



Total Returns (Net of Fees) ⁺		Q3
GVA Global Equity		9.0%
MSCI All Country World Index*		7.6%
MSCI All Country World <u>Value</u> Index		6.1%
MSCI All Country World <u>Growth</u> Index		9.0%

Regional Indices		Q3
MSCI USA		8.0%
MSCI EAFE		4.8%
MSCI Emerging Markets		10.6%

GVA Global Equity Net Return		MSCI ACWI Index Return*
1 Year	13.7%	17.3%
3 Years**	18.6%	23.1%
5 Years**	12.3%	13.5%
Since Inception**	7.0%	11.3%

*Benchmark | **Annualized | *Net of fee performance was calculated by retroactively applying the highest model fee for the composite which is the fee new clients would expect to pay based on the early adopter fee schedule (0.60%).

3Q25 Market Dynamics

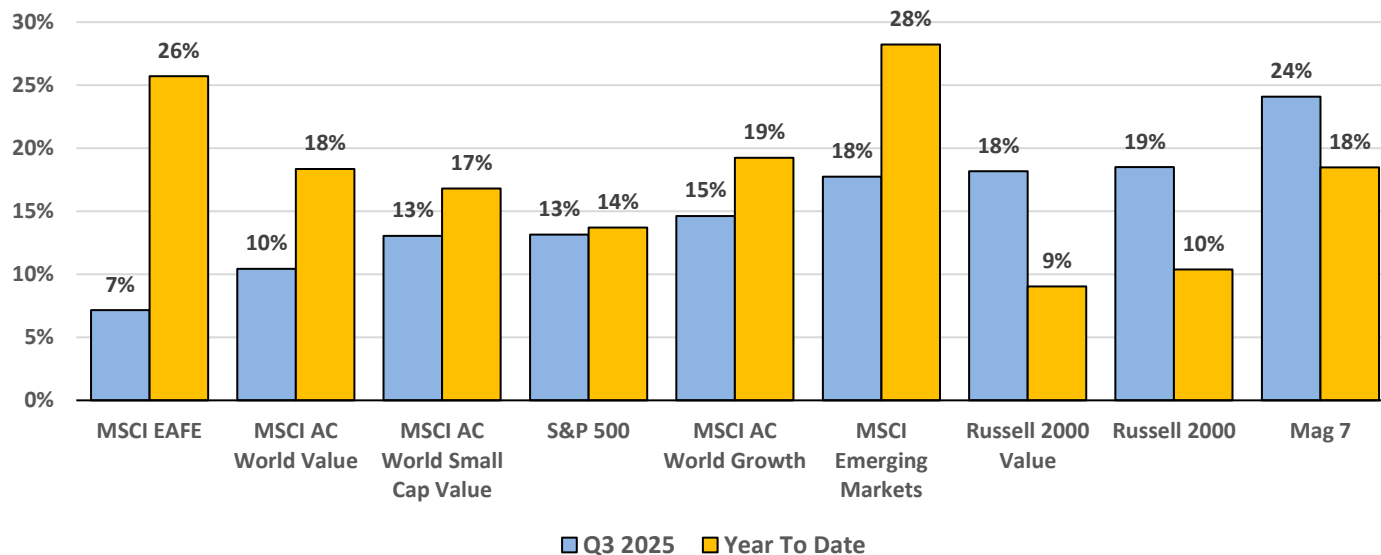
The third quarter saw major markets around the world reach all-time highs. Investors benefited from a resilient consumer, low (perceived) recessionary risk, AI optimism, and strong corporate earnings. Monetary and fiscal policy both remain stimulative, with more than 80% of global central banks in easing mode and deficit spending on the rise. For the time being, this has offset worries around peak US valuations, weakening employment, elevated inflation, and geopolitical unrest.

Emerging markets continued their outperformance trend experienced in the first half, despite the US dollar being relatively flat in the third quarter. As a reminder, the US dollar depreciated by roughly 11% in the 1H, which was the largest decline in more than 50 years and most likely marked the end of its 15-year bull market cycle. The Emerging Market outperformance was especially noteworthy considering the continued outperformance in Magnificent 7 stocks. With this backdrop, global Growth outperformed Value in the quarter and on a YTD basis. Small outperformed Large in the quarter but continued to lag on a YTD basis. GVA's strategies are positioned to benefit from Value, Small, and ex-US outperforming in the medium term.

For the quarter, cheap companies with positive FCF and positive shareholder returns (GVA's Advantaged Subset) slightly underperformed the market on a global basis. The net result in relative performance was mixed, with strong performance in GVA's Global Equity and International Small Cap strategies, and weak performance in the Emerging Market strategy for the quarter.



