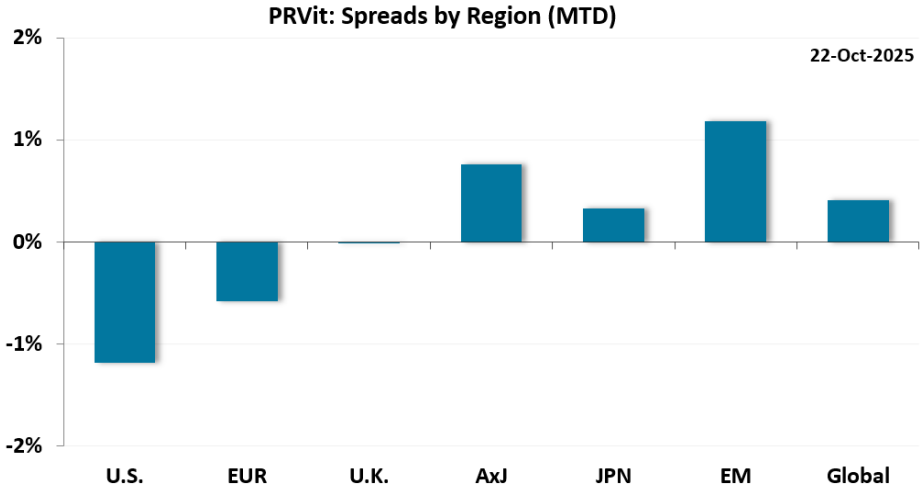
# Quant Corner: October 23, 2025

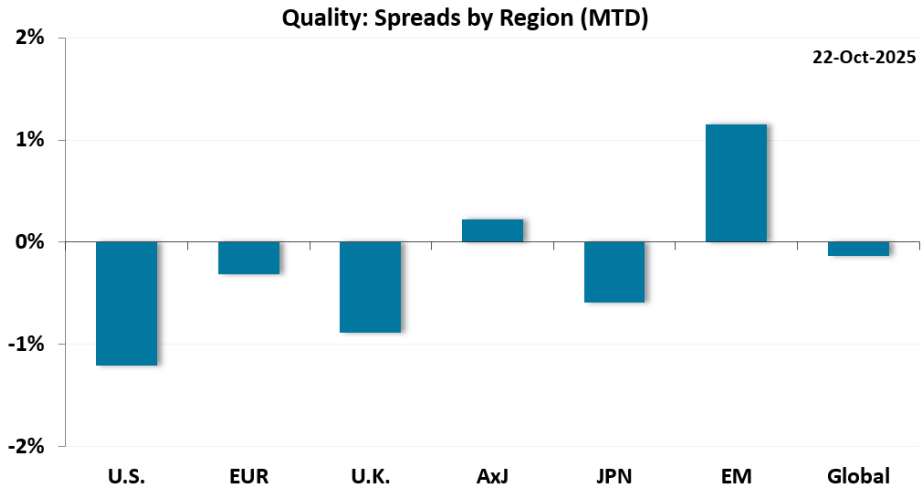
## Factor Performance

Through the third week of October, we see PRVit working in AxJ, Japan, the Emerging Markets, and the Global universe (**Figure 1**). Quality continued to struggle in all regions (**Figure 2**) except AxJ and the Emerging Markets. Cheap Value outperformed expensive Value (**Figure 3**) in all regions except the U.S.

