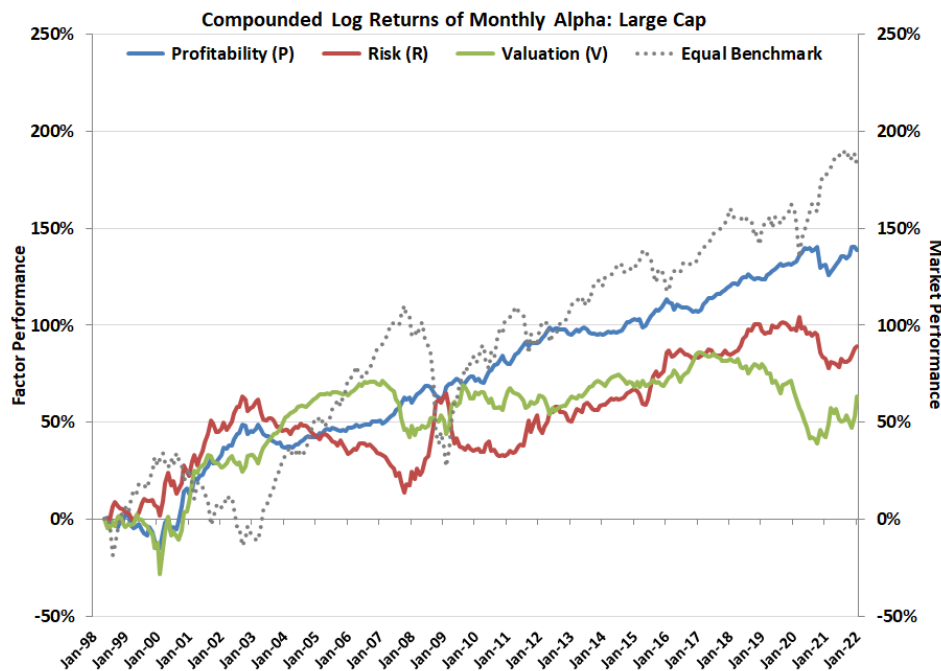
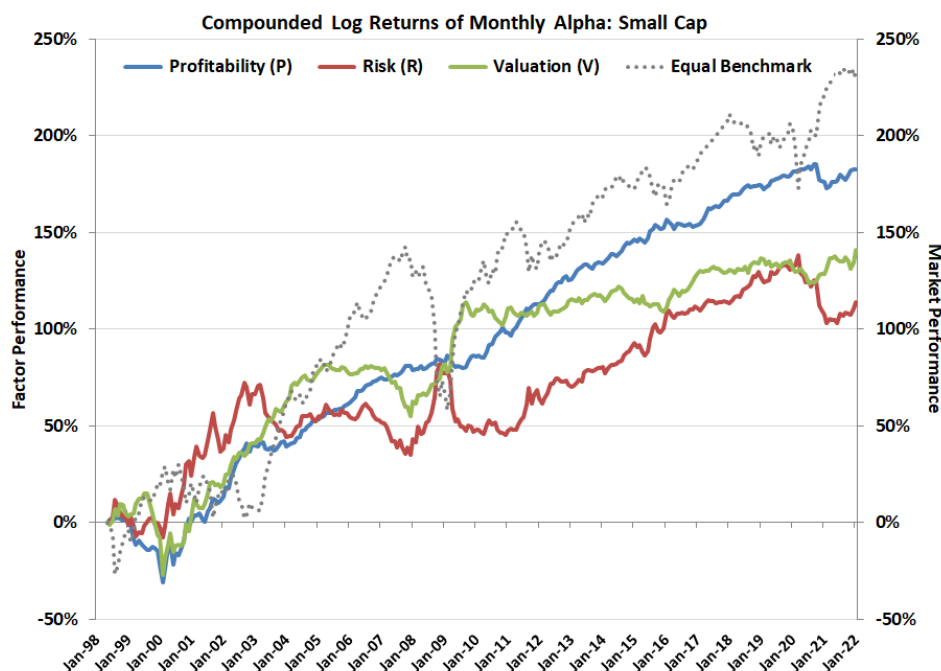


Figure 29: Compounded Spreads – Global Small Cap



Expectations Analysis

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

Figure 30 below plots our FGR over the last 5 years – the gray area is the overall range (min to max), the light blue lines represent the mean, the dark 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. **Figure 31** contains similar metrics for MVA Spread which is our version of price-to-book (Market Value Added-to-Capital). Small Cap versions can be found on the next page.

