

Product update

QVAL bruised by Healthcare stocks

For July 2025

Summary

- Healthcare stocks detracted from QVAL July results
- Following our rebalance, QVAL has diversified with Industrials as our largest position
- On a quality basis, QVAL stands above peer value funds, regardless of market cap focus

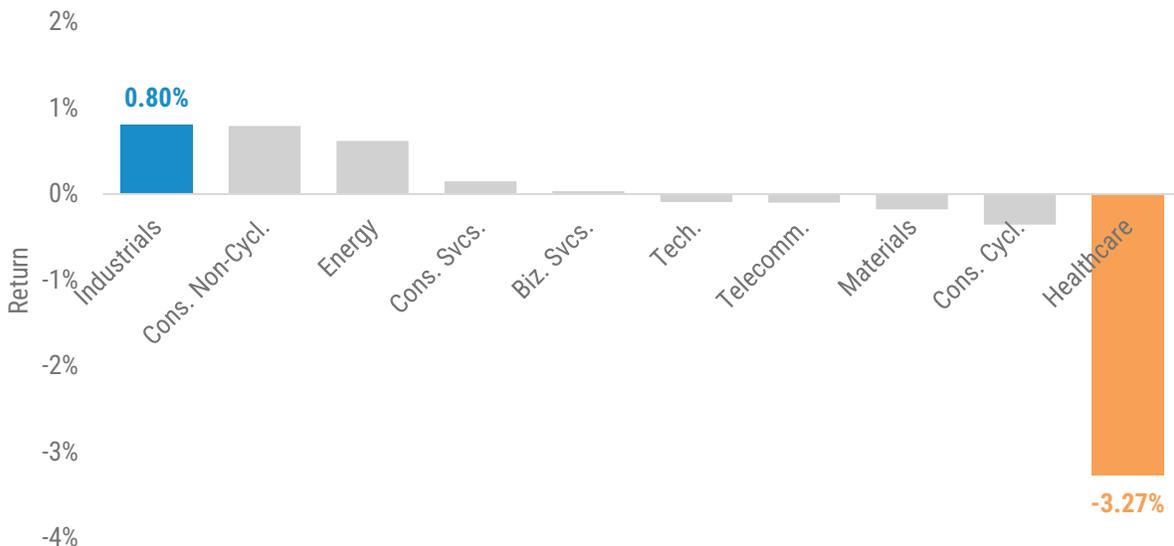
[Please visit the QVAL fund page](#) for current holdings, standardized returns, and prospectus.

Recap

The Alph Architect U.S. Quantitative Value ETF (QVAL) returned -1.60% (NAV) / -1.52% (MKT) in July as losses in the fund’s healthcare positions offset modest gains in Industrials, Non-Cyclical, and Energy stocks.

July 2025 | Healthcare losses drag down QVAL

Contribution to return by sector



Source: FactSet, Alpha Architect. 7/1/2025 – 7/31/2025. **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. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. Sectors defined below. Sectors based on the RBICS “economies” taxonomy.

Code Blue?

So, what happened to our Healthcare stocks?

While there are always many factors in play, the passage of the omnibus “One Big Beautiful Bill” may have contributed to losses, especially for those firms deeply involved with U.S. government-sponsored plans like Medicare and Medicaid.

Among the many provisions, the bill is expected to throttle enrollment in government-sponsored health plans and tighten reimbursement flows. Since Medicaid insurers are paid a fixed amount per member, a **decline in enrollment likely correlates with a decline in revenue.**¹

The three stocks highlighted below – Centene (CNC), Molina (MOH), and Elevance (ELV) – each have significant exposure to Medicaid plans. Over 88% of Molina's total membership came from Medicaid plans, Centene derived about 46%, and Elevance about 19.5%.²

Sector Returns – Healthcare

Ticker	Name	QVAL %	Total Return	Contribution To Return
HALO	Halozyme Therapeutics, Inc.	2.02%	15.28	0.29
MMS	MAXIMUS, Inc.	2.01%	5.21	0.10
DVA	DaVita Inc.	1.97%	-1.46	-0.03
UTHR	United Therapeutics Corp.	2.00%	-4.40	-0.09
UHS.B	Universal Health Services, Inc.	2.03%	-8.11	-0.17
LNTH	Lantheus Holdings Inc	1.91%	-13.03	-0.26
EXEL	Exelixis, Inc.	2.05%	-17.82	-0.35
CI	Cigna Group	1.90%	-19.12	-0.37
ELV	Elevance Health, Inc.	1.75%	-27.22	-0.53
MOH	Molina Healthcare, Inc.	1.58%	-47.01	-0.91
CNC	Centene Corporation	1.21%	-51.97	-1.00

Source: FactSet, Alpha Architect. Returns 7/1/2025 - 7/31/2025. **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. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. Sectors defined below. Sectors based on the RBICS “economies” taxonomy.

