

Product update

Industrials Drive IVAL Past Peers

June 23, 2025

Summary

- Returns were led by industrials, with new tilts to materials and healthcare.
- Our portfolio P/E finally breached 10x for the first time since 2021
- Heading into June, IVAL is positioned to potentially benefit most from the market positively re-rating smaller market-cap Industrials and Materials stocks

[Please visit the IVAL fund page](#) for current holdings, standardized returns, and prospectus.

Recap

IVAL posted strong results in May, gaining 4.87% (NAV)/5.08% (MKT). That performance edged out both Foreign Value¹ (4.55%) and Foreign Large Blend² funds (4.63%) on a NAV basis.

The fund's strength this month came primarily from its exposure to industrial companies in **Australia, Japan, and Developed Europe**. Notably, Qantas Airways, Yangzijiang Shipbuilding, and several smaller materials firms provided outsized contributions.

Our focus on the cheapest, highest quality stocks – rather than adhering to a stylebox – meant IVAL **captured some upside** in regions and sectors that may be underrepresented in mainstream international portfolios.

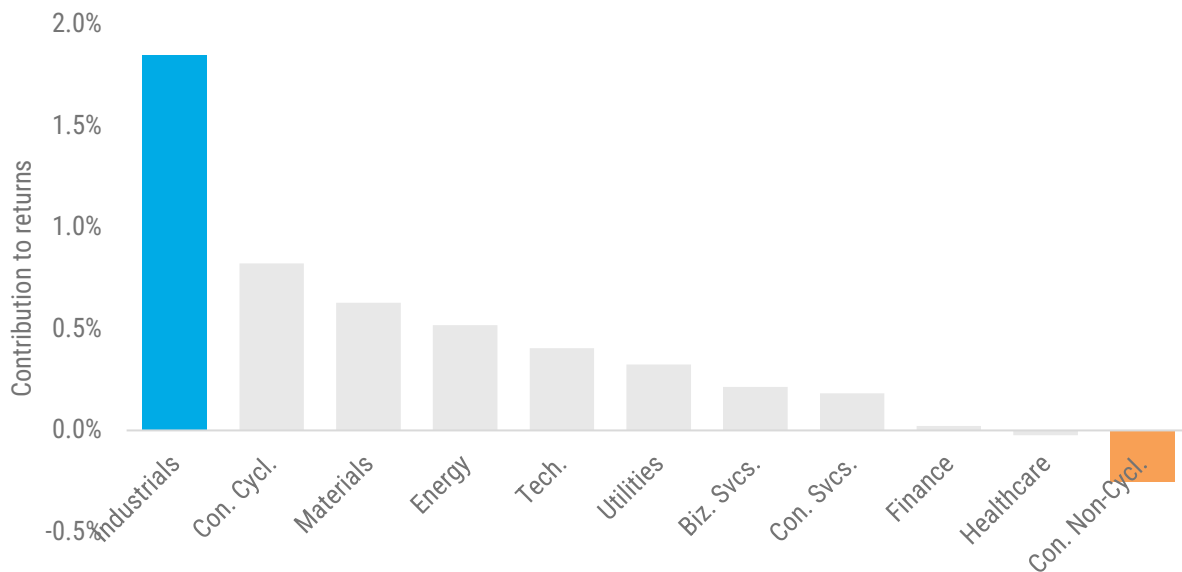
(see performance chart below)

¹ **Foreign Value** ("Fgn. Value") ETFs represented by the average returns at NAV of the 50 biggest ETFs in the Foreign Large and Small/Mid Value category based on assets under management (AUM). Foreign large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Foreign small/mid-value portfolios invest in international stocks that are smaller and less expensive than other stocks. These portfolios primarily invest in stocks that fall in the bottom 30% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). Category defined by YCharts.

² **Foreign Large Blend** ("Fgn. Lg. Blend") represented by the average returns at NAV of the 50 biggest open-ended funds (ETFs and mutual funds) in the Foreign Large Blend category based on assets under management (AUM). Funds in the Foreign Large Blend category invest in stocks with market caps in the top 70% of developed markets, including Japan, Britain, France, and Germany. Categories determined by YCharts.

