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EVA Asset Allocator

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As with all investments, your capital is at risk



IBKR Presentation October 13, 2025

Gavin Thomson - Global Director of Fundamental Research
Casey Lea - Global Director of Quantitative Research

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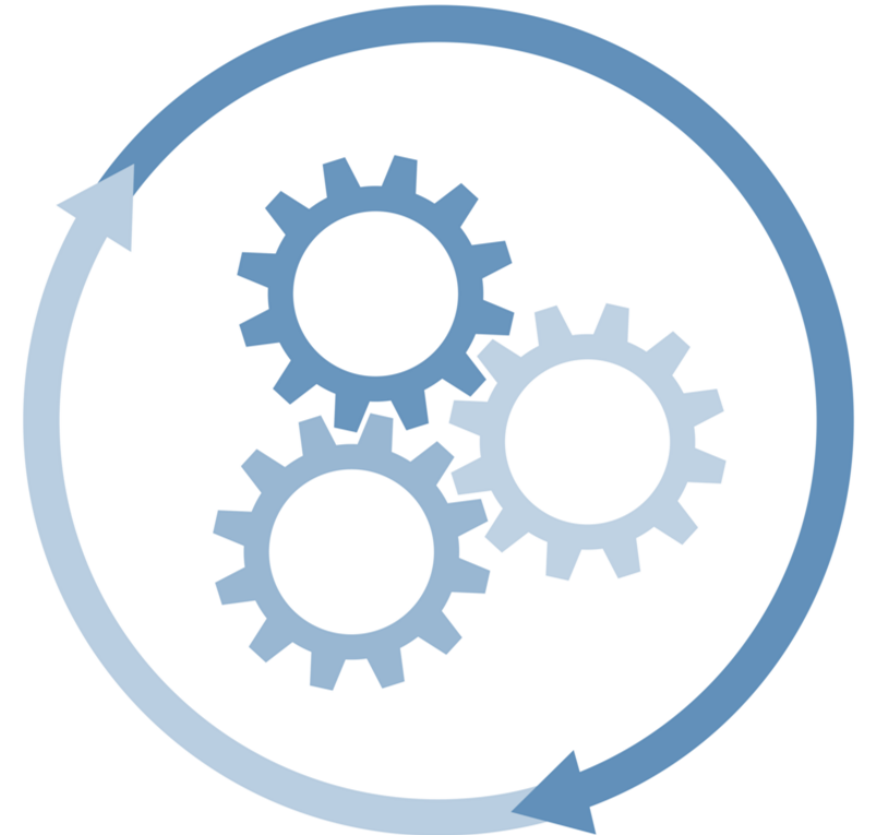
EVA Asset Allocator- A Top-Down Presentation

Financial Intelligence for Measuring and Maximizing Value

A powerful platform & framework that converts accounting profits into economic profit for ~29,000 public equity issuers.

Agenda for Today

- EVA 101 Recap
- Where are we in the Cycle
- Market View through the EVA lens
- Region & Country Focus
- Sector Opportunities
- Interest Rate Cuts & EVA



Economic Value Added 101 Recap

What is EVA?

$$\text{EVA} = \text{NOPAT} - \left(\text{Capital Charge} \right)$$

The diagram illustrates the EVA formula using colored rounded rectangles: EVA (dark purple), NOPAT (grey), Capital Charge (blue), Capital (light blue), and Cost of Capital (medium blue). The Capital Charge is shown as the product of Capital and Cost of Capital, enclosed in large parentheses.

- NOPAT = Net Operating Profit After Tax.
- Capital = Total sum of debt and equity raised from investors or retained from earnings and invested in net business assets.
- Cost of Capital = minimum acceptable shareholder return; by deducting it, managers are accountable for investing wisely and above a market-set standard.

EVA Fundamentals

EVA Margin (Profitability) = EVA / Sales

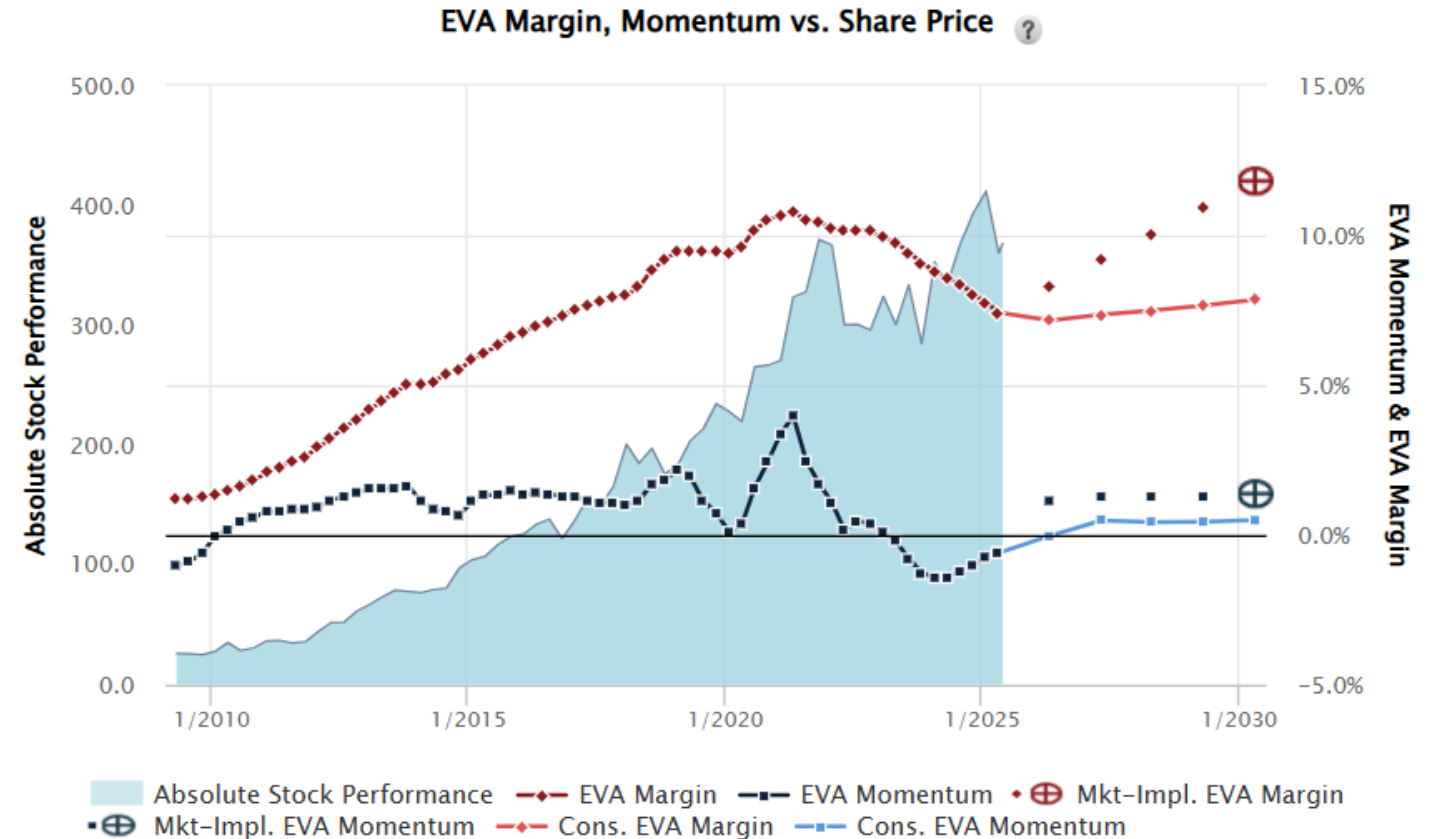
EVA Momentum (Growth) = [EVA (0) – EVA (-1y)] / Sales (-1y) *Changes in EVA divided by trailing sales*



EVA Fundamentals

- **EVA Margin (red line):** above (below) zero = company achieving better (worse) than cost of capital. Increasing (decreasing) EVA Margin indicates a company has improving (declining) operating profit and/or getting more (less) efficient with assets.
- **EVA Momentum (blue line):** measures incremental growth in EVA. Positive (negative) EVA Momentum indicates the company is generating (destroying) incremental value. ONLY CORPORATE PERFORMANCE RATIO WHERE MORE IS ALWAYS BETTER!
- **EVA Shock (slope of blue line):** measure of acceleration (deceleration) of EVA Momentum; critical for determining INFLECTION POINTS in a business model.