Total Returns 2025



Source: Factset. MAG 7 = "Magnificent Seven" stocks – Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Amazon (AMZN), Nvidia (NVDA), Tesla (TSLA) and Meta Platforms (META)

We're digging it: why the most appealing investment opportunity is right below our feet

Despite US equity indices sitting at all time high valuations, several segments of the market remain cheap and out of favor with investors. GVA believes that Value, Small Caps, and Global ex-US are the most appealing major asset classes to invest in over the next decade, and GVA's strategies are positioned accordingly (see [GVA's 4Q24 Commentary Letter](#) for more). The market dislocations related to the concentrated outperformance of the US Megacap Tech stocks have also resulted in several sectors of the market being largely ignored by investors.

Natural Resources stocks (primarily Materials & Energy) stand out to GVA as being the most attractive subsegment of the market to invest in over the medium to long term. Natural Resources have been the weakest performing sector, underperforming the general market by a staggering 8% annually over the past 15 years. The same commodities-related sectors had outperformed the market by +11% annually in the preceding 10 years, from 2000 to 2010.

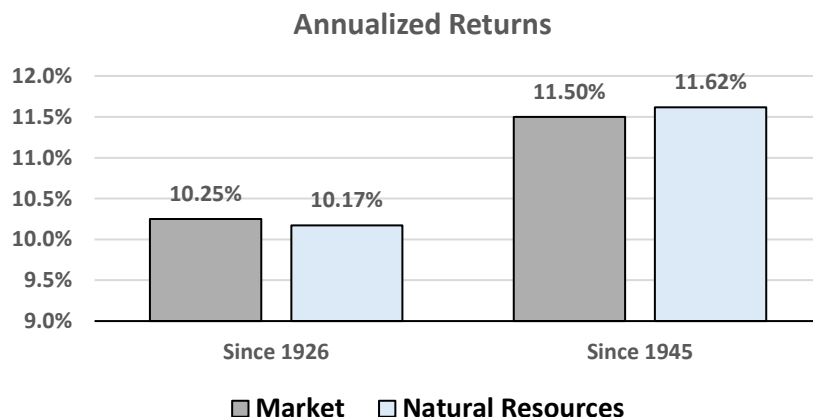


Annual Return 2000-2010	
Natural Resources	11.3%
Utilities	8.7%
Clothing	7.8%
Fab Product	6.6%
Food	6.6%
Transportation	6.5%
Chemicals	5.1%
Consumers	3.9%
Retail	2.5%
Steel	0.4%
Financials	0.1%
Market	0.1%
Construction	-0.2%
Durables	-0.8%
Cars	-1.5%
Machinery	-3.7%
Other	-5.1%

Annual Return 2010-2025	
Machinery	17.9%
Cars	17.3%
Construction	17.1%
Fab Product	17.1%
Other	15.3%
Retail	15.2%
Market	13.8%
Transportation	13.0%
Financials	13.0%
Consumers	12.2%
Utilities	10.2%
Clothing	9.2%
Food	9.0%
Steel	6.8%
Durables	6.8%
Chemicals	6.8%
Natural Resources	6.0%

Source: Fama-French (Natural Resources is value weighted aggregate of Agriculture, Mining, Gold, Oil and Coal subindustries)

Despite these wide swings, Natural Resources stocks have delivered surprisingly strong returns over the very long run. The subsegment produced close to market returns over the last 100 years, with similar results seen in the post-second World War era.



Source: Fama-French



The Natural Resources' returns have been achieved while exhibiting the lowest correlation with the general market, which is a compelling attribute from an asset allocation perspective:

Sector Correlation with Market 1926-2025	
Natural Resources	57%
Clothes	63%
Steel	68%
Fab Product	68%
Chemicals	70%
Food	74%
Consumers	79%
Durables	80%
Utilities	82%
Machinery	83%
Transportation	87%
Cars	87%
Retail	88%
Financials	92%
Tech	94%
Construction	94%

Source: Fama-French

The boom-and-bust pattern observed over the past 25 years has repeated throughout the history of financial markets with stubborn regularity: in deflationary environments, equity markets have typically thrived, buoyed by expansionary monetary policies and natural resources stocks have lagged. In inflationary times, equities have generally struggled, and natural resources have outperformed. The following table illustrates that, as it summarizes the main inflation spikes since the second World War and the corresponding relative return of natural resources equities:



	Duration (Years)	CPI (Annualized)	Natural Resources Relative to Market (Annualized)
Deflation Spike			
Jul 1927 - May 1933	5.9	-5.5%	-1.0%
Sep 1948 - Apr 1950	3.6	-2.2%	-9.7%
Aug -1937 - Feb 1941	1.7	-0.8%	-5.9%
Aug 2008 - Jul 2020	12.4	1.4%	-14.5%
Average	5.9		-7.8%
Inflation Spike			
Mar 1941 - Aug 1948	7.5	7.6%	6.9%
May 1950 - Dec 1951	1.7	7.2%	27.6%
Feb 1969 - Jan 1973	4.0	4.6%	-0.2%
Feb 1973 - Mar 1981	8.2	9.4%	9.7%
Apr 1981 - Nov 1990	9.7	4.4%	1.2%
Jan 2000 - May 2001	1.4	3.9%	29.2%
Feb 2004 - July 2008	4.5	3.9%	21.0%
Dec 2020 - Jun 2022	1.5	9.0%	55.7%
Average	4.8		18.9%

Source Fama & French (natural resources are a value weighted average of Agriculture, Mines, Gold, Oil and Coal subindustries).

GVA believes we are at the onset of an interest rates regime change where inflation and interest rates will move up going forward, primarily under the combination of 2 driving forces:

1. Overleveraged nations will inflate their debt away because they have no other choice.
2. Inflationary policies: AI infrastructure, isolationism, onshoring, immigration, indebtedness, govt intervention, Fed independence, and defense spending.

Sustained demand and erratic supply will create pricing tension, which will contribute to higher inflation but should constitute a supportive backdrop for natural resources' companies.

The following graph is derived from the energy transition minerals database maintained by the IEA. It illustrates the magnitude of the expected demand growth in critical materials over the next 25 years:

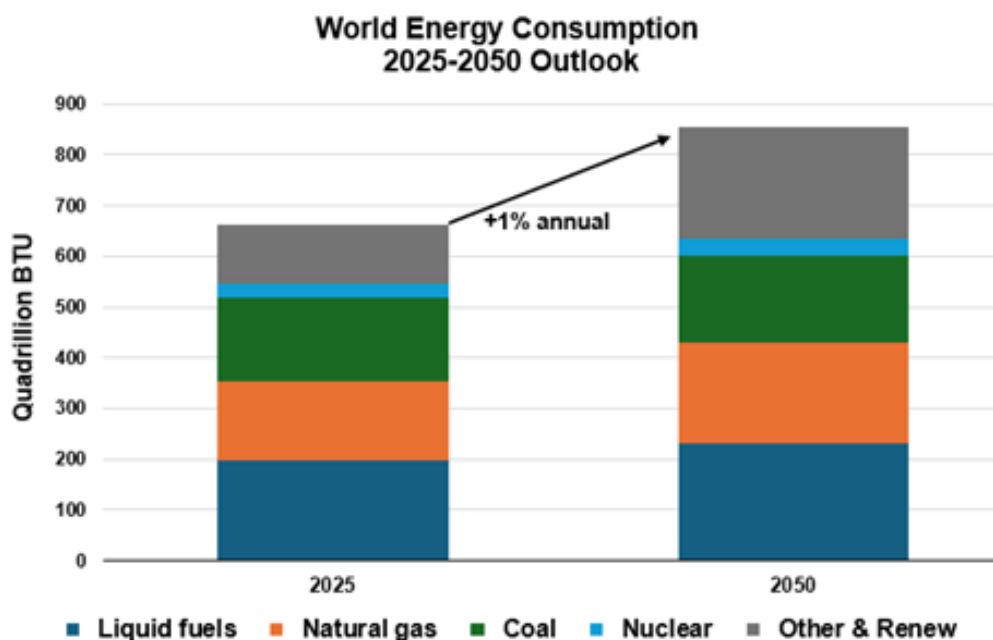


Energy Transition Minerals	Actual Demand Kit	Net Zero Scenario Demand Kit	Implied Growth	Current Capacity Kit
	2024	2050		2024
Copper	26,717	41,277	54%	26,944
Cobalt	221	503	128%	250
Lithium	205	1,834	795%	242
Nickel	3,371	7,612	126%	3,484
Magnet Rare Earth Element	91	200	120%	81
Graphite	4,766	16,756	252%	1,875

Source: IEA

Although copper's +54% expected demand growth is the lowest in this list of critical minerals, it is worth noting that this scenario implies the cumulative mining of 850 million metric tonnes of copper by 2050, which far out passes the 700 million metric tonnes that have been mined throughout history until 2025 (source R.Friedland talk January 2025).