Industrials Drive IVAL's returns

Return contribution by sector



Source: FactSet. 5/1/2025 – 5/31/2025. Daily returns at NAV. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Returns are derived from sources believed to be accurate but are not guaranteed. Returns represented do not include cash or currency contributions.

Portfolio Changes: Tilting into Materials, Healthcare, and Telecom

Heading into May, IVAL's rebalance resulted in several notable sector shifts:

- **Materials** increased significantly, rising from 15.3% to 19.8%
- **Healthcare** doubled, moving from 2.0% to 4.0%
- **Telecom** reentered the portfolio with a 2.0% allocation
- **Industrials** remain the fund's largest sector exposure, rising again to 23.9%, while allocations to consumer services and energy were trimmed modestly.

As always, these changes occurred systematically: our process identified what we believe to be the cheapest, highest quality international developed stocks. As a reminder, we don't make sector bets. When companies that fit our criteria happen to be concentrated in a particular sector, such as industrials or materials, the portfolio **naturally tilts** that way.

Sector	4/30/2025	5/31/2025	Change
Materials	15.35%	19.78%	4.43%
Telecommunications	0.00%	1.99%	1.99%
Healthcare	2.04%	4.02%	1.98%
Industrials	22.19%	23.88%	1.68%
Consumer Services	2.22%	3.88%	1.66%
Utilities	7.89%	8.03%	0.14%
Finance	2.03%	1.96%	-0.07%
Consumer Cyclical	17.51%	17.36%	-0.15%
Energy	8.24%	8.06%	-0.18%
Business Services	4.07%	2.01%	-2.07%
Technology	6.15%	1.91%	-4.24%
Consumer Non-Cyclical	10.32%	5.97%	-4.35%

Source: FactSet. Holdings as of 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/IVAL/ for current holdings. Sectors are based on the RBICS "economies" taxonomy, defined below. Sector categorization is believed to be accurate but is not guaranteed. Excludes cash and currencies we may hold. Holdings may not add up to 100% as a result.

Characteristics: P/E breaches 10x for the first time since July 2021

Well, it finally happened! IVAL's weighted average P/E³ ratio finally crossed 10x.

The increase in valuation came alongside a modest increase in portfolio size, with the weighted average market cap⁴ rising to \$26.5 billion. That is still roughly half the average size of peer value portfolios (\$52.0 billion) and even further from Large Blend (\$62.7 billion).

These differences matter. For investors allocating across global equity funds, IVAL offers exposure to a part of the market often missed by cap-weighted or stylebox-oriented ETFs. IVAL seeks to own deeply discounted companies relative to fundamentals; often, these stocks are underrepresented in the most popular funds.

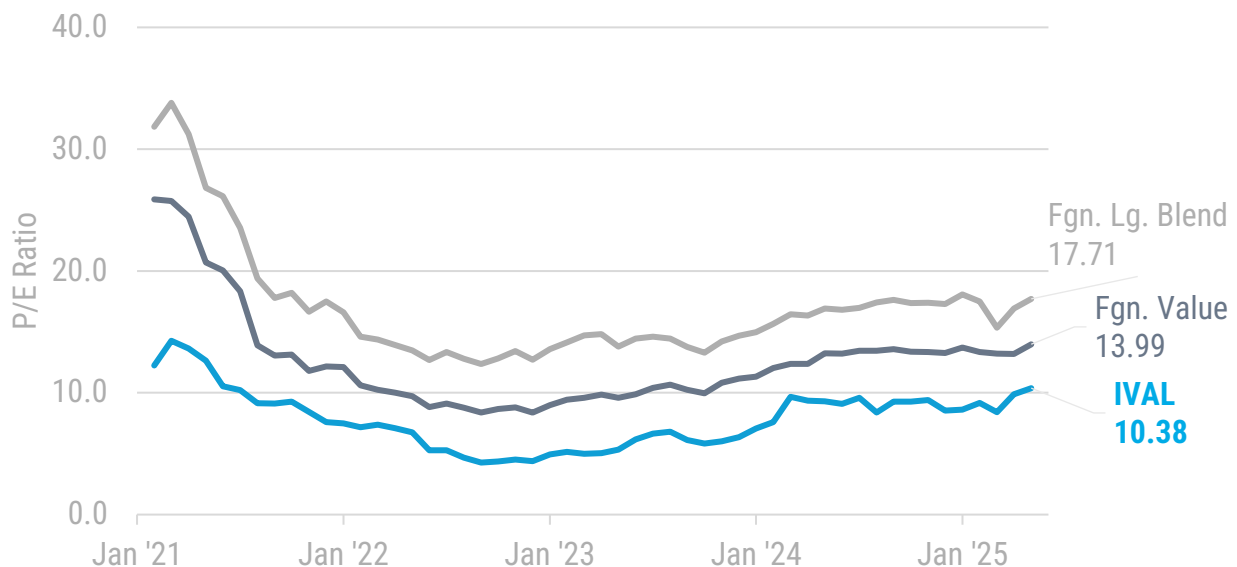
(trailing P/E ratio on next page)