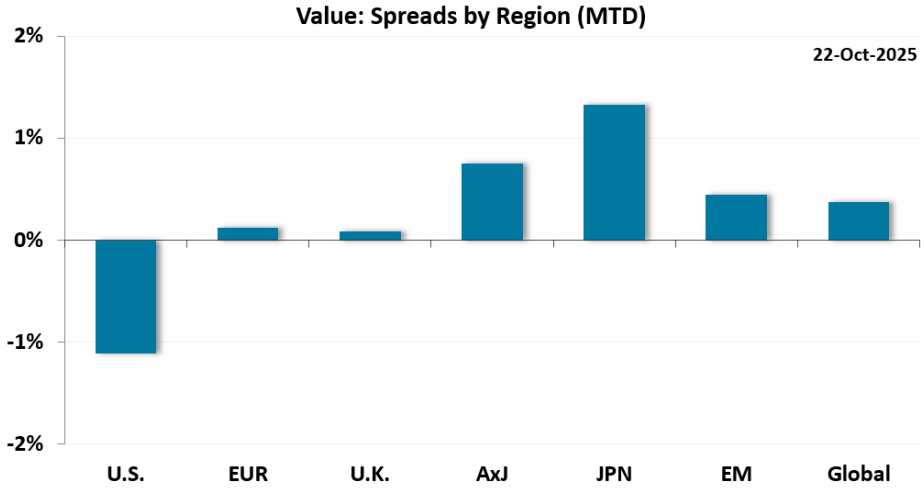
### Figure 1: PRVit Spreads




### Figure 2: Quality Spreads




### Figure 3: Value Spreads




## 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

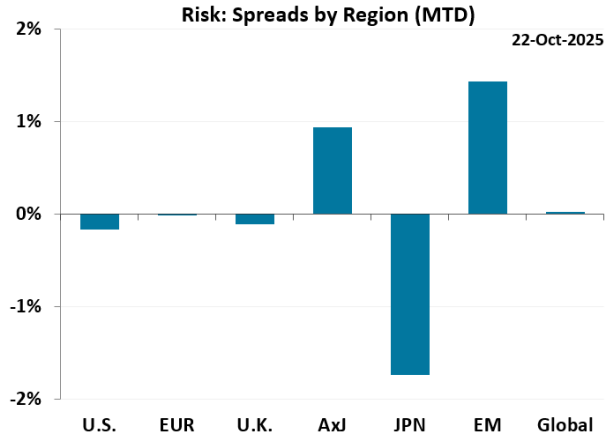
ISS EVA Equity Research Team
evaanalytics@iss-stoxx.com

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

### Figure 4: Risk Spreads

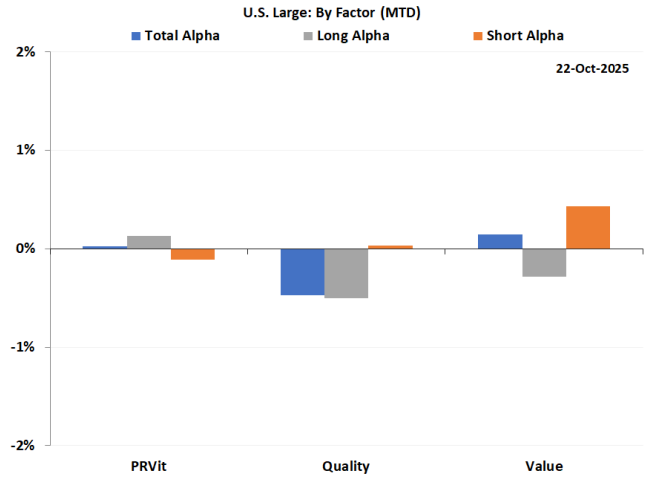



High-Risk companies outperformed low-Risk companies in the U.S., Europe, the U.K., and Japan.

