

Product update

QVAL bests peers as Industrials lead

June 20, 2025

Summary

- Industrials powered QVAL past US Value peers in a strong May
- Following our rebalance, QVAL is now tilted towards healthcare stocks
- Consumer-facing stocks represent some of the cheapest stocks in our portfolio. Overall, QVAL's weighted average P/E ratio sits at 11.4x.

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

Recap

The Alph Architect U.S. Quantitative Value ETF (QVAL) posted strong results in May, gaining 5.47% (NAV) / 5.90% (MKT), outpacing peer US Value ETFs¹, which gained 3.65% at NAV.

The performance difference can likely be attributed to demand for QVAL's portfolio of **smaller, cheaper, higher quality stocks**. Heading into May, QVAL's weighted average portfolio targeted stocks with a market cap² of approximately \$29.6 billion trading at around 11.3x earnings³, much smaller and cheaper than our Value ETF peers, which held stocks at around \$214.9 billion trading at 21.3x earnings.

At a sector level, Industrials contributed most to QVAL's returns, **adding 2.68%** in May. Consumer Cyclical's chipped in as well, adding 1.18%. We saw modest gains across the rest of the portfolio, adding about 0.28% on average. Healthcare stocks were **the lone detractor**, losing -0.36%.

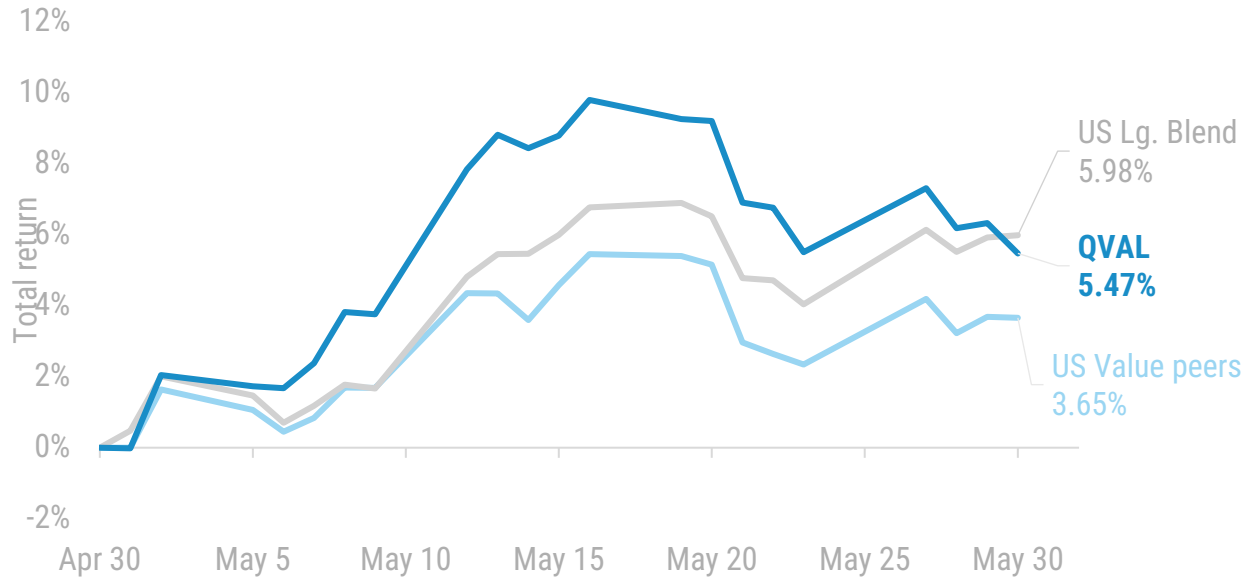
¹ US Value peers ("US Value," "US Value ETFs") represented by the average returns at NAV of the fifty biggest ETFs based on assets under management in the Large, Mid, and Small Value categories. Large Value invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Mid-Cap Value focus on investing in either medium-size companies or because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. Small Value invest primarily in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value defined as equities with low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). Categories determined by YCharts.