Figure 30: Expectations – Global Large Cap by Sector

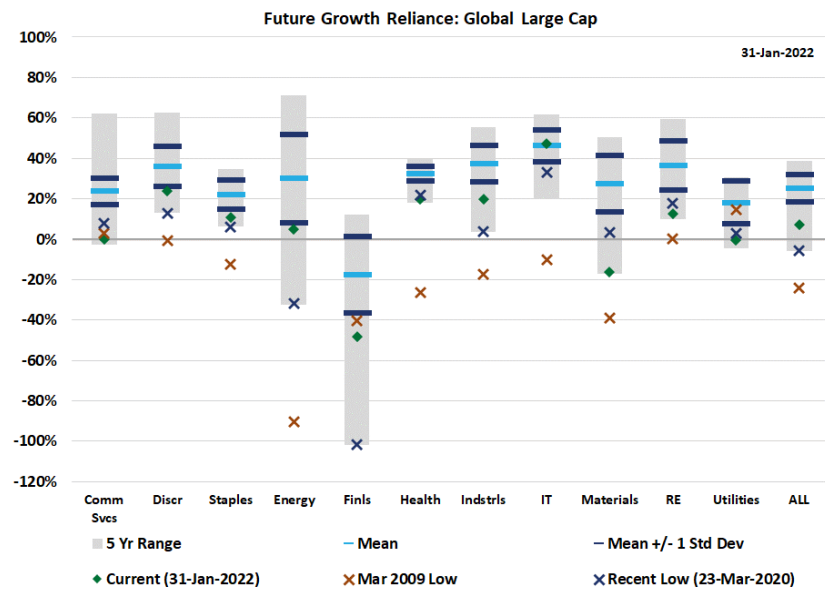
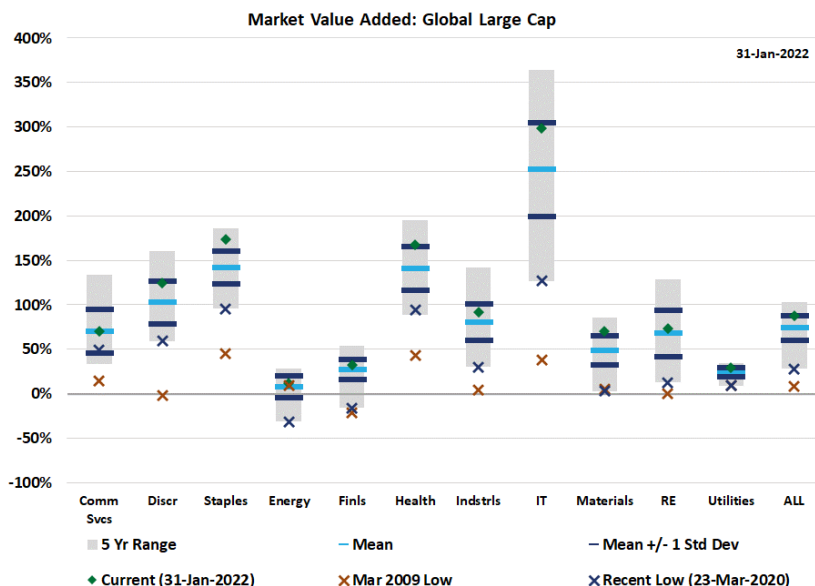


Figure 31: Market Value Added Spread (Price-to-Book) Large Cap



Formulas

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

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

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

(x's below represents number of standard deviations current value is from mean)