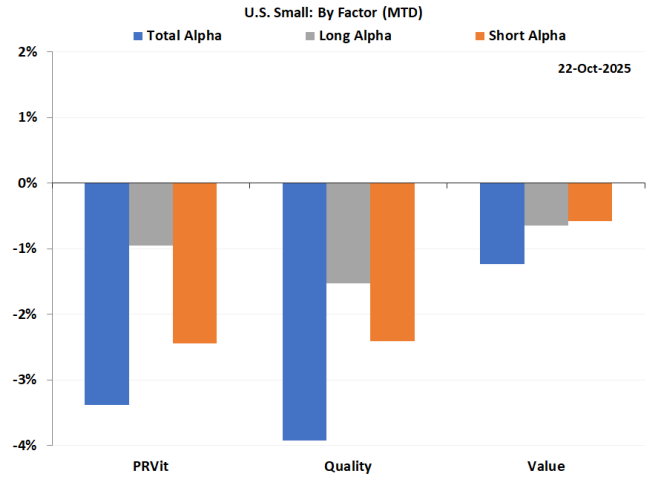
### Total Alpha, Long Alpha (buying the top quintile), and Short Alpha (selling the bottom quintile)

In the U.S. Large Cap (**Figure 5**), cheap Value started working again, as expensive stocks started to underperform (short alpha). In the U.S. Small Cap universe (**Figure 6**), Quality struggled long and short (high-Quality names underperformed while low-Quality names outperformed). Value struggled long and short as well. In Europe (**Figure 7**), Quality continued to struggle on the long side while Value worked on the short side (expensive stocks underperformed). The U.K. (**Figure 8**) saw Quality work on the short side, and Value worked long and short.

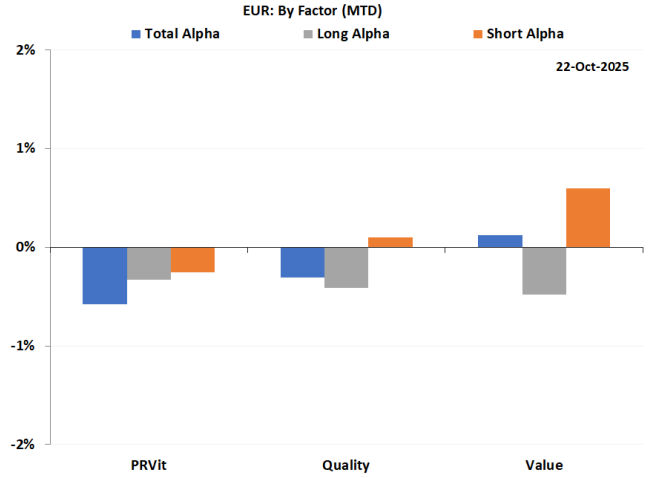
### Figure 5: U.S. Large Cap Universe



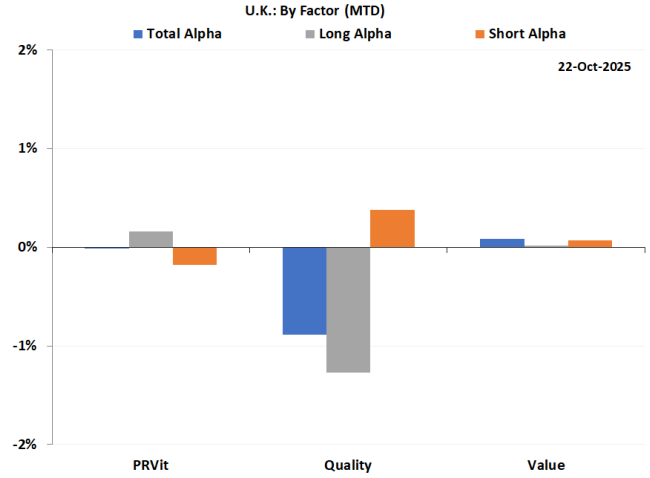

### Figure 6: U.S. Small Cap Universe




### Figure 7: Europe ex U.K. Universe




### Figure 8: U.K. Universe



### Total Alpha, Long Alpha (buying the top quintile), and Short Alpha (selling the bottom quintile)

In Asia ex Japan (**Figure 9**), high-Quality names outperformed. Cheap stocks outperformed and expensive stocks underperformed (positive long-side and short-side alpha). In Japan (**Figure 10**), Quality worked on the short side, and Value worked both long and short. The Emerging Markets (**Figure 11**) saw alpha from Quality and Value (long and short for both). In the Global universe (**Figure 12**), Quality had some long-side alpha, while Value had short-side alpha.