² Market Cap ("size") 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.

³ P/E Ratio ("Price/Earnings," "earnings") measures how much an investor is willing to pay for one dollar of earnings. It is calculated by dividing the share price by the annual net income earned by the firm.

QVAL bests peers in a strong May

Total return at NAV | US Lg Blend | **QVAL** | US Value peers



Source: YCharts, Alpha Architect. 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.

Portfolio Changes: QVAL rotates toward Healthcare stocks

Heading into June, QVAL rotated risk from Industrials and Consumer Cyclical and Non-Cyclical to Healthcare. At 24% of the portfolio, we're now **modestly overweight** Healthcare stocks. We retained Industrials as a secondary trend, which comes in at around 14% of the portfolio.

Sector	4/30/2025	5/31/2025	Change
Healthcare	15.58%	23.76%	8.18%
Materials	9.76%	12.19%	2.43%
Business Services	1.99%	4.02%	2.03%
Energy	12.02%	12.08%	0.07%
Utilities	--	--	--
Finance	--	--	--
Consumer Services	4.05%	3.98%	-0.06%
Technology	5.79%	4.00%	-1.79%
Telecommunications	5.80%	3.99%	-1.81%
Consumer Cyclical	14.39%	11.90%	-2.49%
Industrials	18.75%	15.77%	-2.98%
Consumer Non-Cyclical	11.51%	7.98%	-3.53%

Cash and other	0.38%	0.34%	-0.04%
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Source: Alpha Architect. Holdings as of 5/10/2025 and 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. Sectors defined below. Sectors based on the RBICS “economies” taxonomy.

The shift toward Healthcare – our only sector loss last month – may seem counterintuitive or even uncomfortable. But value investing often requires taking positions **that appear contrarian** in the moment. While the timing of any payoff is uncertain, we believe the healthcare stocks in our portfolio possess the characteristics that could support outperformance if the market begins to reprice them more favorably.

In other words, of the ~100 US healthcare stocks held in most healthcare-specific funds, we believe we own the 12 stocks with the best *potential* to see positive mean reversion, driven by their relatively strong fundamentals.

Characteristics (weighted average)	Avg. Healthcare fund	QVAL Healthcare
Market Cap (\$b)	\$58,731	\$38,986
Price/Earnings	25.79	14.43
Price/Sales ⁴	2.85	2.33
Price/Book ⁵	3.97	3.59
Return on Assets	1.1%	11.1%

Source: Alpha Architect. Holdings as of 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. Sectors defined below. Sectors based on the RBICS “economies” taxonomy.

To translate the above table: QVAL owns approximately the same size stocks as the average Healthcare strategy, based on market cap (\$58.4b to \$39.3b). At 14.4x earnings, **QVAL paid a lot less** for earnings than the average Healthcare fund did at 25.8 P/E; and QVAL paid slightly less for revenue (2.33 P/S) vs. the average Healthcare funds (2.85P P/S).

Critically, with a Return on Assets (ROA) of 11.1% to just 1.1%, QVAL’s holdings appear to be **far more efficient** at generating profits from their assets than the average Healthcare fund.

Return on Assets (ROA) measures how efficiently a company uses its assets to **generate profit**. A strong ROA suggests the company is effective at **converting assets into income**, which supports its ability to meet debt obligations and deliver shareholder value. While it's just one of many

⁴ Price/sales (“P/S,” “PS”) is a financial ratio that reflects the cost to acquire \$1 of a firm’s revenue. It is calculated by dividing the stock’s price by revenue (sales).

⁵ Price/book (“P/B,” “PB”) is a financial ratio that reflects the cost to acquire \$1 of a firm’s book value. Book value is an accounting term denoting the portion of the company’s held by the shareholders at accounting value.

profitability metrics, strong ROA can indicate a company is financially healthy and positioned for continued growth.

