

Product update

IVAL Bets on the European Come-Back

July 13, 2025

Summary

- IVAL continues to lean into Europe's resurgence, particularly Germany, while trimming exposure to the UK.
- Japan's recent lag has weighed on IVAL's relative performance.
- Despite short-term headwinds, IVAL remains significantly cheaper than its peers.

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

Recap

IVAL displayed moderate returns in June, up 2.15% (NAV)/2.04% (MKT), compared to Foreign Value's¹ (3.12%) and Foreign Large Blend² funds (2.74%) on a NAV basis.

The Energy sector was IVAL's top contributor in June, adding 0.67% to monthly returns as Europe continues to move away from Russian energy dependence in the post-2022 landscape. Standout names included Tenaris (Italy), which alone contributed 0.23%—roughly 10% of IVAL's total net return for the month. Industrials were another winning sector, contributing 0.45% of return to the fund.

Month over month, IVAL doubled down on what's been working by increasing exposure to Industrials and Energy, with allocation weights rising 5.76% and 2.09%, respectively. Meanwhile, Consumer Staples saw the largest reduction, with a decrease of 2.04%.

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.

Sector	5/31/2025	6/30/2025	Change
Industrials	23.88%	29.64%	5.76%
Energy	8.06%	10.15%	2.09%
Finance	1.96%	3.92%	1.96%
Technology	1.91%	3.76%	1.86%
Cons. Svcs.	3.88%	3.92%	0.04%
Telecom.	1.99%	1.99%	0.00%
Utilities	8.03%	7.87%	-0.16%
NA	0.27%	0.00%	-0.27%
Cons. Cycl.	17.36%	16.00%	-1.36%
Materials	19.78%	18.02%	-1.76%
Biz. Svcs.	2.01%	0.00%	-2.01%
Non-Cycl.	5.97%	3.93%	-2.04%

Source: FactSet. Holdings as of 7/7/2025. 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.

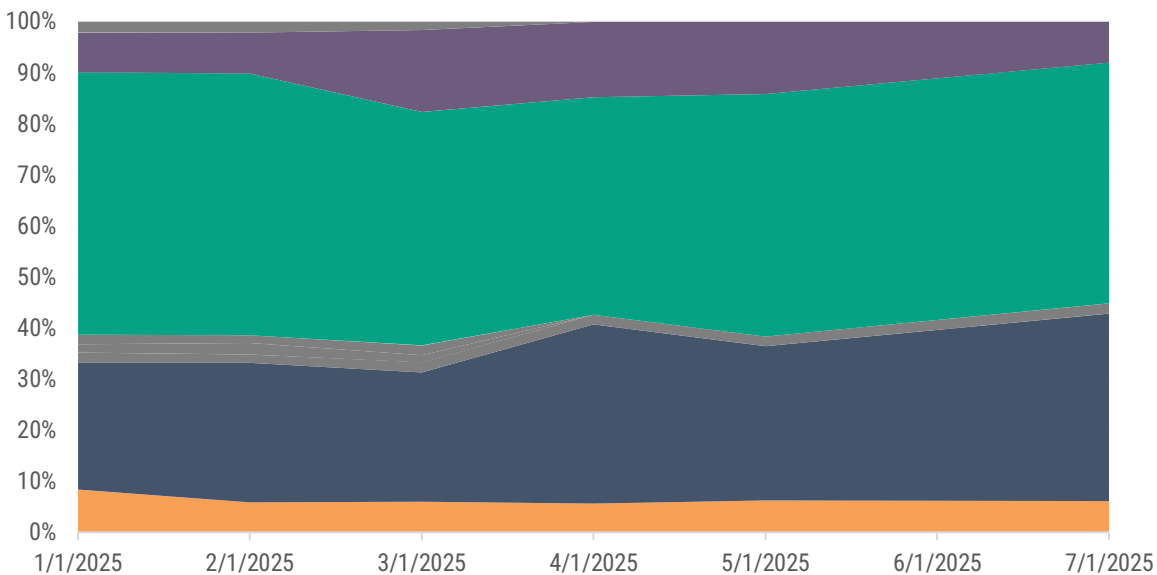
Europe keeps climbing – IVAL leans in

International markets have maintained their year-to-date momentum, with Europe in the midst of one of its strongest equity streaks relative to the United States in recent memory. **IVAL has leaned into that strength, increasing its allocation to developed Europe.** Germany, in particular, has seen a significant shift, with its allocation rising from 4% to 10% year to date. For context, the fund has historically devoted about a quarter of its capital to developed Europe, but that figure has recently climbed to approximately 37%—a notable shift that reflects the expanding opportunity set abroad.