Lines going up mean higher Profitability and stronger Growth

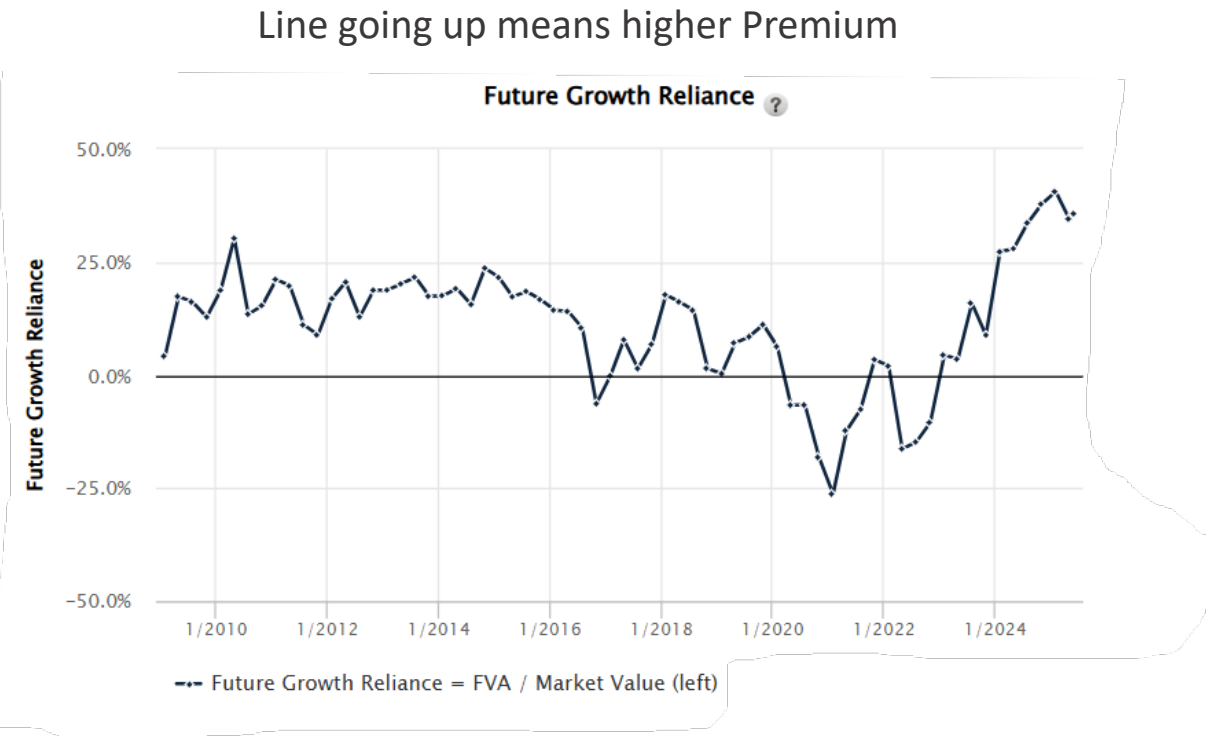
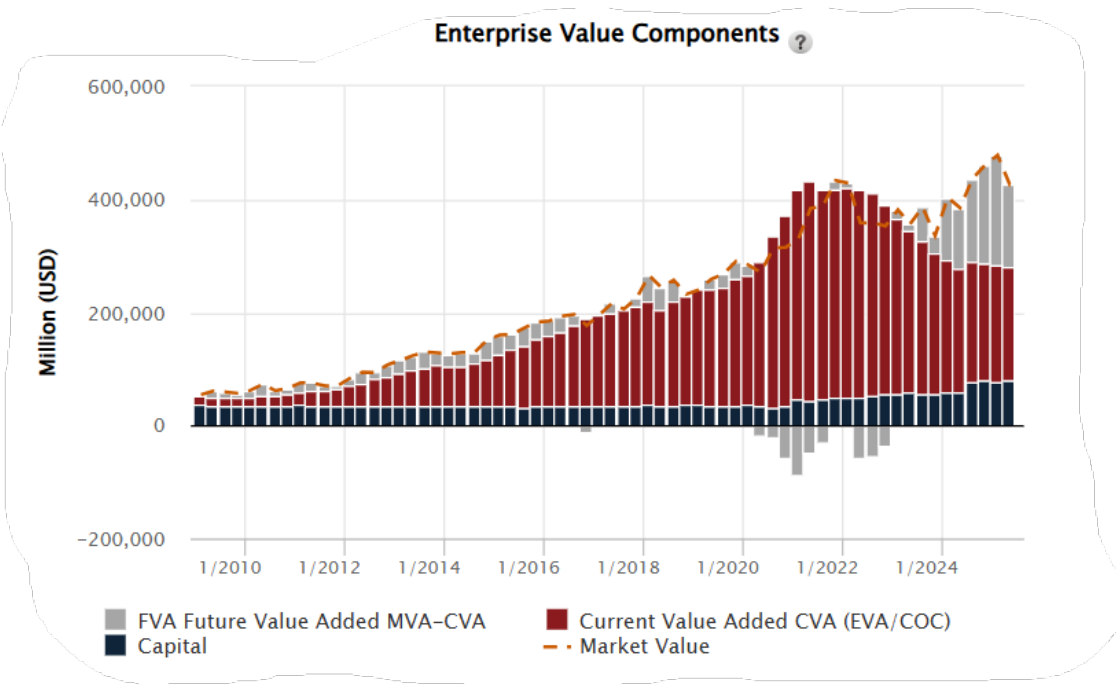