**Figure 9: Asia ex Japan Universe**

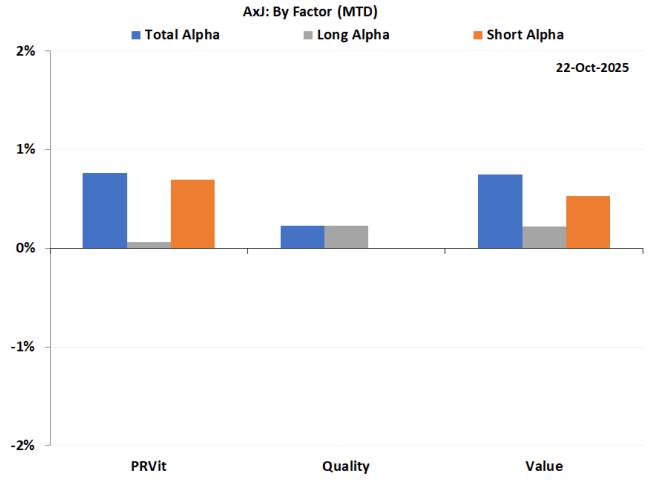



**Figure 10: Japan Universe**

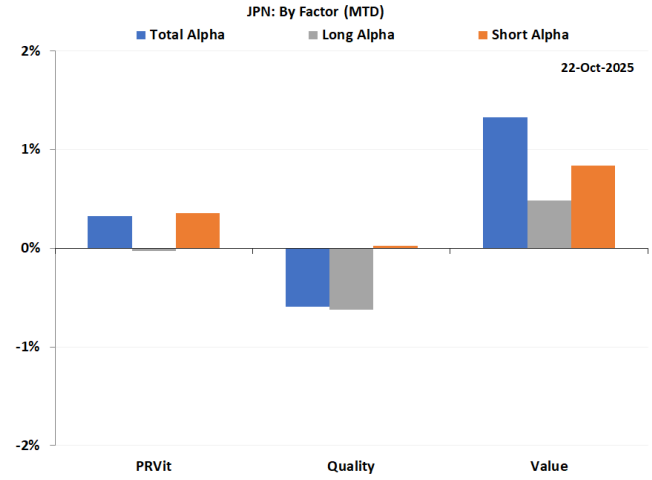



**Figure 11: Emerging Markets Universe**

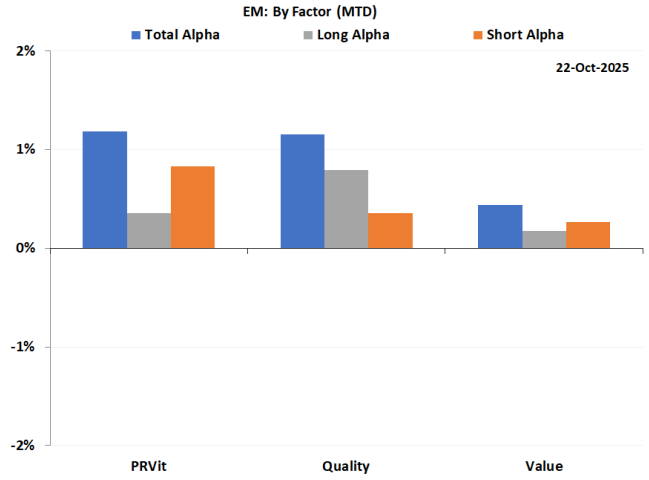
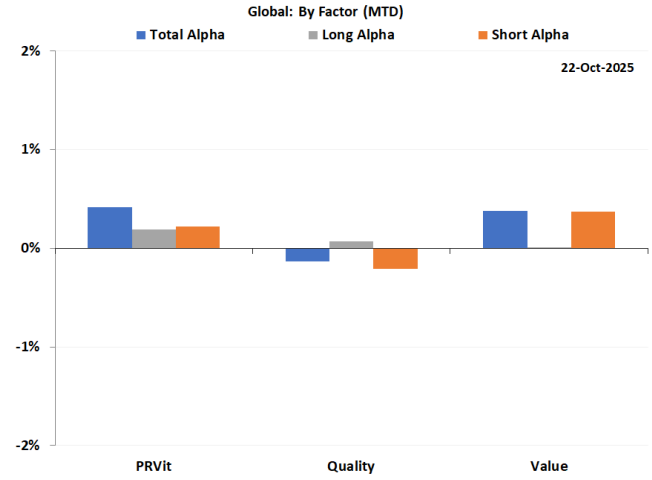