Ticker	Name	Mkt. Cap.	P/E	P/S	P/B	ROA	Weight
CNC	Centene Corp	\$27,552	8.25	0.17	0.99	2.0%	1.93%
UHS	Universal Health Services Inc	\$12,167	10.60	0.79	1.79	7.4%	1.96%
MRK	Merck & Co Inc	\$193,701	11.23	3.06	4.01	27.3%	1.97%
UTHR	United Therapeutics Corp	\$14,624	12.94	5.22	2.15	40.4%	2.06%
DVA	DaVita Inc	\$10,278	13.48	0.89	--	6.6%	1.97%
HALO	Halozyme Therapeutics Inc	\$6,569	14.18	6.33	13.62	44.8%	2.00%
MOH	Molina Healthcare Inc	\$15,913	14.18	0.40	3.69	2.8%	1.93%
MMS	Maximus Inc	\$4,043	14.26	0.80	2.42	5.6%	1.96%
ELV	Elevance Health Inc	\$85,620	14.79	0.48	2.01	3.2%	1.94%
CI	The Cigna Group	\$83,260	17.26	0.34	2.07	2.0%	1.98%
EXEL	Exelixis Inc	\$11,636	19.40	5.42	5.46	28.0%	2.02%
LNTH	Lantheus Holdings Inc	\$5,375	22.07	3.64	4.62	16.5%	2.05%
Weighted average		\$38,986	14.43	2.33	3.59	15.8%	1.98%

Source: Alpha Architect. Holdings as of 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

Smaller biotech stocks like United Therapeutics (UTHR), Halozyme Therapeutics (HALO), and Exelixis (EXEL) contributed meaningfully to QVAL's strong ROA. These smaller biotechs are often narrowly focused on promoting products that have already cleared the costly research, development, and approval phases. With major R&D **expenses behind them**, production costs tend to be low relative to revenue, which can drive ROA higher.

Just to beat a dead horse: we don't know if these stocks will outperform. We believe they *stand a higher chance*, given their strong fundamentals, but time will tell!

Top-10 holdings

Funds typically list their top 10 holdings by portfolio weight, which is useful for market cap-weighted strategies where the largest positions drive returns. QVAL, however, is equal-weighted across 50 stocks, with roughly 2% allocated to each. As a result, listing holdings by weight is **less meaningful** in our case.

Instead, we list the top 10 holdings by P/E ratio, from cheapest to most expensive. We think this offers a clearer view of where our process currently identifies **the most attractive valuations**.

(see top-10 table below)

Ticker	Name	Sector	P/E Ratio	Mkt. Cap. (\$ bil)	QVAL Weighting	US Lg. Blend Weighting
CALM	Cal-Maine Foods	Non-Cycl.	4.80	\$5,180	2.01%	--%
GM	General Motors Co	Cons. Cycl.	7.07	\$47,168	1.91%	0.10%
UAL	United Airlines	Industrials	7.39	\$26,481	2.06%	0.05%
PR	Permian Resources	Energy	8.21	\$10,638	2.02%	--%
CNC	Centene Corp.	Healthcare	8.24	\$27,552	1.93%	0.06%
NOV	NOV Inc.	Energy	8.28	\$4,667	1.98%	--%
NXST	Nexstar Media Grp.	Cons. Svcs.	8.35	\$5,122	1.97%	--%
CMCSA	Comcast Corp. Cl. A	Telecom.	8.51	\$129,410	1.99%	0.26%
GAP	Gap, Inc.	Cons. Cycl.	9.57	\$8,193	1.96%	--%
LAD	Lithia Motors, Inc.	Cons. Cycl.	10.08	\$8,332	1.98%	--%

Source: Alpha Architect. Holdings as of 6/3/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

Interestingly, eight of QVAL's top ten holdings are **consumer-facing companies**. While we'd caution against over-extrapolating this one data point as this snapshot could shift meaningfully next month when QVAL rebalances, it bears watching to see if anything more definite emerges here.