Investor Expectations

EVA Enterprise Value & Expectations

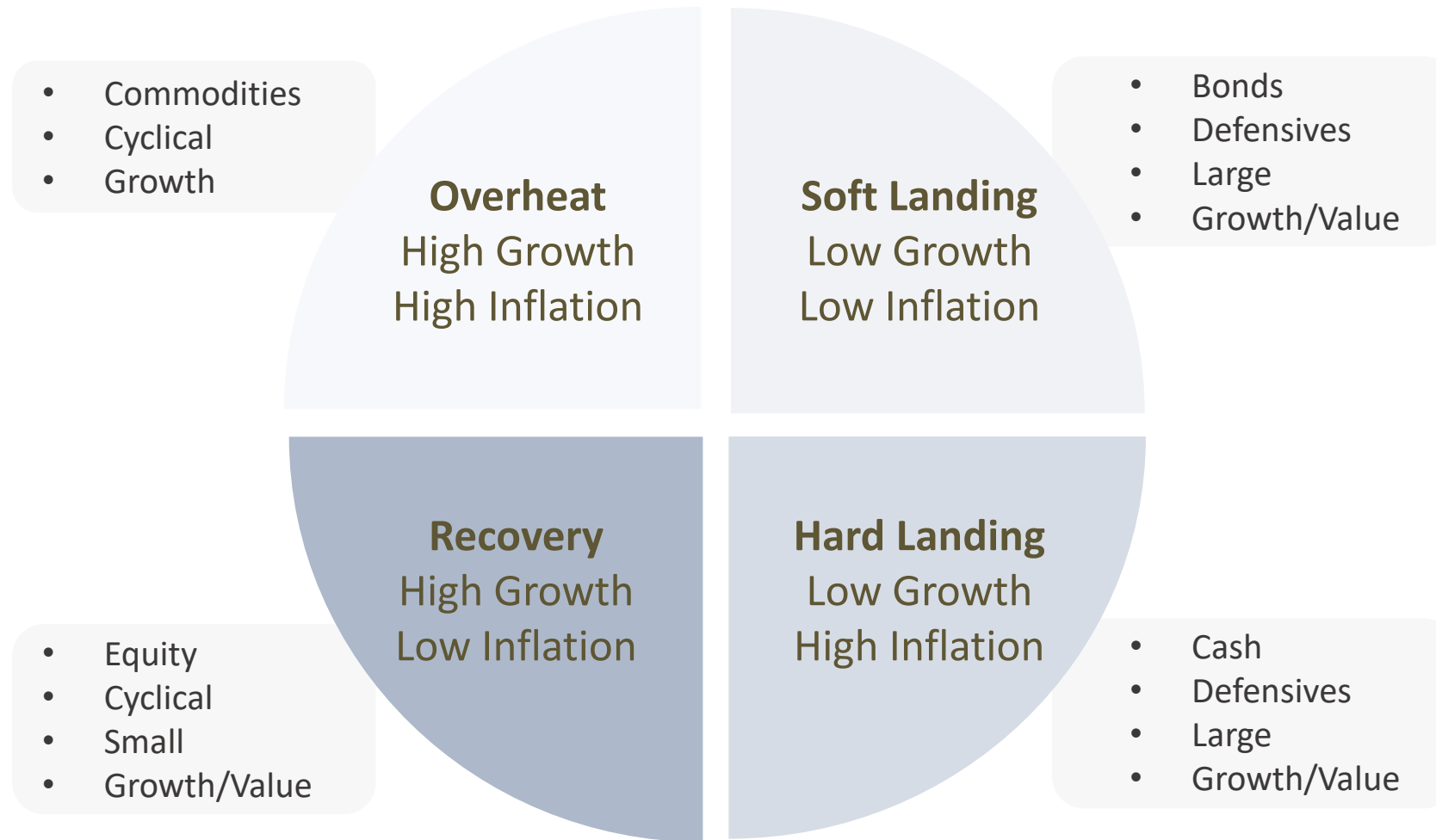
- **Capital** = All capital invested in the business.
- **CVA** = Capitalized amount of current profits assuming no growth to perpetuity.
- **FVA** = EV not described by observable capital or profit.

- **FGR** = % of today's market value that is dependent on future growth in EVA. $FGR = FVA / MV$

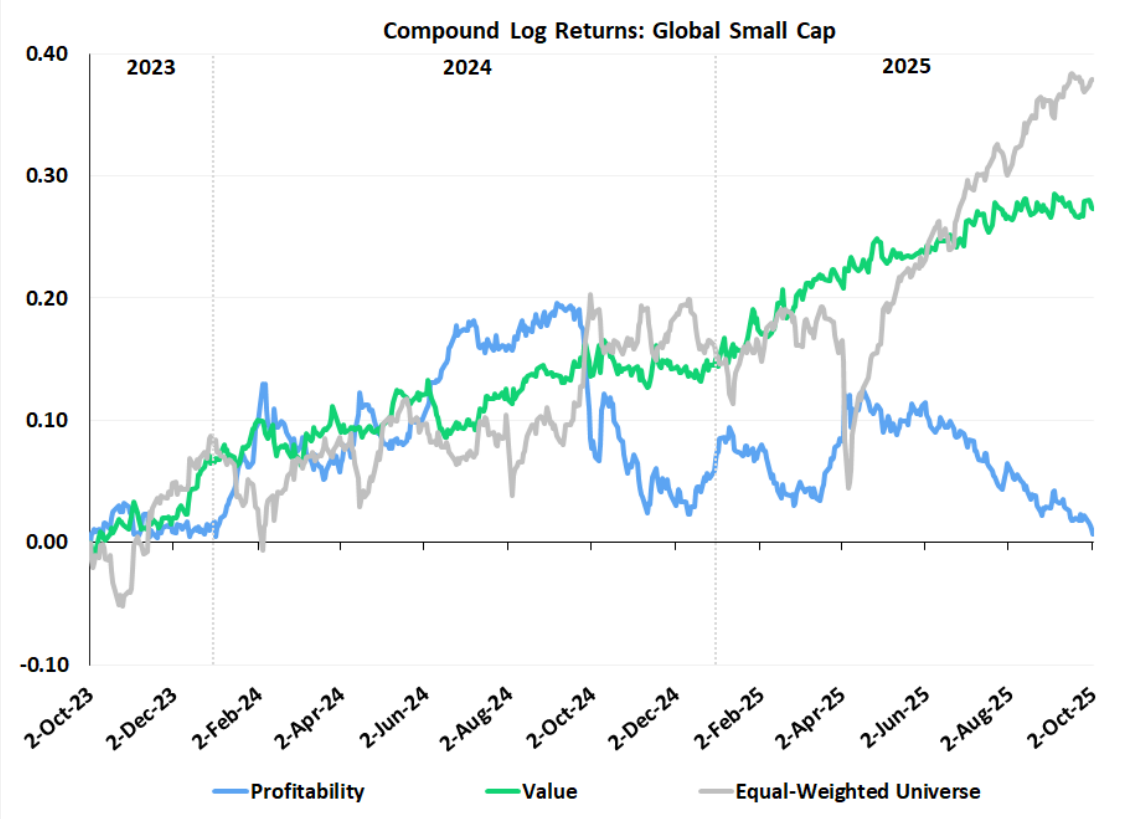
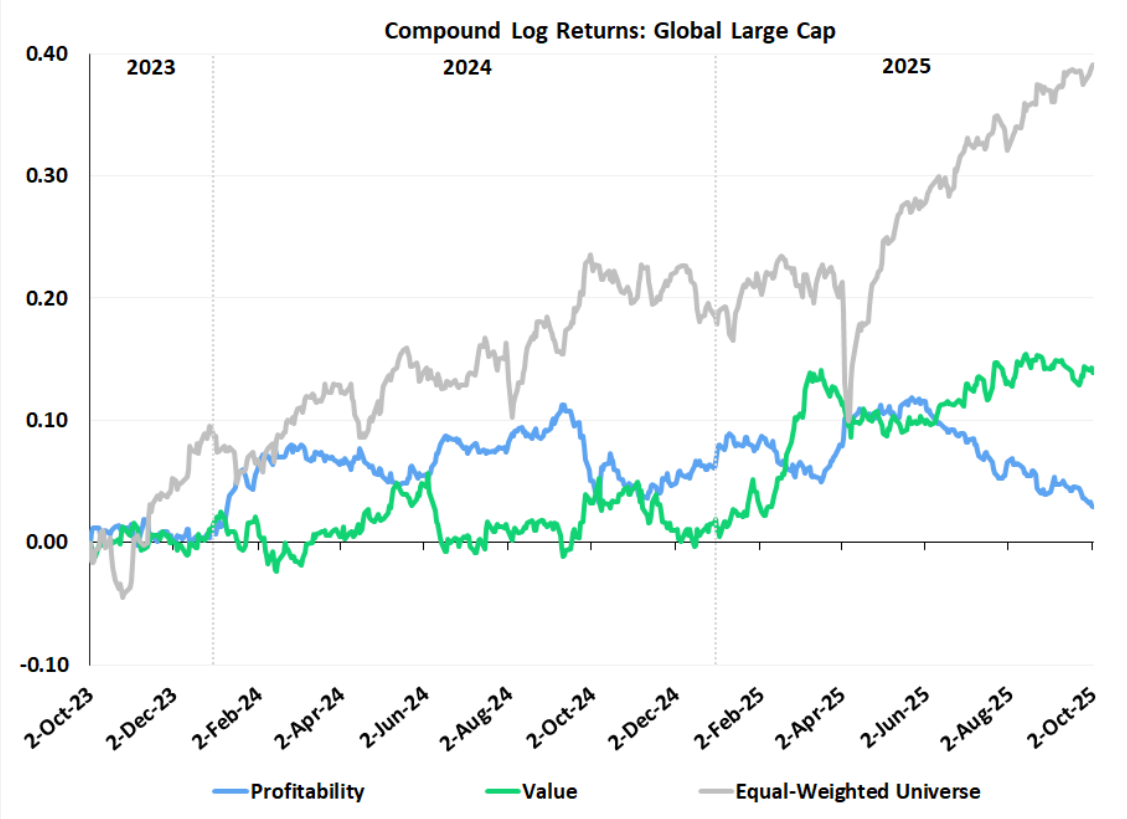