³ Weighted average P/E ratio is the price-to-earnings ratio of a portfolio, calculated by weighting each holding's P/E by its position size. It reflects the average valuation of the portfolio's holdings based on how much is invested in each holding. P/E ratio (Price-to-Earnings ratio) measures how much investors are paying for a dollar of a company's earnings. It's calculated by dividing a stock's price by its earnings per share (EPS).

⁴ Market Cap is a measurement of business value based on share price and number of shares outstanding. It generally represents the market's view of a company's stock value and can be a determining factor in stock valuation.

IVAL remains consistently cheaper than peers

P/E Ratio | IVAL | Fgn. Value | Fgn. Lg. Blend



Source: FactSet. Trailing weighted average P/E ratio. 1/1/2021 – 5/31/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/IVAL/ for current holdings. Characteristics information is derived from sources believed to be accurate but is not guaranteed.

Top 10 Holdings by P/E Ratio

IVAL continues to look different from the index, with **little overlap** with a typical international value ETF.

Through 5/31/2025, just **6.7% of IVAL's portfolio overlaps** with a Foreign Large Blend strategy⁵; by comparison, nearly 24% of the average Foreign Value peer ETF overlaps with a Foreign Large Blend strategy. At a high level, this implies that nearly a quarter of the average foreign value ETF's portfolio is at a similar weighting to foreign large blend.

We can see that difference when we look at IVAL's top-10 holdings. Since IVAL equal-weights the portfolio (so, about 2% per stock), we weight from cheapest by P/E Ratio.

⁵ Holdings data derived from the iShares MSCI EAFE ETF (EFA). References to third-party funds are for informational purposes only and do not constitute a recommendation, solicitation, or endorsement of these products. The reference fund is subject to change at any time without prior notice.

Ticker	Name	Sector	P/E Ratio	Mkt. Cap. (\$ bil)	IVAL Weighting	Fgn. Lg. Blend Weighting
MAERSK.B-CSE	A P Moller Maersk AS	Industrials	3.84	\$28,187	1.95%	0.04%
7270-TKS	Subaru Corp	Cons. Cycl.	5.70	\$13,501	1.92%	0.06%
CNA-LON	Centrica plc	Utilities	6.45	\$10,953	2.05%	0.06%
BS6-SES	Yangzijiang Shipbuilding	Industrials	7.09	\$6,817	2.10%	0.02%
EQNR-OSL	Equinor ASA	Energy	7.14	\$67,700	2.02%	0.11%
TUI1-ETR	TUI AG	Cons. Svcs.	7.17	\$4,291	1.97%	--%
BOL-OME	Boliden AB	Materials	7.55	\$8,886	1.97%	0.05%
7269-TKS	Suzuki Motor Corp	Cons. Cycl.	7.95	\$23,749	1.85%	0.11%
WDS-ASX	Woodside Energy Group Ltd	Energy	7.98	\$27,217	1.94%	0.15%
BZU-MIL	Buzzi Spa	Materials	8.66	\$9,805	1.93%	--%

Source: FactSet. Holdings as of 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/IVAL/ for current holdings. Sectors are based on the RBICS "economies" taxonomy, defined below. Sector categorization is believed to be accurate but is not guaranteed.