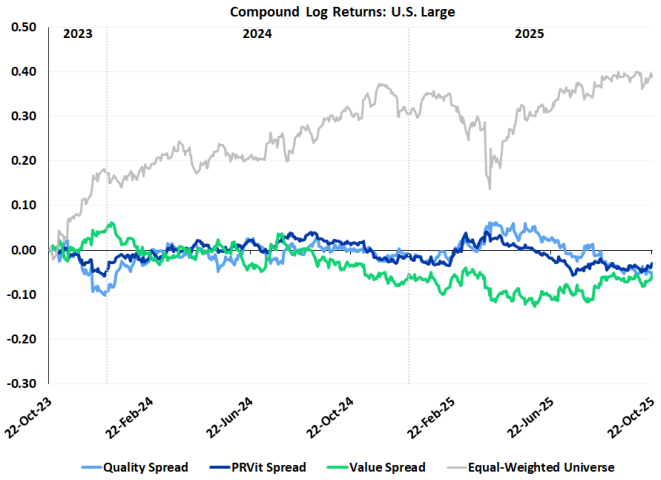

**Figure 12: Global Universe**



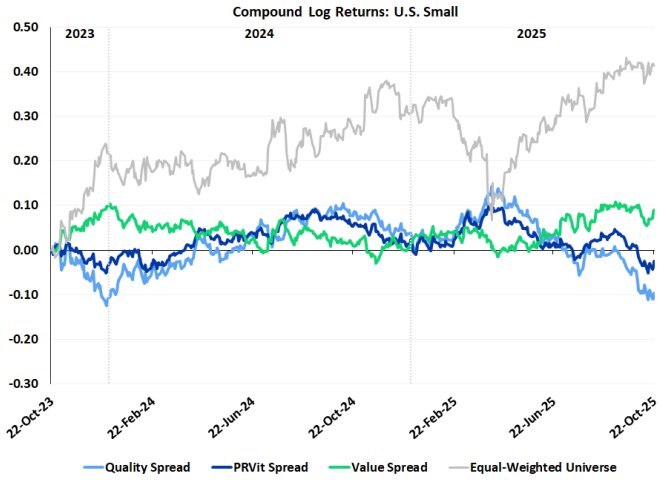
## Daily Factor Performance – Quality and Value