Investing Through the Economic Cycle

Where are we today?

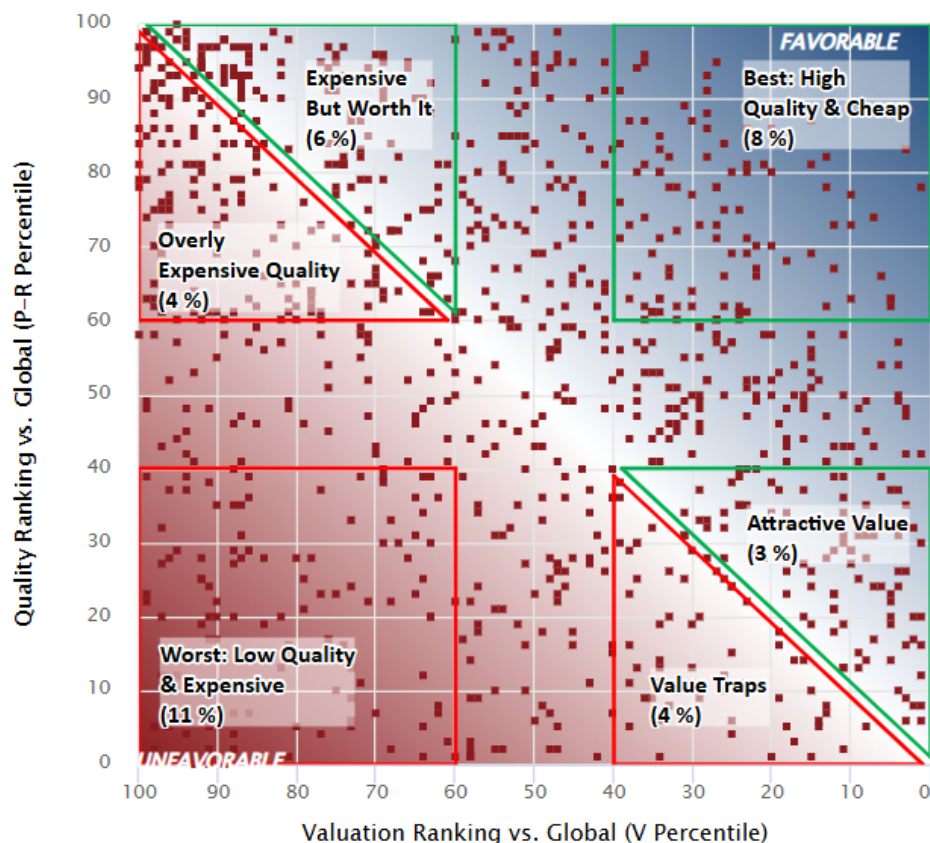


Value Driving the Recent Leg Up in Markets



EVA Factors

Value as a Leader but Profitability has Mattered Over the Long Term



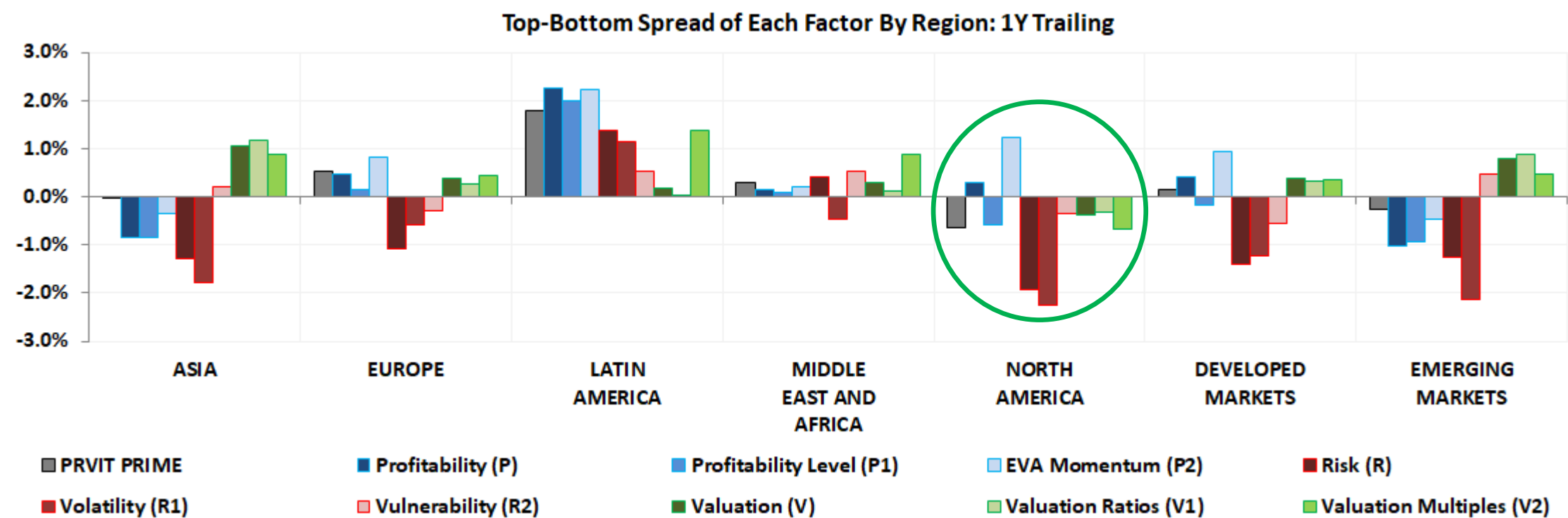
Avg Monthly Spread vs Benchmark Zones	1M		3M		1Y		3Y		5Y	
	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small
Best of the Best	1.10%	-0.36%	0.03%	-0.34%	0.56%	0.25%	0.53%	0.60%	0.51%	0.41%
Expensive But Worth It	-0.36%	-0.75%	-1.14%	-1.47%	-0.11%	-0.22%	0.04%	0.21%	0.25%	0.17%
Overly Expensive Quality	-1.23%	1.68%	-1.16%	-0.55%	-0.65%	-0.83%	-0.35%	-0.43%	-0.14%	-0.23%
Attractive Value	0.01%	-1.14%	0.47%	-0.86%	0.55%	-0.05%	0.43%	0.14%	0.35%	0.17%
Value Trap	0.16%	1.54%	1.77%	1.58%	0.24%	0.84%	0.43%	0.31%	0.63%	0.39%
Worst of the Worst	1.66%	0.38%	1.30%	1.33%	-0.09%	0.31%	-0.58%	-0.66%	-0.64%	-0.68%