Global Large Cap

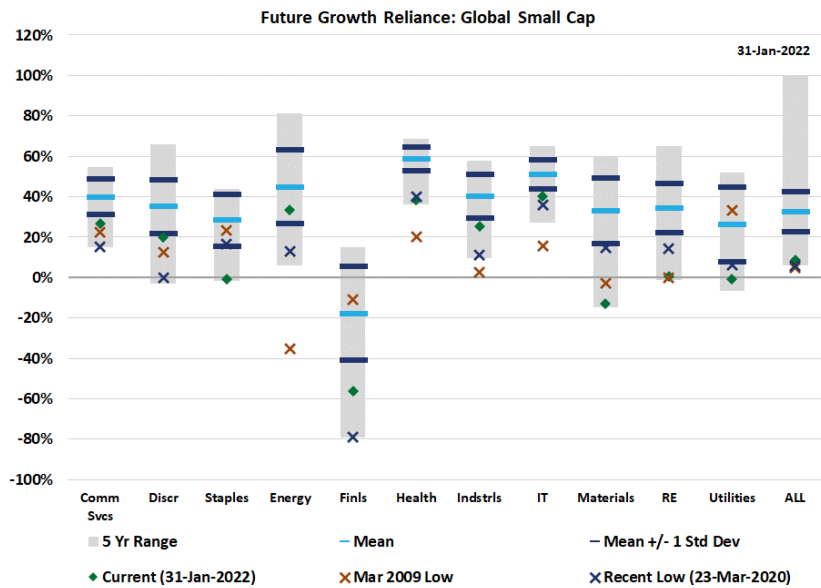
Information Technology (+.2x) is the only sector above its 5-year mean. Communications Services (-3.7x), Health Care (-3.5x), and Materials (-3.1x) have the lowest relative expectations.

FGR looks at just the portion of MVA coming from future EVA creation (expectations) while MVA Spread looks at the value coming from existing profitability (CVA) as well as future EVA (FVA). MVA Spread is our price-to-book where we use EVA's cleaned up Capital as the denominator.

Global Large Cap

Staples (+1.7x), Materials (+1.3x), and Health Care (+1.1x) have the highest price premiums relative to their own histories. Communication Services (-0.0x), Energy (+0.4x), and Financials (+0.5x) have some of the lowest expectations (only Communication Services sector is below its median).

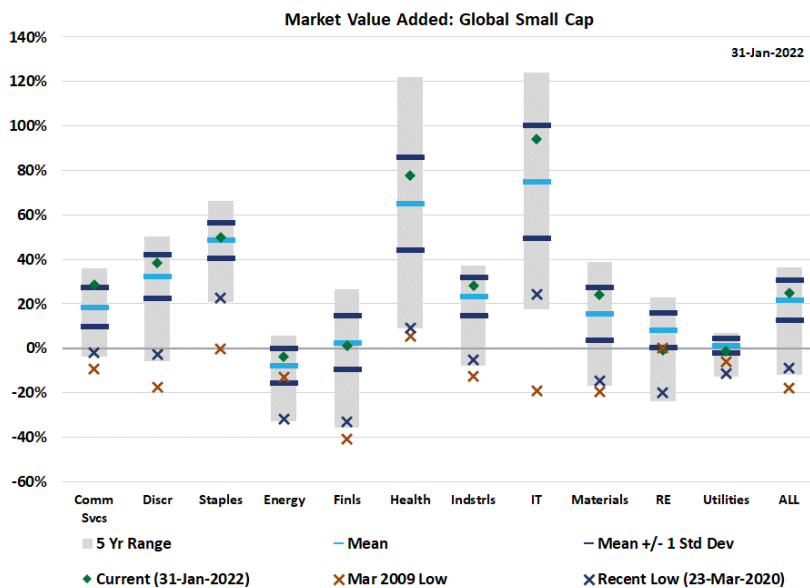
Figure 32: Expectations – Global Small Cap by Sector



Global Small Cap

All sectors are below their 5-yr median FGR. Energy (-0.6x), Consumer Discretionary (-1.1x), and Industrials (-1.4x) have the highest expectations (though negative). Health Care (-3.5x), Materials (-2.9x), and Staples (-2.3x) have some of the lowest relative expectations.