**Figures 13-18** 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.

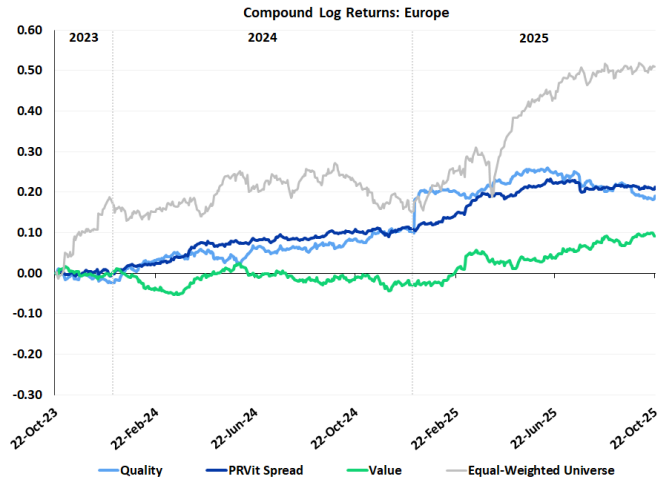
### Figure 13: U.S. Large Cap



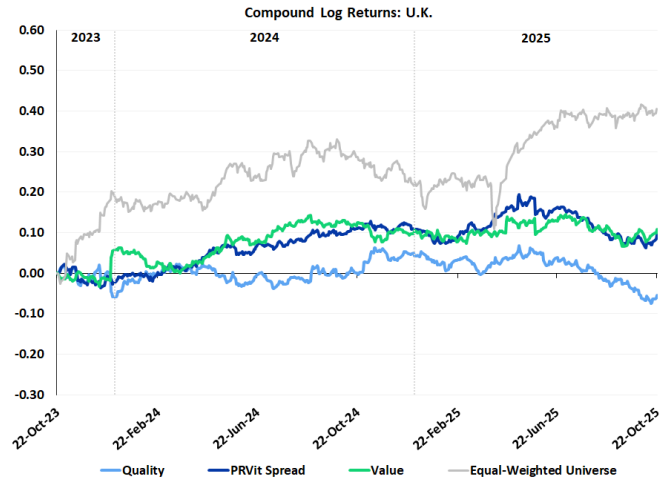

### Figure 14: U.S. Small Cap



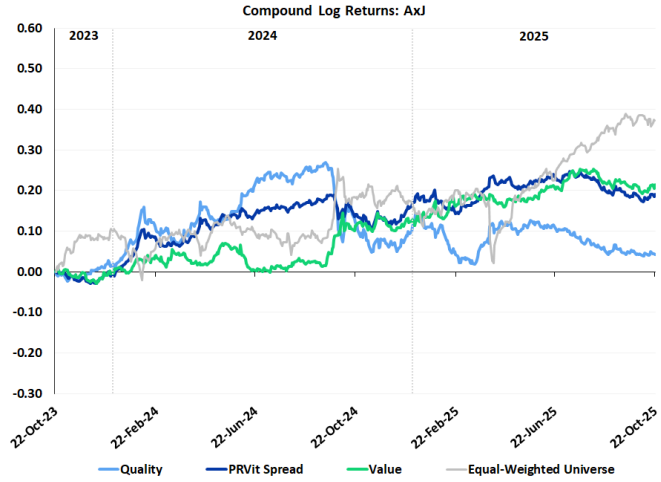

### Figure 15: Europe



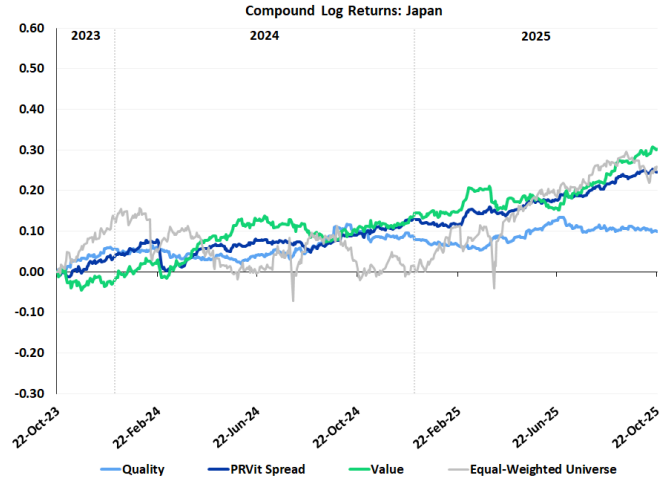

### Figure 16: U.K.




### Figure 17: Asia ex Japan



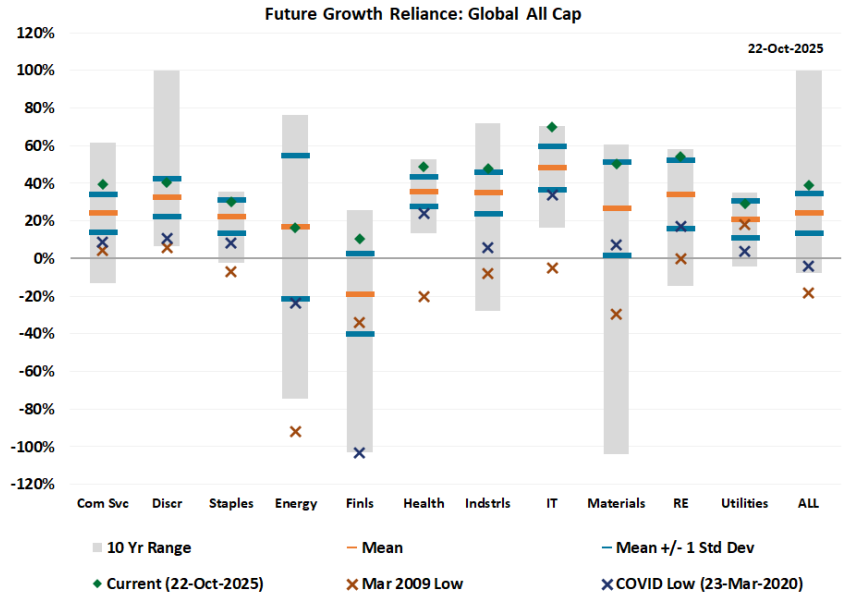

### Figure 18: Japan



## 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 19: Future Growth Reliance



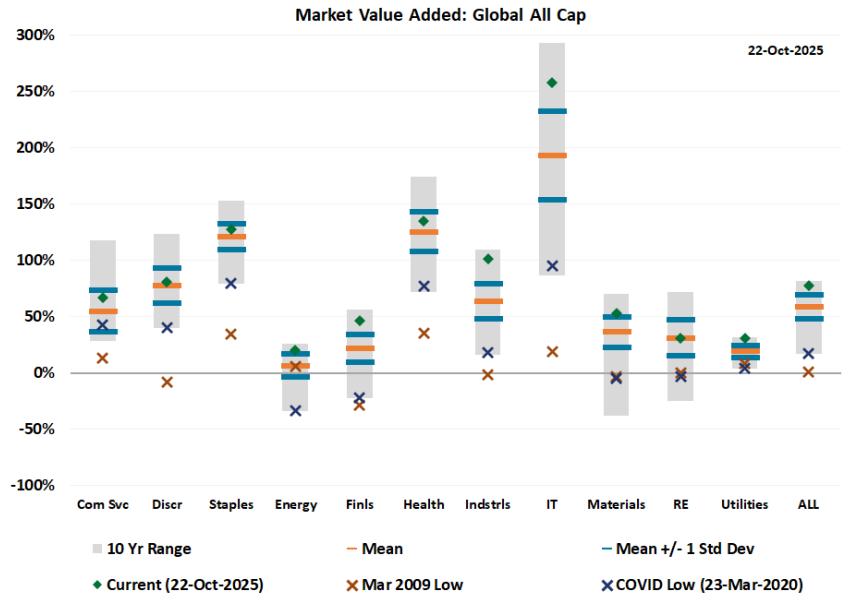

### Chart Legend

**Figures 19** and **20** 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 (+1.9x), Health Care (+1.7x), and Communication Services (+1.5x) have the highest expectations. Energy (-0.0x), Discretionary (+0.8x), and Utilities (+0.8x) have the lowest expectations (despite the latter two being above average historical levels).

### Figure 20: MVA Spread




### Market Value Added Spread (MVA Spread)

Utilities (+2.4x), Industrials (+2.4x), and Financials (+2.0x) have the highest price-to-books relative to their histories. Discretionary (+0.2x), Staples (+0.5x), and Health Care (+0.5x) 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

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