Product update

QVAL posts steady gains, remains a compelling value solution

July 14, 2025

Summary

- Energy and Consumer Cyclicals were key contributors to QVAL's performance, signaling continued risk-on sentiment in the market.
- Value appears out of favor so far in 2025—but there are still reasons for optimism.
- QVAL remains an attractive proposition, offering low correlation to U.S. large blend exposures and potential diversification benefits.

Please visit the QVAL fund page for current holdings, standardized returns, and prospectus.

Recap

The Alpha Architect U.S. Quantitative Value ETF (QVAL) posted moderate returns in June, gaining 1.95% (NAV) / 1.66% (MKT), but lagging US Value ETFs[1], which gained 3.47% at NAV, and US large blend[2], which gained 4.58% at NAV.

The Energy sector, fueled in part by geopolitical shocks in the Middle East, was the fund's top contributor in June, adding 0.71% to returns. Broadly speaking, the market has sustained a risk-on posture following President Trump's reversal of the "Day of Liberation" tariff announcements. **Consumer cyclicals, in particular, have surged**—contributing 0.44% to QVAL's monthly return.

[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] US large blends ("US Stocks") represented by ETFs that are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Within the sector, gains were driven by gear giant champ Dick's Sporting Goods, dealer titan Lithia Motors, and Gen Z favorite Urban Outfitters—together accounting for the sector's entire advance.

Healthcare stocks were once again a detractor, shaving 0.05% off the fund's return. Specialty biotech companies United Therapeutics and Halozyme accounted for the bulk of the sector's weakness, together detracting 0.33% from the fund.

Sector shift: QVAL trims Energy, reloads Tech

In its latest rebalance, QVAL made minor sector-wide adjustments—one of which was the return of **Western Digital** to the portfolio, adding to its Technology exposure by 2.12%. On the flip side, the fund reduced its weight in the Energy and Healthcare sectors by 4.08% and 3.33%, respectively.

As it stands, QVAL's largest sector allocation remains in Healthcare, with Industrials and Materials close behind. Together, these three sectors account for more than half of the fund's total exposure.

Sector	**5/31/2025**	**6/30/2025**	**Change**
Technology	4.00%	6.12%	**2.12%**
Materials	12.19%	14.22%	2.03%
Industrials	15.77%	16.50%	0.73%
Cons. Cycl.	11.90%	12.28%	0.38%
Non-Cycl.	7.98%	8.08%	0.10%
Cons. Svcs.	3.98%	4.05%	0.07%
Utilities	0.00%	0.00%	0.00%
Finance	0.00%	0.00%	0.00%
Biz. Svcs.	4.02%	4.00%	-0.02%
Telecom.	3.99%	3.97%	-0.02%
Healthcare	23.76%	20.42%	-3.33%
Energy	12.08%	8.00%	**-4.08%**
Cash and Other	0.20%	2.25%	2.05%

Source: Alpha Architect. Holdings as of 6/3/2025 and 7/7/2025. 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.

While a cut in Energy may seem counterintuitive given the sector's strong recent returns, it's important to remember that **value investing is a dynamic process**. Stocks that become expensive are replaced with cheaper, potentially more attractive opportunities. By nature, the strategy is contrarian—it goes where others are pulling back.

QVAL's secondary screen—quality—is also dynamic, targeting companies that offer relatively stronger fundamentals. Taken together, **these shifts are consistent with how the strategy is designed to operate.**

As such, QVAL might be indicating that better opportunities—both in terms of valuation and quality—are emerging outside the Energy sector. The recent shift toward Technology may reflect improving fundamentals in select names that now meet the strategy's dual criteria: cheap and high quality.

"Not quite my tempo": Value lags the market

Yes, the rumors are true: we're halfway through the year, which means the year 2050 is officially closer than 2000. A lot can happen in 25 years. Twenty-five years ago, Michael Jordan was still playing in the NBA, the iPod had not yet been invented, and the value factor was just starting an epic run.

Looking back at the first six months of this year, it's safe to say that **it has not been a year for value stocks**. At least not in the U.S. Year-to-date, large blend has returned 5.93%, value peers 2.82%, while QVAL is in the hole -0.57%.

Source: YCharts, Alpha Architect. 1/1/2025 – 6/30/2025. 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.

Of course, periods of underperformance for deep value are not only frustrating: they are to be expected. The first semester of 2025 has been exemplary of a phenomenon investors should come to anticipate: **when value is out of favor, deep value exposures like QVAL are expected to be out of favor as well.** And that's by design. QVAL is built to target 50 of the cheapest stocks in its universe—it is supposed to behave differently from the other 1,450[3]. Sometimes that deviation works to the upside; unfortunately, for now, it's to the downside.

But it's not all bad news. QVAL remains one of the cheapest funds available in the market, trading at a P/E[4] of just 12.50—while peers sit above 20. And it's not just about valuation. QVAL also sets itself apart by targeting smaller companies, displaying higher quality as measured by return-on-assets[5], and maintaining minimal overlap with U.S. large-cap holdings.