Notable names held at significantly different weights than the index include:

- Yangzijiang Shipbuilding is a 2.1% weight in IVAL and under 0.02% in peer funds
- **Maersk** is 1.95% in IVAL and below 0.05% in peers
- Centrica, Subaru, and Equinor are all overweighted relative to their benchmark presence

We believe our equal-weighted approach makes IVAL critically different from other value ETFs; many Foreign Value ETFs and Foreign Large ETFs **hold similar stocks** at a nominally different weighting. In our view, IVAL offers exposure to a different slice of the market – systematically selected value stocks that are mostly absent from the most popular ETFs.

We believe IVAL can enhance diversification while delivering exposure to value stocks for clients already allocated to international developed or blend funds.

Return drivers

As of May 31, the portfolio remains anchored in industrials, with rising allocations to healthcare, materials, and telecom. It is overweight Japan and Developed Europe, and it continues to favor stocks that are smaller and cheaper.

For June, IVAL is positioned to benefit if:

- Quality industrials continue to re-rate
- Smaller companies outperform large caps
- Investors continue rotating into value-oriented sectors

But IVAL does not need any of these outcomes to succeed. By continuing to own a diversified set of systematically selected cheap stocks, we believe the strategy has multiple ways to win, whether through earnings, sentiment, or **valuation reversion**.

For questions about IVAL, please contact Jack Vogel, PhD, Alpha Architect's co-CIO, CFO, and portfolio manager. He can be reached at jack@alphaarchitect.com.

Additional IVAL Resources

IVAL Investment Case. Learn about IVAL's process and performance to see how we compare to other momentum ETFs. Not every momentum strategy fund is built the same!

Model portfolio. Want to invest in IVAL but unsure of how much to own? We have a solution! See our complete model portfolio that steps through our entire allocation methodology.

IMPORTANT INFORMATION

Investors should carefully consider the investment objectives, risk, charges, and expenses of the funds. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Obtain the fund's prospectus and/or performance data current to the most recent end by calling (215) 882-9983 or by visiting funds.alphaarchitect.com/qmom/. The prospectus should be read carefully before investing.

PRINCIPAL RISKS

Investment risk. When you sell your Shares of the Fund, they could be worth less than what you paid for them. The Fund could lose money due to short-term interest rate market movements and over longer periods during continued interest rate market movements. Therefore, you may lose money by investing in the Fund.

Management Risk. The Fund is actively managed and may not meet its investment objective based on the Adviser's success or failure to implement investment strategies for the Fund.

Equity Investing Risk. An investment in the Fund involves risks similar to those of investing in any fund holding equity securities, such as market fluctuations, changes in interest rates and perceived trends in stock prices. The values of equity securities could decline generally or could underperform other investments. In addition, securities may decline in value due to factors affecting a specific issuer, market or securities markets generally.

Security Selection Risk. Data for some companies may be less available and/or less current than data for companies in other markets. The Adviser uses a quantitative model, and its processes could be adversely affected if erroneous or outdated data is utilized. In addition, securities selected using the quantitative model could perform differently from the financial markets as a whole as a result of the characteristics used in the analysis, the weight placed on each characteristic and changes in the characteristic's historical trends.

Small- and Mid-Capitalization Company Risk. Investing in securities of small- and mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. Often small- and mid-capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

Value investing risk. Value investing is subject to the risk that intrinsic values of investments may not be recognized by the broad market or that their prices may decline. Investments utilizing quantitative methods may perform differently than the market as a result of characteristics and data used and changes in trends. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are magnified in emerging markets.