ELV, MOH, and CNC each saw sharp declines in July – CNC³ alone dropped more than 51% - yet the overall **losses in the portfolio were contained**, thanks, in part, to our equal-weighted approach.

¹ <https://www.reuters.com/business/finance/key-healthcare-provisions-trumps-tax-bill-2025-07-03/>

² Ibid.

³ Centene’s withdrawal of guidance likely also negatively affected the stock’s returns. <https://www.nasdaq.com/articles/centene-corporation-stock-cnc-opinions-2025-guidance-withdrawal>

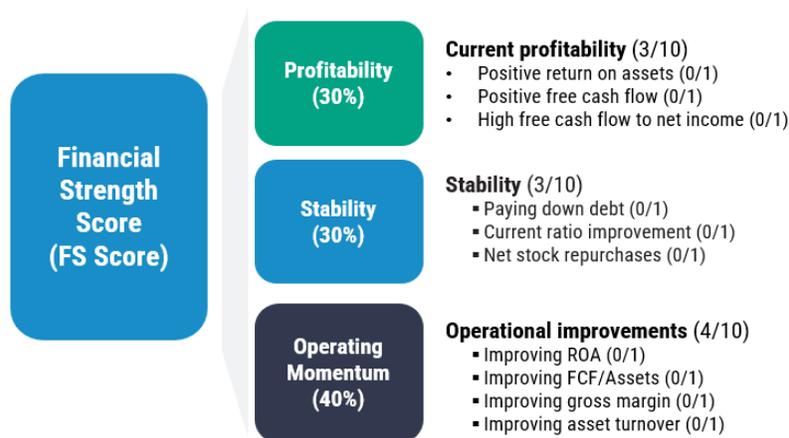
We still hold a Healthcare allocation, including Molina, though we've **trimmed exposure significantly** from 20.4% in July to 13.5% heading into August. The change shifts the portfolio's composition away from insurance carriers to a more diversified stance with a focus on smaller market cap pharmaceutical firms.

Healthcare holdings as of August 2025

Ticker	Name	NAICS Industry	QVAL %
UHS.B	Universal Health Services, Inc.	General Medical & Surgical Hospitals	2.04%
MOH	Molina Healthcare, Inc.	Insurance Carriers	1.91%
MMS	MAXIMUS, Inc.	Management, Scientific, and Technical Consulting	2.12%
DVA	DaVita Inc.	Outpatient Care Centers	1.78%
UTHR	United Therapeutics Corp.	Pharmaceutical & Medicine Manufacturing	2.13%
HALO	Halozyme Therapeutics, Inc.	Pharmaceutical & Medicine Manufacturing	2.11%
LNTH	Lantheus Holdings Inc	Pharmaceutical & Medicine Manufacturing	1.46%

Source: FactSet, YCharts. Alpha Architect. Holdings as of 8/7/2025. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Characteristics are derived from sources believed to be accurate but are not guaranteed. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. See below for NAICS definitions.

Our process targets stocks that meet two key criteria: they are attractively priced and have strong fundamentals. We use something called **the Financial Strength score** to effectively act as a tiebreaker between two stocks with similar valuations.



For illustrative purposes only.

After re-running our filters, Centene, Elevance, and Molina were all still attractively priced, however, Elevance and Centene’s financial strength scores **had degraded relative to Molina’s score**. As a reminder, as a part of the process, we first look for firms with attractive valuations using EBIT/TEV, and amongst those value firms, we select firms with higher quality scores, as measured by our financial strength score.

One of the benefits of Financial Strength score is that it **tends to correlate with high quality stocks**. While there are several ways to measure “quality,” we’ll use return on assets (ROA) and return on equity (ROE), two of the more commonly used quality metrics. ROE highlights profitability relative to shareholders, while ROA emphasizes efficiency across the entire business. High-quality companies often score well on both, with consistently strong ROA providing the more reliable indicator of underlying business strength.

QVAL's portfolio features both strong ROA...