(see chart below)

IVAL regional shifts in 2025

U.K. | Japan | Europe | Australasia | Other



Source: FactSet. 1/1/2025 to 7/7/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/IVAL for current holdings. Excludes cash and currencies we may hold. Holdings may not add up to 100% as a result.

IVAL isn't a momentum fund—so what's driving the reallocation?

As a refresher, IVAL seeks to invest in the top 10% cheapest stocks across a diversified set of developed markets outside the U.S. But IVAL isn't just a pure value fund. Within the universe of the 10% cheapest stocks, **IVAL selects the top 50 names that also exhibit strong quality characteristics**—such as profitability, financial stability, and improving operational efficiency.

In our view, quality is a critical complement to valuation, especially for investors aiming to avoid catching the so-called “falling knives.” As a result, and while a secondary screen, the fund's quality screen can tactically influence sector and country allocations over time. While quality (momentum) isn't IVAL's goal, the fund can naturally tilt toward regions or industries where value and quality fundamentals are gaining strength.

More recently, IVAL has begun to adjust its positioning—trimming its U.K. exposure by 6.1%, and adding 6.5% to developed European stocks in response to shifting quality signals and relative value opportunities.

Region	5/31/2025	6/30/2025	Change
Dev. Eur.	30.2%	36.7%	6.5%
China	1.9%	2.0%	0.1%
N. Am. (ex-US)	0.0%	0.0%	0.0%
Latin Am.	0.0%	0.0%	0.0%
Em. Eur.	0.0%	0.0%	0.0%
Mid. East/Africa	0.0%	0.0%	0.0%
Dev. Asia	0.0%	0.0%	0.0%
Em. Asia	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%
Australasia	6.3%	6.1%	-0.1%
Japan	47.6%	47.2%	-0.4%
U.K.	14.1%	8.0%	-6.1%

Source: FactSet. Holdings as of 7/7/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/IVAL for current holdings. Excludes cash and currencies we may hold. Holdings may not add up to 100% as a result.

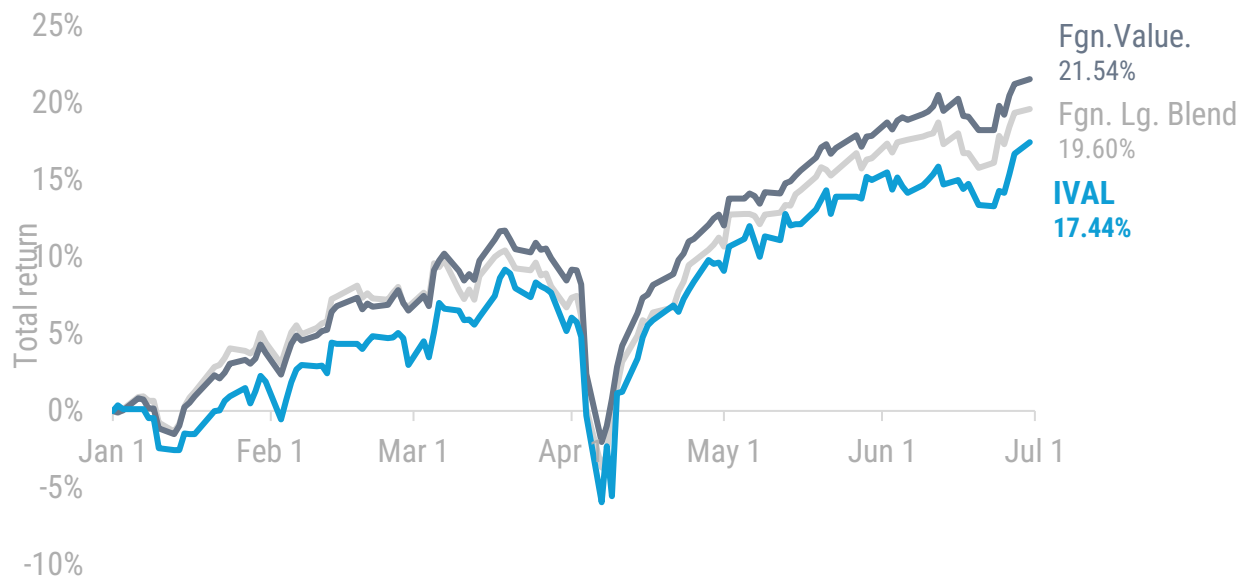
IVAL lags year-to-date... But it's not all bad news