Return drivers

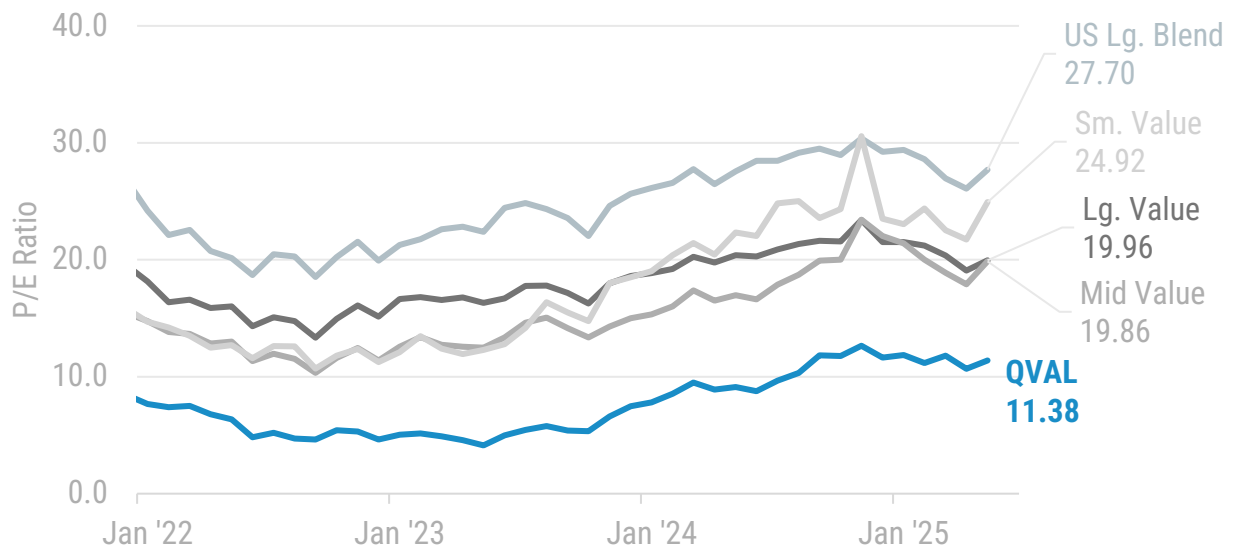
Fundamentally, **positive mean reversion** tends to drive value investing's returns. At the risk of sounding pedantic, the gravity of investing – buy low and sell high – still applies. Like a coiled spring, the cheaper you buy a company, the greater the potential return (emphasis on *potential*).

So, given that dynamic, QVAL attempts to keep its "spring" as tightly coiled by consistently stocks trading at a discount with strong fundamentals. In other words, we attempt to optimize for value rather a stylebox.

(see comparative trailing P/E ratio below)

QVAL: Consistent value exposure

P/E Ratio | US Lg. Blend | Small Value | Lg. Value | Mid Value | **QVAL**



Source: FactSet. Trailing weighted average P/E ratio. 1/1/2022 – 5/31/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/QVAL/ for current holdings. Characteristics information is derived from sources believed to be accurate but is not guaranteed.

Heading into June, QVAL is positioned to benefit if **Healthcare stocks experience positive demand**, with secondary opportunities in Industrials and Materials.

Healthcare stocks can offer defensive qualities, as demand for prescriptions, care, and insurance often **remains steady during economic slowdowns**. When trading at a discount, these companies may present compelling value opportunities due to their profitability and stable cash flows. However, the sector also faces risks such as regulatory changes and political scrutiny.

Industrials and Materials are more sensitive to the economic cycle. These sectors may benefit if macro conditions improve, demand rebounds, or capital spending increases. While low valuations can lead to strong returns in recovery phases, performance can be more cyclical and volatile.

Thank you for your continued support of Alpha Architect.

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

Additional QVAL Resources

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

Model portfolio. Want to invest in QVAL 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/qval/. 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 preceding 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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