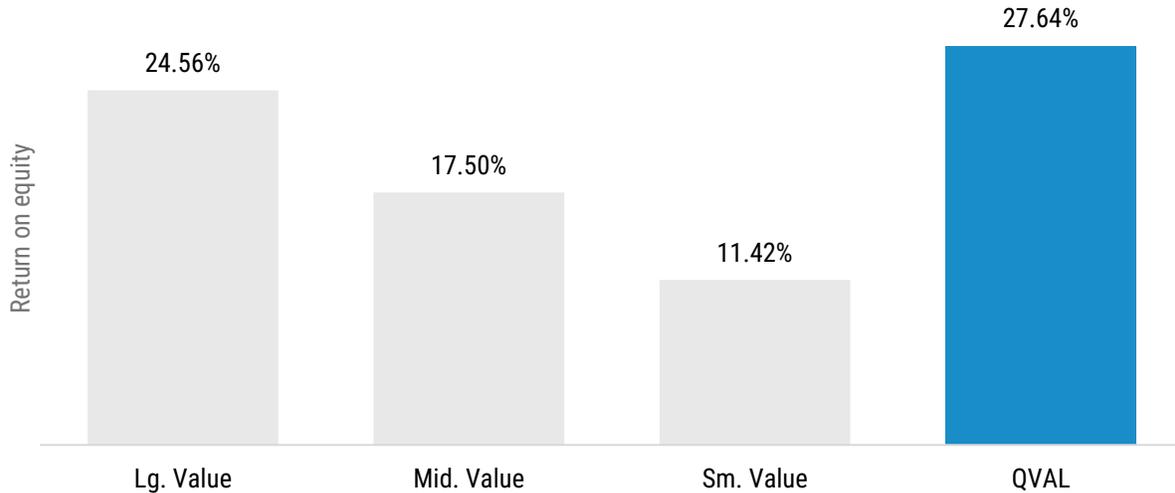
Wgtd. Avg. ROA | Lg. Value | Mid. Value | Sm. Value | QVAL



Source: YCharts. Alpha Architect. As of 8/15/2025. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Characteristics are derived from sources believed to be accurate but are not guaranteed. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

...and excellent ROE relative to Value peers

Wgt'd. Avg. ROE | Lg. Value | Mid. Value | Sm. Value | QVAL



Source: YCharts. Alpha Architect. As of 8/15/2025. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Characteristics are derived from sources believed to be accurate but are not guaranteed. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

In value investing, **price often runs behind fundamentals**. The goal is to identify those stocks *right before* their price starts to catch back up. Since we don't know when that will happen, we think it pays to hold stocks with the strongest fundamentals so that QVAL may be in position to capture the upside when (or if) market prices eventually reflect **underlying business strength**.

We got beat up by healthcare stocks this month. That's okay. Sometimes, systematic investing can push you into **uncomfortable positions where you need to take some lumps** to potentially find the opportunities. Critically, there's no ego here – just process. If the stock meets our criteria, we'll hold it; if not, we'll sell it. Rinse and repeat!

Portfolio changes: QVAL tilts toward Materials and Industrials

Heading into June, QVAL rotated risk from Healthcare, Energy, and Consumer Cyclical to Consumer Non-Cyclicals, Materials, and Industrials.

Month-over-month sector changes

Sector	6/30/2025	7/31/2025	Change
Consumer Non-Cyclical	8.1%	12.0%	3.9%
Materials	14.2%	17.8%	3.6%

Industrials	16.5%	20.1%	3.6%
Telecommunications	4.0%	5.9%	1.9%
Business Services	4.0%	4.2%	0.2%
Utilities	--%	--%	--%
Finance	--%	--%	--%
Consumer Services	4.1%	4.0%	-0.1%
Technology	6.1%	5.8%	-0.4%
Consumer Cyclical	14.3%	12.4%	-1.9%
Energy	8.0%	3.9%	-4.1%
Healthcare	20.4%	13.5%	-6.9%
Cash & Other	0.2%	0.4%	+0.2%

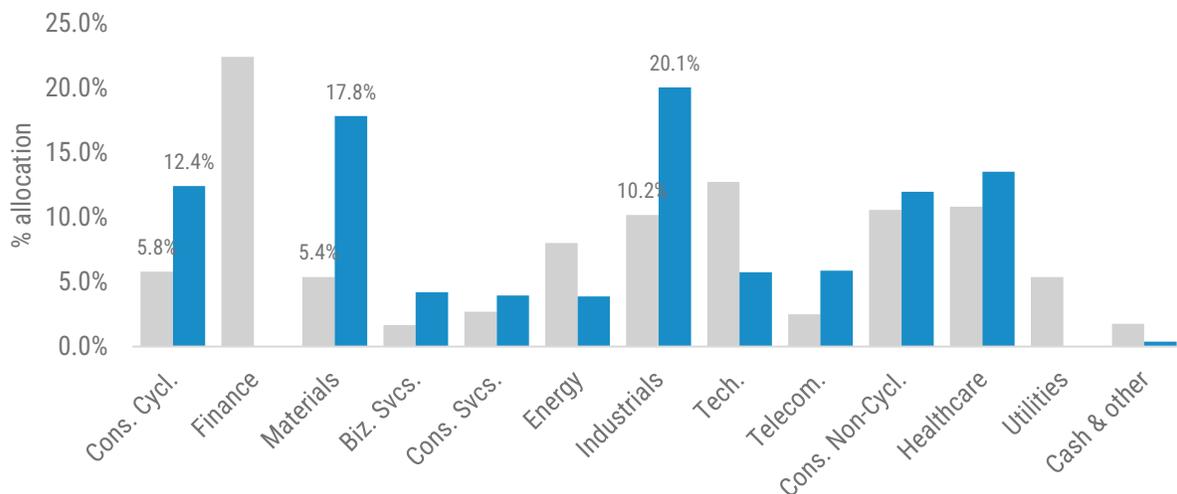
Source: FactSet, Alpha Architect. As of 8/15/2025. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Characteristics are derived from sources believed to be accurate but are not guaranteed. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