Global All	1M		3M		1Y		3Y		5Y		10Y		Since Dec'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	3.5%	-0.09%	-3.8%	-1.74%	1.2%	-0.30%	3.1%	0.47%	2.4%	0.29%	2.9%	0.41%	3.3%	0.57%
Profitability Level (High P1)	1.3%	-0.77%	-4.3%	-1.90%	0.7%	-0.49%	2.9%	0.44%	2.4%	0.29%	2.9%	0.38%	3.2%	0.51%
Profitability Trend (High P2)	5.1%	0.86%	-1.8%	-0.79%	1.8%	0.20%	2.6%	0.54%	1.7%	0.31%	1.9%	0.38%	2.6%	0.60%
Risk (Low R)	-4.3%	-3.27%	-5.9%	-3.38%	0.4%	-1.16%	3.1%	0.00%	2.7%	-0.08%	3.1%	0.16%	3.2%	0.41%
Volatility (Low R1)	-1.6%	-3.57%	-7.2%	-3.99%	0.1%	-1.47%	3.3%	-0.23%	2.8%	-0.32%	3.1%	-0.05%	3.1%	0.08%
Vulnerability (Low R2)	-4.7%	-0.98%	-1.6%	-0.48%	0.6%	0.05%	1.6%	0.34%	1.4%	0.27%	1.5%	0.32%	1.7%	0.47%
Quality (High P - R)	1.3%	-1.42%	-5.6%	-2.80%	1.1%	-0.67%	3.7%	0.42%	3.0%	0.25%	3.5%	0.44%	3.9%	0.65%
Valuation (Low V)	3.2%	-0.09%	6.0%	0.95%	4.1%	0.71%	3.7%	0.90%	3.5%	0.91%	1.8%	0.47%	1.7%	0.57%
Valuation Ratios (Low V1)	2.6%	-0.31%	6.0%	0.99%	3.7%	0.72%	3.0%	0.80%	3.0%	0.86%	1.3%	0.42%	1.1%	0.48%
Valuation Multiples (Low V2)	4.0%	-0.06%	5.0%	0.25%	4.9%	0.62%	5.3%	1.06%	4.6%	0.98%	3.0%	0.56%	3.1%	0.71%
PRVit	3.9%	-0.63%	-0.5%	-1.62%	4.0%	0.01%	5.9%	1.04%	5.0%	0.89%	4.3%	0.72%	4.7%	0.97%
PRVit Prime	0.5%	-0.96%	0.5%	-1.04%	3.0%	0.04%	4.3%	0.81%	4.1%	0.79%	3.6%	0.60%	4.3%	0.93%



PRVit Factors by Region

North America is Late Joiner to the Value Party



Average PRVit Scores by Region/Country x Sector

Europe Stands Out as Do Asian Financials

PRVit	U.S.	DEU	UK	EUR	AxJ	JPN	CHN	KOR	BRA	MEX	Global
Financials	48	49	42	47	57	35	61	72	46	59	51
Consumer Staples	56	60	50	46	53	41	55	54	44	55	50
Consumer Discretionary	52	46	46	46	51	49	55	62	50	31	50
Utilities	44	60	40	54	53	47	59	83	53		50
Industrials	47	43	53	52	49	52	50	43	41	42	49
Health Care	44	53	45	49	51	61	54	28	51	98	49
Materials	49	54	48	51	49	60	50	37	36	46	49
Energy	43	31	45	53	53	54	63	40	45	50	48
Information Technology	46	53	40	57	46	59	40	54	63		47
Communication Services	41	62	52	53	47	36	49	56	49	38	47
PRVit Average	47	50	46	50	50	50	50	50	47	49	49

* As-of October 3, 2025

Market Cap > \$1bn



High Investor Expectations for Growth to Continue

Global Aggregate: Consensus Suggests EVA Momentum Rolls Over in Q4

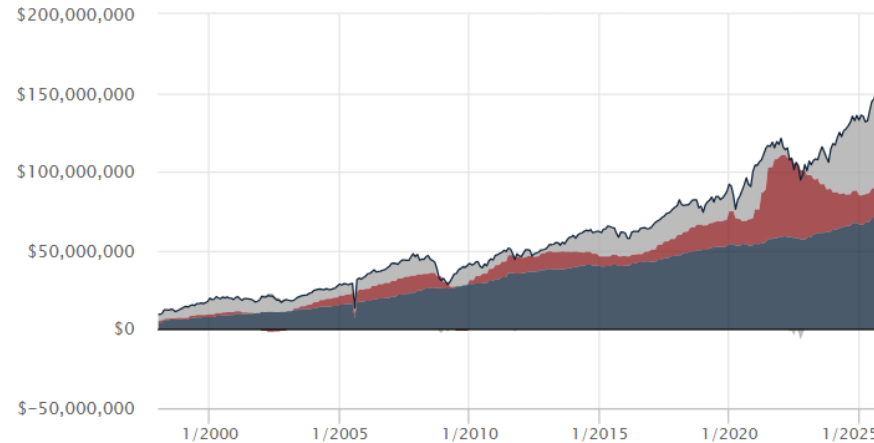


— EVA Margin
— EVA Momentum

— Cons. EVA Margin
— Cons. EVA Momentum



— Future Growth Reliance = FVA / Market Value



— FVA (left)
— Market Value (left)

— CVA (left)
— Sales (right)

— Capital (left)

Portion of the Market Value attributable to investors' expectations for the future. This is the numerator for the Future Growth Reliance.