With IVAL's approach in mind, it's fair to ask why the fund has recently underperformed both its peers and the broader Foreign Large Blend category. After all, if international value stocks are surging ahead—and value is outperforming blend—shouldn't IVAL be pulling ahead of at least one of those groups? It's a natural question, and one that deserves a closer look. Is something broken here?

(see chart below)

IVAL lags year-to-date

Total return at NAV | **IVAL** | Foreign Value peers | Foreign Lg. Blend



IVAL seeks to buy the cheapest, highest quality stocks—wherever they may be. Unlike many other funds that anchor to country-specific allocation targets, **IVAL takes a largely country-agnostic approach**. Historically, that's led to a consistent overweight to Japan, with the fund averaging around 49% exposure to the region.

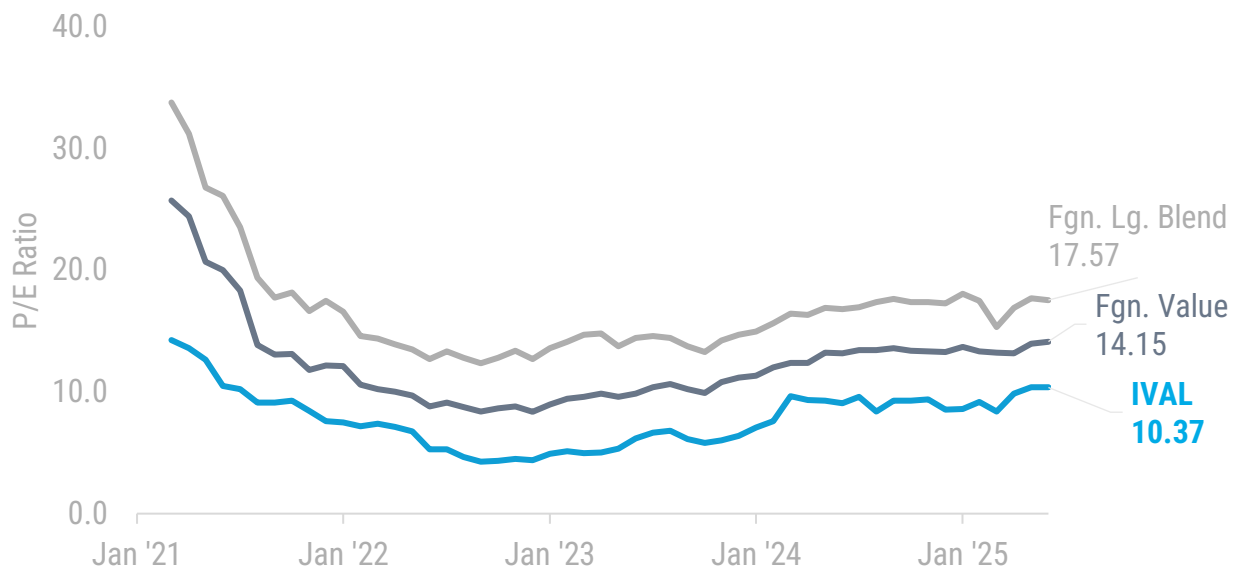
2025 has been no different. IVAL continues to find plenty of opportunity in Japanese equities, holding an average weight of around 48% to Japan this year. And while international markets have had a strong run in 2025, some regions have clearly led the charge. Sure, with the benefit of hindsight, investors might have preferred Japan over the U.S.—but the real standouts have been in Europe. In fact:

- In the developed world, Greece, Spain, Austria, Italy, and Germany have posted some of the strongest gains year to date, while Japan sits somewhere in the back of the pack.
- On the currency side, the euro has been a top performer against the dollar in 2025. The yen has held its own, but it hasn't packed quite the same punch.

That might sound like a sad ending—until you consider where IVAL is positioned heading into the second half of the year. **Its overweight to Japan isn't incidental; it reflects a deliberate belief that this is where the best value opportunities remain.** And while recent performance may not capture that fully, IVAL still stands out among its peers as the cheaper fund—offering investors a powerful setup going forward.

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 – 6/30/2025. 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.

We remain committed to our disciplined process and believe that IVAL may have further room to run—especially if value continues to gain traction across international markets.

Top 10 Holdings by P/E Ratio

IVAL's construction continues to position it as a strong diversifier, with just **6.71% overlap**, through 6/30/2025, with a typical Foreign Large Blend strategy⁴. Smaller overlaps typically signal **lower correlation and greater potential for diversification** when paired with their benchmarks. In IVAL's case, we believe its concentrated focus on the cheapest names is a key driver behind its historically lower correlation—76% with Foreign Large Blend—compared to the Foreign Value category, which sits much closer at 97%.

Currently, only one of IVAL's top 10 holdings—ranked by P/E ratio—has a weighting greater than 0.10% in the Foreign Large Blend benchmark, while three have no representation in the benchmark at all.

⁴ 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	\$29,972	2.00%	0.04%
7270-TKS	Seibu Holdings Inc	Cons. Svcs.	5.70	\$11,089	1.89%	--%
CNA-LON	Centrica plc	Utilities	6.45	\$10,479	1.93%	0.06%
BS6-SES	Central Japan Railway Co	Industrials	7.09	\$23,095	1.97%	0.09%
EQNR-OSL	Yangzijiang Shipbuilding (Holdings) Ltd	Industrials	7.14	\$6,812	2.00%	0.02%
TUI1-ETR	TUI AG	Cons. Svcs.	7.17	\$4,513	2.03%	--%
BOL-OME	Boliden AB	Materials	7.55	\$8,898	2.04%	0.05%
7269-TKS	Equinor ASA	Energy	7.95	\$65,713	2.02%	0.11%
WDS-ASX	Suzuki Motor Corp	Cons. Cycl.	7.98	\$22,119	1.89%	0.10%
BZU-MIL	Signify NV	Industrials	8.66	\$3,408	1.97%	--%

Source: FactSet. Holdings as of 7/7/2025. 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.

For investors seeking to diversify their U.S. and International market exposures, we believe that IVAL proposes a compelling value proposition from a portfolio construction standpoint.

Return drivers

Currently, the portfolio is tightly focused on smaller companies within the Industrials, Consumer Cyclical, and Materials sectors—together making up roughly 64% of total exposure—reflecting a strong risk-on posture. For July, IVAL is positioned to benefit if:

- International risk-on sentiment continues.
- Japanese stocks begin picking up momentum.
- Currency trends remain favorable against the U.S. dollar.

We also want to be clear: while international markets have had a strong year relative to the U.S., we believe there's still significant runway—particularly in value stocks. For investors who haven't yet made the move into international equities, there's still time to get in the bandwagon. IVAL, with its focus on the cheapest stocks in attractively priced markets, is well-positioned to capture this shift in global sentiment and potentially deliver compelling returns going forward.

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 funds' investment advisor is Empowered Funds, LLC, which is doing business as ETF Architect. Alpha Architect, LLC serves as the Sub-adviser to the Funds. Quasar is not affiliated with ETF Architect or Alpha Architect.

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