	U.S. Lg. Blend	Peer U.S. Value ETFs	QVAL
Number of holdings	804	413	50
Weighted Avg. P/E Ratio	**27.94**	**21.50**	**12.19**
Weighted avg. market cap. (bil)	$909,795	$221,441	$31,706
Weighted Return on Assets	15.52%	6.97%	11.04%
Net expense ratio	0.17%	0.25%	0.29%
% overlap with U.S. Lg. Blend	--	23.22%	2.57%

Source: Factset. Holdings as of 6/30/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

We believe these characteristics point to something that goes deeper than just the numbers: investing in **QVAL offer greater diversification benefits compared to the average value strategy.** Historically, QVAL has shown a relatively low 0.84 correlation[6] to U.S. large blend stocks, whereas the broader value category has maintained a higher correlation of 0.93.

[3] QVAL's universe is comprised from among the largest, most liquid 1500 domestic stocks trading in US stock exchanges.
[4] P/E ratio 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.
[5] Return-on-Assets measures the rate of return (after tax) being earned on all of the firm's assets regardless of financing structure (debt vs. equity). It is a measure of how efficiently the company is using all stakeholders' assets to earn returns.
[6] Correlation measures the degree to which two variables move in relation to each other. Higher correlation implies a tighter relationship.

	QVAL	US Value	US Large Blend
QVAL	1.00	-	-
US Value	0.91	1.00	-
US Large Blend	0.84	0.93	1.00

Source: Factset, YCharts. Daily correlations 10/21/2014 – 6/30/2025. **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.

This lower correlation can potentially help investors sidestep heavy underperformance in years when value outperforms but the broader market lags. **That's why we believe QVAL can serve as a strong complement to traditional market exposures**—it offers a highly concentrated, low-overlap return stream that may prove especially valuable when factors like value are in favor and beta lags.

While broader markets have been in favor for what feels like an eternity, a lot can happen over the next 25 years. Who knows? Maybe Jordan makes another comeback. But if value embarks on another epic run, having at least part of your portfolio positioned to ride that wave could prove to be a smart move. **In our view, QVAL is a more-than-compelling candidate for that role.**

Top-10 holdings

Ticker	Name	Sector	P/E Ratio	Mkt. Cap. ($ bil)	QVAL Weighting	US Lg. Blend Weighting
CNC	Centene Corporation	Healthcare	4.92	$16,446	1.21%	0.03%
CALM	Cal-Maine Foods, Inc.	Non-Cycl.	5.00	$5,391	2.03%	--%
CROX	Crocs, Inc.	Cons. Cycl.	6.52	$5,964	2.07%	--%
UAL	United Airlines Holdings, Inc.	Industrials	7.39	$26,491	2.02%	0.05%
GM	General Motors Company	Cons. Cycl.	7.46	$49,822	2.10%	0.10%
PR	Permian Resources Corporation Class A	Energy	8.50	$11,014	1.99%	--%
NXST	Nexstar Media Group, Inc.	Cons. Svcs.	8.69	$5,328	2.07%	--%
CMCSA	Comcast Corporation Class A	Telecom.	8.70	$132,322	1.98%	0.25%
AA	Alcoa Corporation	Materials	8.82	$7,718	2.07%	--%
GAP	Gap, Inc.	Cons. Cycl.	9.87	$8,454	2.03%	--%

Source: Alpha Architect. Holdings as of 7/7/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

Looking now at the top 10 holdings by price-to-earnings ratio, three big names may jump at you:

- **United Airlines Holdings:** While the airline giant has improved its free cash flow and resumed share buybacks, the market remains skeptical due to the sector's inherent cyclicality—a value investor's dream!
- **General Motors:** After a rocky 2023 marked by union strikes, GM continues to push forward in the EV space—but it's facing serious competition from industry heavyweights (ahem, Tesla). The big question now: can they deliver?
- **Comcast:** With stable cash flows and strong IP (anyone owning both *Shrek* and *The Office* qualifies in our book), Comcast remains an industry giant. But with the death of cable and fierce competition facing its streaming newcomer, Peacock, the market has priced in some risk.

Despite their name recognition, these three holdings share just a 0.4% combined weighting with large blend indexes. Every other holding, except for one, has no representation in large blend at all. **That's no surprise.** Large blend strategies typically screen out smaller stocks entirely, excluding companies that fall below a certain size threshold. This is where the opportunity lies: **By investing in QVAL, investors can access names that are often overlooked** and potentially add meaningful diversification benefits to their broader portfolio.

Return drivers

Sometimes, investing rewards those willing to look in unpopular places. Companies that trade at low prices often do so for a reason—but not always a good one. Over time, perceptions can shift, fundamentals can improve, and prices can move accordingly. When that happens, the return potential isn't driven by prediction, **but by patience**. Starting from a lower valuation doesn't guarantee success, but it can create more space for good news to matter.

Given QVAL's current position of investing in dirt-cheap stocks for the month of July, any of the following could potentially positively impact the fund:

- The Healthcare sector, particularly smaller, cheaper names, could rebound to new highs if the regulatory environment turns more favorable and technological advancements driven by AI continue to drive operational efficiencies.
- Consumer sentiment shifts back toward evaluating current value and quality propositions, rather than overextrapolating growth cash flows in high-flying pockets of the market.
- Of course, it's worth keeping an eye on potential tariff threats from the government. Small caps can be asymmetrically affected if input costs rise, while the Materials sector (roughly 14% of QVAL) could potentially benefit from any regulatory tailwinds or domestic sourcing incentives that may emerge.

As always, much of what happens in the market is out of investors' control (sorry, we can't afford lobbyists!) What we *can* do is focus on the things within our reach—like sticking to a disciplined plan through thick and thin.

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 proceeding periods from when a fund may have held the security.