U.S. Expected to Maintain the Recovery While E.U Struggles On

U.S. EVA Fundamentals



U.S. Future Growth Reliance



E.U. EVA Fundamentals



E.U. Future Growth Reliance



U.K. is Down but Not as Beat Up as Germany

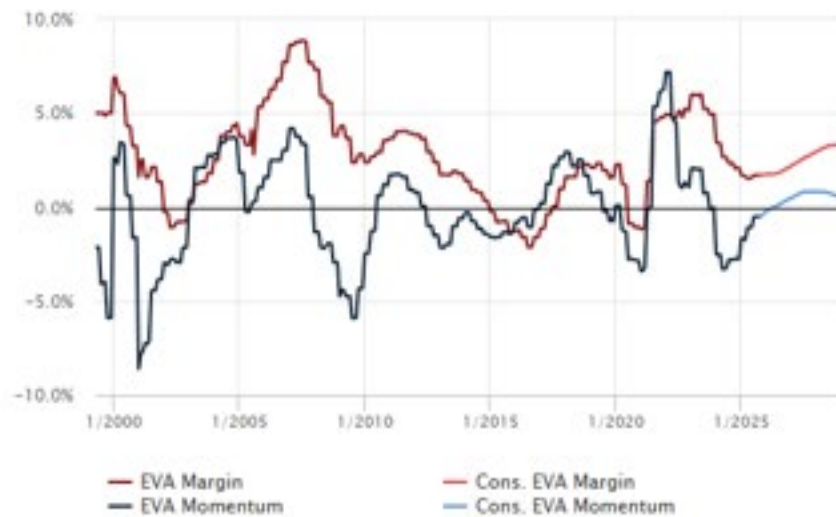
Germany EVA Fundamentals



Germany Market Value Added (MVA) Spread



U.K. EVA Fundamentals



U.K. Future Growth Reliance



Asia Looking for the China Bottom

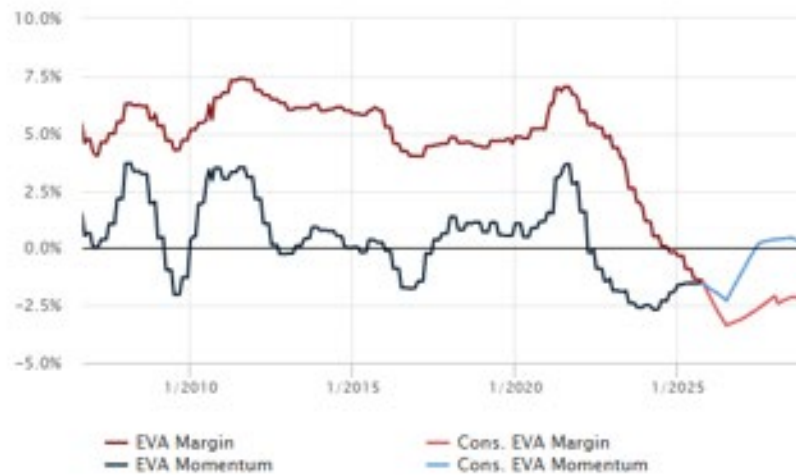
Asia ex Japan EVA Fundamentals



Asia ex Japan Future Growth Reliance



China EVA Fundamentals



China Future Growth Reliance



Japan & South Korea: Not so Much Value Anymore

Japan EVA Fundamentals



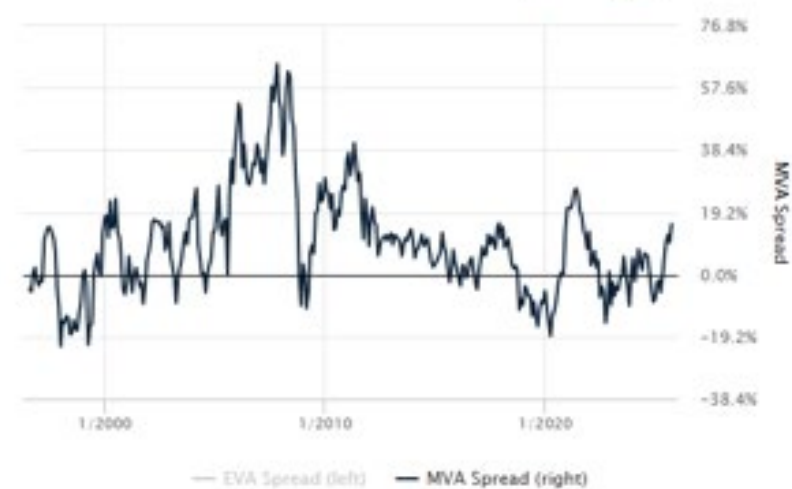
Japan Market Value Added (MVA) Spread



South Korea EVA Fundamentals



South Korea Market Value Added (MVA) Spread



LATAM: Mexico Attractive with High EVA Margin

Mexico EVA Fundamentals



Mexico Future Growth Reliance



Brazil EVA Fundamentals



Brazil Future Growth Reliance



EVA Profitability & Future Expectations

Europe & LATAM Opportunities

Country/ Region	EVA Margin	EVA Margin Chg	FGR	EVA Fundamentals	Expectations
Global	2.1%	↓	42.1%	EVA Mo flattening out in negative territory. EVA Margin bottoming at 2018 levels.	Elevated expectations for an ongoing recovery move higher with FGR at 23yr highs.
U.S.	3.9%	→	52.4%	EVA Mo turned positive after 20 months of improvement. EVA Margin bottoms at 2019 levels.	Extending above 2002 highs in expectations. 52% of MV dependent on EVA growth.
E.U.	1.8%	→	21.9%	EVA Mo negative but had been improving YTD. Cons revised down EVA Mo recovery pushed back a Q to 2H 2026.	Trading at a global discount. Investors increased their expectations for a further recovery.
France	0.7%	↓	30.4%	EVA Mo negative and failed to see further improvements. Cons expects a recovery in 2H 26, turning pos in 2027.	Embedded expectations of growth have expanded FGR trading at 4yr highs for expectations.
Germany	-0.8%	↑	25.1%	Negative EVA Mo and EVA Margin with a small improvement. Improvement in cons, expecting EVA Mo to turn pos Oct 26.	Trading at a global discount. Low relative and historic expectations.
U.K.	1.7%	↑	14.9%	Negative but improving EVA Mo around -0.5%. EVA Margin around 50bps lower than 2019.	Premium has grown but trading 10% lower than 2021. Investors pricing in large value destruction.
Asia ex Japan	-0.1%	↓	42.6%	EVA Mo recovery plateaued. 23yr low EVA Margin level. Cons EVA Mo to worsen through 2025 and recover mid 26.	Elevated expectations, approaching the all time high in 2007.
China	-1.4%	↓	44.7%	EVA Margin turning further negative to a new low. economic profitability is negative.	Third highest level of expectations across the regions at 2008 levels. Coming off a low profitability base.
South Korea	-2.9%	↑	38.0%	EVA Mo positive but rolling over. EVA Margin deeply negative but recovering.	Market expectations around 13% from the upper end of the range having moved higher through 2025.
Taiwan	4.1%	↑	44.5%	Big jump up in Q3 for EVA Margin & Mo. Cons EVA Mo suggests peaking in 2025.	Expectations trading around 9% lower than 2024 highs. 44% of MV dependent on future growth in EVA
India	5.3%	↓	47.6%	Slightly negative EVA Mo moving sideways. EVA Margin seeing some deterioration but remains globally high.	Expectations pulled back from post GFC highs. Remains towards the upper end of the range.
Japan	-0.3%	↓	29.1%	Negative EVA Mo. Historical Value destroyer. EVA Margin turned back to negative.	MVA Spread broke out of the upper end of the range. FGR at 2017 levels. No longer a Value play.
Mexico	3.8%	↑	23.5%	EVA Mo. Continued to recover back to zero. Close to U.S. level of economic Profitability.	Expectations expanding but still relatively cheap.
Brazil	4.3%	↑	12.5%	EVA Mo recovered back to zero. EVA Margin bottoming at 14 yr highs. Cons EVA Mo is for a contraction in the 2H 2025	Trading at a small premium with limited growth expectations.



All Cap Sector Views

Global, \$1B+	PRVit	Quality	Value
Financials	51	62	47
Consumer Staples	50	66	52
Consumer Discretionary	50	58	53
Utilities	50	43	42
Industrials	49	55	55
Health Care	49	48	61
Materials	49	42	49
Energy	48	39	39
Information Technology	47	49	68
Communication Services	47	52	52
Global, \$1B+ Average	49	53	54

** As-of October 3, 2025*

Attractive Sectors:

Financials: Top-ranked sector: over \$1bn market cap with the second-highest score for Risk-Adjusted Profitability and the joint third-lowest Valuation score.

Consumer Staples: The second-ranked sector with the highest Quality score and a Valuation score just below the overall aggregate.

Utilities: The sector is ranked third, with weak Quality being offset by the second-lowest Valuation score across the sectors.

Unattractive Sectors:

Information Technology: The wider Tech universe has lower Quality, while expectations are highest amongst the sectors leading to unfavorable rating.

Energy: The lowest Quality but also cheapest Valuation.

Communication Services: Low Quality and Valuation only 1 point below the overall average.