Figure 33: MVA Spread (Price-to-Book) Small Cap



Global Small Cap

Communication Services (+1.2x), Info Tech (+0.8x), and Materials (+0.7x) have the highest price premiums relative to their own histories. Utilities (-0.9x), Financials (-0.1x), and Staples (+0.2) have some of the lowest premiums.

EVA & ESG Index

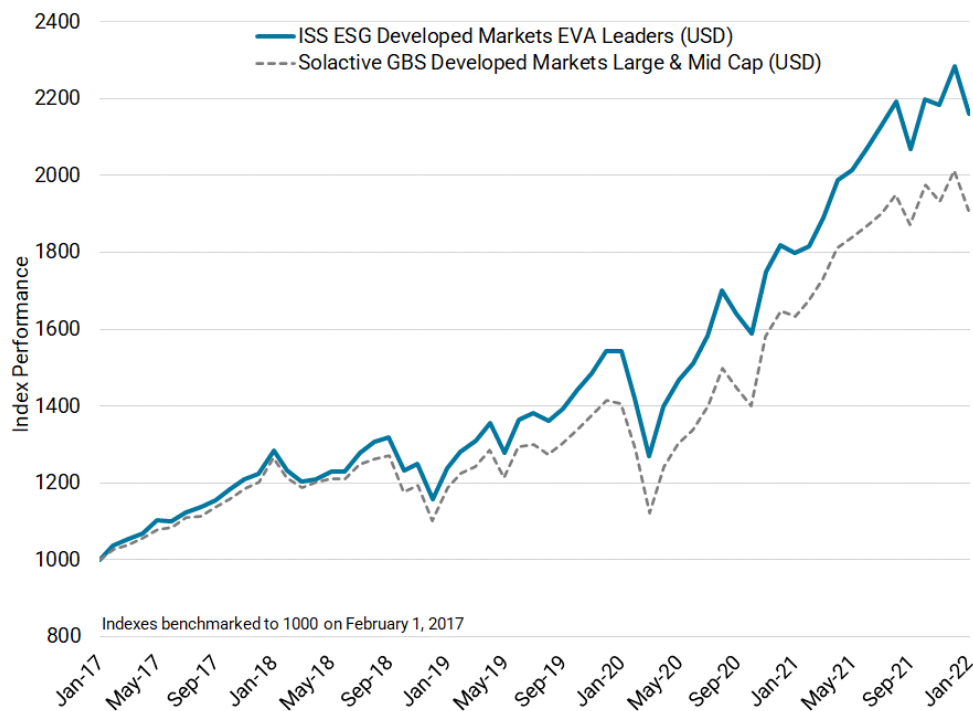
Creation of the index follows a four-step process and starts with screening of constituents of the Solactive Global Benchmark Series. From there, ISS ESG screens are applied to remove prospective constituents with Red Norm Based Research flags, Red Controversial Weapons flags, and those with an overall ISS ESG Corporate Rating of D-, D, and D+. Next, the EVA screen is applied to remove prospective constituents with a negative EVA margin and, lastly, 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 3 indexes covering the U.S. (ISSEVAUT), Europe (ISSEVAET), and Developed Markets (ISSEVADT) – Bloomberg tickers in parenthesis.

To learn more about ISS ESG's index offerings, please click [here](#).

See PRVit Report – U.S. and Europe for similar graph for those regional indexes.

Figure 34: ISS ESG Developed Markets 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 22,000+ 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) / Enterprise Value

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

Best Practice EVA ([link](#)): A summary of Bennett Stewart's most recent book on EVA, available for purchase on [Amazon.com](#)

What Determines TSR ([link](#)): Insight into the relationship between EVA and stock prices

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