Note on category average methodology

Constituents of a given category are determined by YCharts. As of 4/30/2024, the calculation method used to determine the category average's returns changed to account for potentially different inception dates. Previously, a straight average of constituent funds' total return net asset value (NAV) was used to determine the category's average total return NAV; the percent change of the category average NAV was then used to calculate returns. As of 4/30/2024, total returns for the category are now found using a straight average of the total NAV return (percent change) for a given frequency (daily, weekly, monthly, etc.). There may be instances where the straight average of the constituent funds' NAV returns may be higher or lower than the straight average of the total NAV return. As of 4/30/2024, all category average returns are calculated using the straight average of the constituent funds' total NAV return for a given frequency.

Category average constituent selection criteria

Unless otherwise noted, the given category is represented by the 50 biggest funds based on assets under management (AUM). The AUM figure is point-in-time and is not retroactively applied to constituent funds. In the event fewer than 50 funds are available in a given category, all funds are used in to calculate returns. Unless otherwise indicated, mutual funds are excluded from category average constituents. Funds that may have been open for investment over the given period but are no longer active are not included. The number of constituent funds in a given category average may affect represented returns. In the event of multiple share classes, the share class with the highest AUM is referenced. In the event of a duplicate ETFs and mutual funds from the same fund family, the ETF is referenced. Category returns are a straight average of the total return of the constituent funds over the given period.

Wherever possible, we reference the 50 biggest funds by AUM to provide what we believe to be a reasonable sample of the most popular strategies that includes a mix of passive and active approaches. The highest AUM funds tend to have more established track records, providing what we believe to be a reasonable basis for returns. We reference all funds in the category in the event there are fewer than 50 funds open for investment.

RBICS Sector Definitions

Business Services is composed of companies that offer services targeted toward businesses, including administrative, support, janitorial, and professional services.

Consumer Cyclicals is composed of companies that offer products targeted toward individual or household use, including apparel, toys, school and art supplies, and electronics; motor vehicle sales and rental, and automotive parts and services; building materials, garden supplies, furniture, appliances, cabinetry, window treatments, and carpets

Consumer Non-Cyclicals is composed of companies that offer products targeted toward individual and consumer needs, including groceries, beverages, health and personal care items, kitchenware, decorative items, and household cleaning products

Consumer Services is composed of companies that offer services targeted toward individuals, including accommodation; food and beverage retail; gaming, arts, entertainment and recreation; and television, radio, film, and print media

Energy is composed of companies that primarily engage in oil and gas exploration and production, pipeline transportation, refineries, and oil and gas equipment and services; leasing, mining and processing of coal and coke; uranium, radium, and vanadium mining

Finance is composed of companies that offer financial products and services in banking, insurance, investment, specialty finance, and real estate

Healthcare is composed of companies that offer products and services that are designed, developed, and utilized in the promotion of health and well-being, including medical services, health plans, medical devices, and biopharmaceuticals

Industrials is composed of companies that offer products and services for industrial use or with applications in aerospace, defense, or security; transportation, construction, and related infrastructure; or farming, including equipment and machinery manufacture, wholesale, rental, and distribution and related support activities

Non-Energy Materials is composed of companies that offer basic and intermediate material products, including non-energy mining; forestry, timber logging, and lumber production; and chemical, plastic, paper, metal, and textile manufacturing

Technology is composed of companies that offer semiconductor, electronic, and optics based products and related software and services that directly or indirectly facilitate the creation, transfer, storage, manipulation, or interpretation of data, audio, and video

Telecommunications is composed of companies that offer services designed to promote or enhance transmission of voice, data, and video over various communications mediums, including cable, satellite, terrestrial-based wireless, and wireline mediums

Utilities is composed of companies that offer gas, electricity, and water services delivered directly to residential and commercial users

NA or Other is a catchall designation for cash, cash alternatives, or holdings that may have been delisted in the proceeding periods from when a fund may have held the security.

The Funds are distributed by Quasar Distributors, LLC. The Fund investment investor is Empowered Funds, LLC, doing business as Alpha Architect.

AA-754927-2025-06-12