Large Cap Sector Views

Global, \$10B+	PRVit	Quality	Value
Health Care	52	60	65
Information Technology	50	61	75
Financials	50	68	52
Consumer Staples	49	72	59
Consumer Discretionary	47	68	66
Industrials	46	64	65
Communication Services	45	55	56
Materials	44	45	54
Energy	43	37	39
Utilities	41	41	48
Global, \$10B+ Average	48	60	60

* As-of October 3, 2025

Large Cap Attractive Sectors:

Health Care: Large cap (> \$10bn) firms look attractive in the PRVit framework, with slightly above-average Quality but also higher-than-average Valuations.

Financials: High Risk-Adjusted Profitability and cheap Valuations.

Information Technology: Slightly above-overall-average Quality combined with the highest level of Valuation as investors have elevated expectations on future growth.

Large Cap Unattractive Sectors:

Utilities: The second-lowest Quality but also relatively low Valuation; however, the trade off is unfavorable.

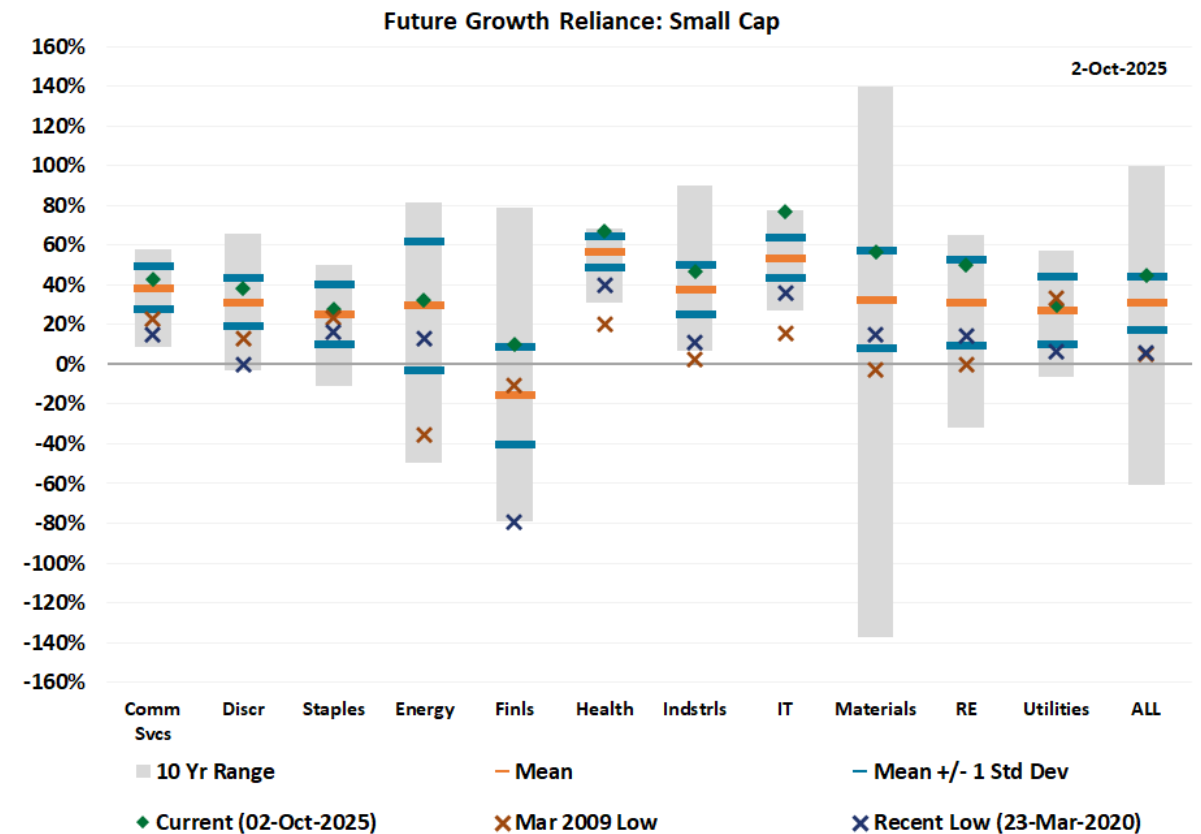
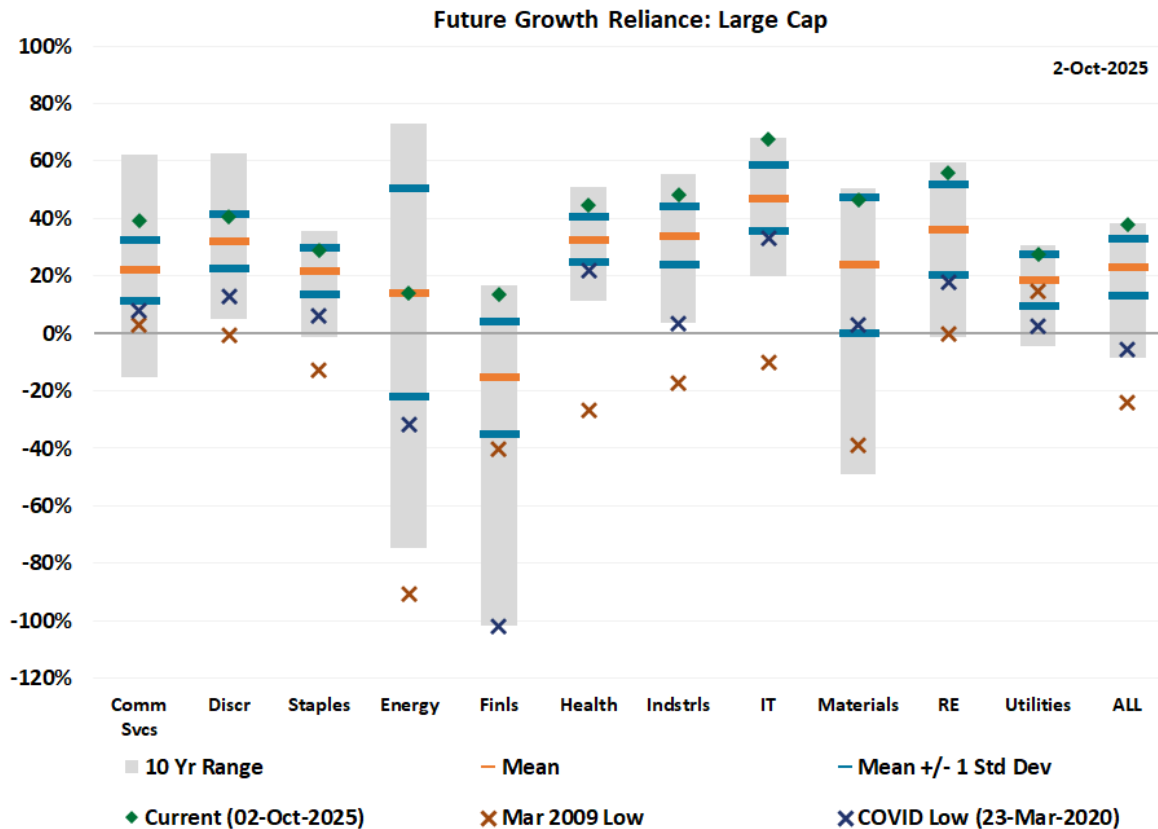
Energy: Very low Quality but also the cheapest of the sectors.

Materials: Low Quality and the most expensive of the more value-orientated sectors.