Effectively, we traded Industrials for Healthcare as QVAL’s largest allocation by sector. Like last month, QVAL maintains a fairly well-diversified posture, with no single sector dominating the portfolio.

Relative to peer U.S. value ETFs, QVAL’s portfolio looks very different:

QVAL tilts toward Materials and Industrials

Allocation by sector | US Value peers | [QVAL](#)



Source: FactSet, YCharts, Alpha Architect. As of 8/7/2025. **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** Investing involves risk, including the potential loss of principal. Holdings are derived from sources believed to be accurate but are not guaranteed. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings. Sectors defined below. Sectors based on the RBICS “economies” taxonomy.

QVAL has significantly greater weighting toward Materials (17.8% to 5.4%), Industrials (20.1% to 10.2%), and Consumer Cyclical (12.4% to 5.8%). All three sectors are more sensitive to the economic cycle and may benefit from improving economic conditions.

This is a meaningful spread between QVAL and peer Value ETFs, which positions us to benefit should our holdings in these sectors **experience positive mean reversion** and potentially generate outperformance relative to peer Value ETFs.

Top 10 holdings spread out risk

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**.

QVAL top-10 holdings by P/E ratio

Ticker	Name	Sector	P/E Ratio	Mkt. Cap. (\$ bil)	QVAL %	US Lg. Blend % ⁴
CALM	Cal-Maine Foods, Inc.	Non-Cycl.	4.24	\$5,129	1.91%	--%
CMCSA	Comcast Corporation Cl. A	Telecom.	5.23	\$116,932	1.98%	0.23%
M	Macy's, Inc.	Non-Cycl.	6.12	\$3,288	1.88%	--%
CHTR.A	Charter Communications, Inc. Cl. A	Telecom.	7.04	\$39,450	1.87%	0.05%
TMHC	Taylor Morrison Home Corporation	Cons. Cycl.	7.43	\$6,358	2.16%	--%
MOH	Molina Healthcare, Inc.	Healthcare	7.64	\$8,401	1.91%	0.02%
AA	Alcoa Corporation	Materials	7.72	\$7,793	2.00%	--%
PR.A	Permian Resources Corp. Cl A	Energy	8.60	\$10,590	1.93%	--%
EMN	Eastman Chemical Company	Materials	8.61	\$7,036	1.66%	0.02%
GAP	Gap, Inc.	Cons. Cycl.	8.76	\$7,499	2.06%	--%

Source: Alpha Architect. Holdings as of 8/7/2025. Investing involves risk, including the potential loss of principal. Holdings are subject to change. Visit funds.alphaarchitect.com/qval/ for current holdings.

Overall, these ten stocks are fairly representative of QVAL's diversified portfolio and consistent with our approach to target smaller market cap stocks at attractive valuations.

⁴ U.S. Large Blend holdings derived from the iShares Core S&P 500 ETF (IVV). References to third-party funds are for informational purposes only and should not be considered investment advice or a recommendation of any particular security, strategy, or investment product.

Last word

While July was a tough month for our healthcare positions, our process generated sufficient returns elsewhere to minimize downside risk. Looking ahead, QVAL is in a diversified stance with top exposure to Industrials, Materials, and Consumer Cyclical. We will continue to execute our disciplined, systematic approach to potentially capture positive returns when fundamentals and price eventually converge.

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 Cyclical 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-Cyclical 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 North American Industry Classification System (NAICS) is the standard used by federal agencies to categorize businesses into industries based on their primary economic activity.

General Medical & Surgical Hospitals are establishments primarily engaged in providing inpatient health services, surgical services, and continuous nursing care.

Insurance Carriers are companies primarily engaged in underwriting and assuming risk through insurance policies, including life, health, and property & casualty coverage.

Management, Scientific, and Technical Consulting are firms that provide expert advice and assistance in areas such as business strategy, organizational planning, human resources, science, and technology.

Outpatient Care Centers are facilities primarily providing health services and treatment to patients who do not require overnight hospital care, including specialty clinics and urgent care centers.

Pharmaceutical & Medicine Manufacturing are establishments involved in researching, developing, and producing medicinal and pharmaceutical products, including biologics and vaccines.

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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