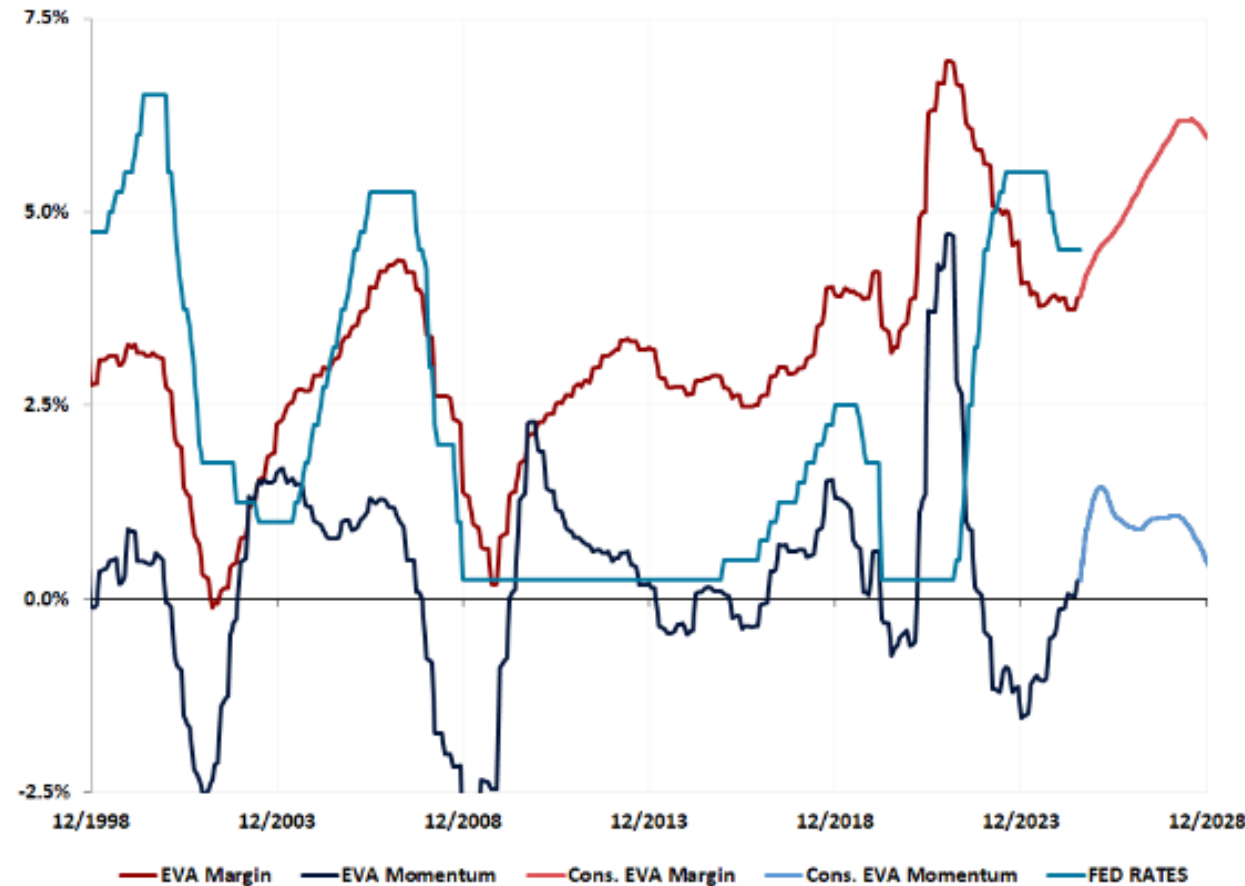
Expectations in most sectors are 1 Standard Deviation Above Average

IT Reaches top of the 10 Year Range



What Happens to EVA Profitability with Interest Rate Cuts?

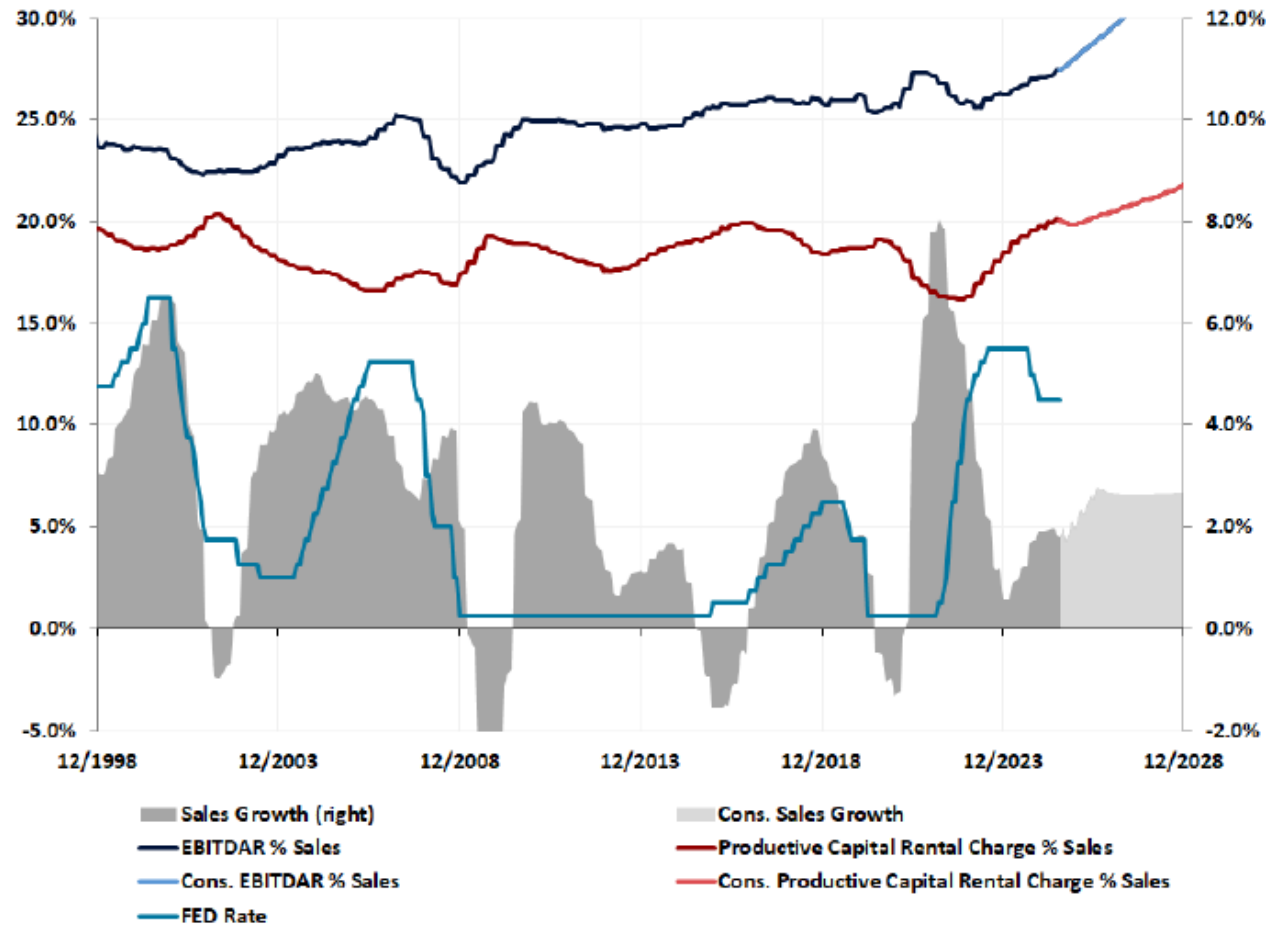
EVA Fundamentals & Fed Rates



During research meetings with our team, we hypothesized that, as the Fed cuts rates, the reduction in the Risk-Free Rate and the subsequent reduction in the Cost of Capital may help bolster EVA Margin even if some of the EVA Drivers deteriorate.

Sales Growth & Asset Efficiency Will be Key

EVA Drivers & Fed Rates



THANK YOU

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