Similarly, the world energy consumption is expected to grow at 1% annually through 2050. The most recent IEA policy recently pushed out its "probable" peak fossil-fuel demand forecast from 2030 to 2050.

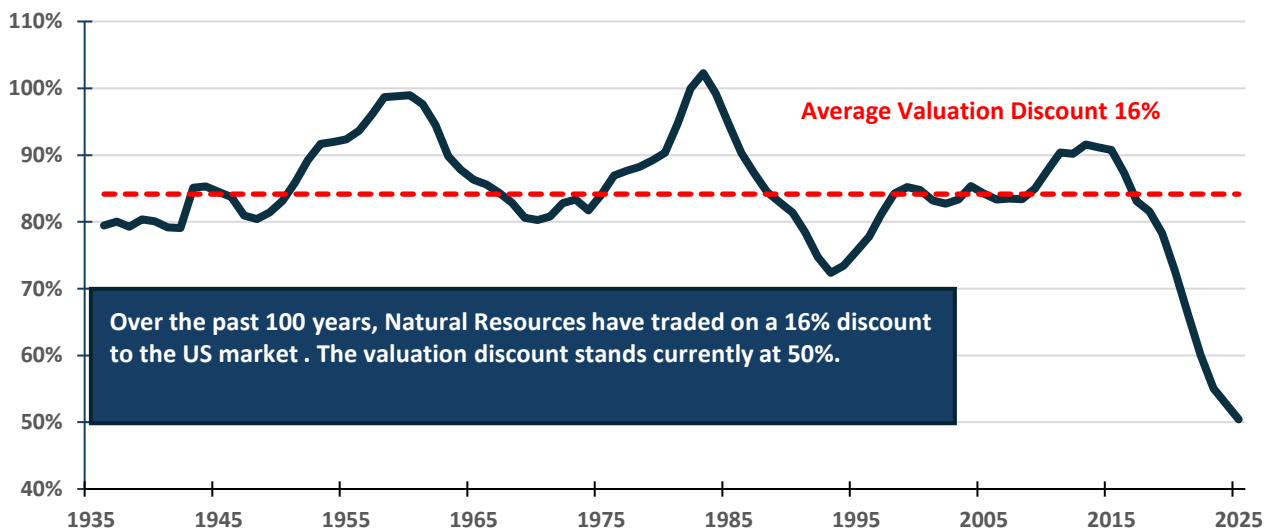


Source: IEA

After underperforming massively for 15 years, the sector's relative valuation stands at the steepest discount to the US equity market in 100 years despite solid fundamentals and a robust growth outlook.



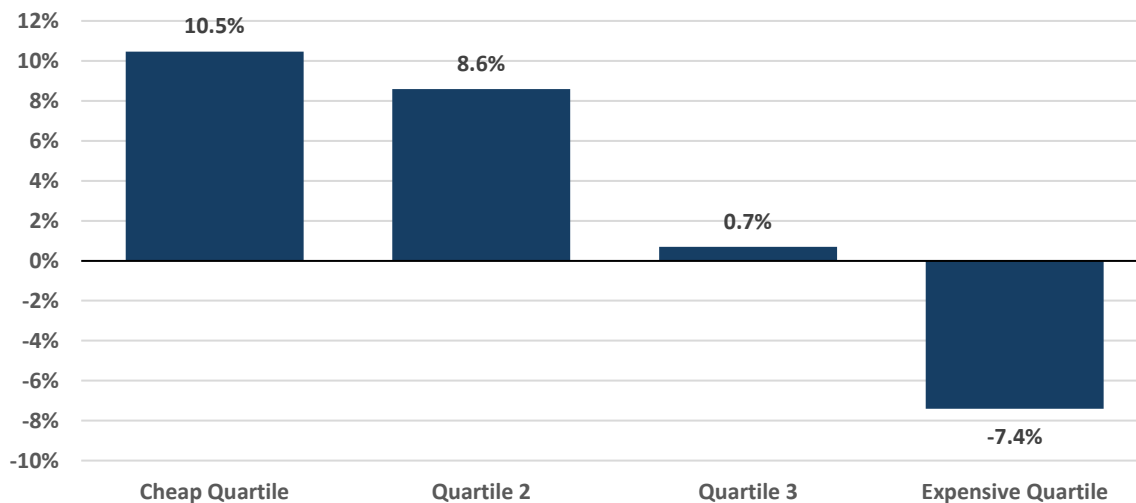
Natural Resources Relative Valuation 10 Year Trailing Average Price to Book



Source: Fama-French

Whenever Natural Resources stocks have traded at steep valuation discounts to the market, these stocks has usually been outperformers in the ensuing 3 years, as summarized here:

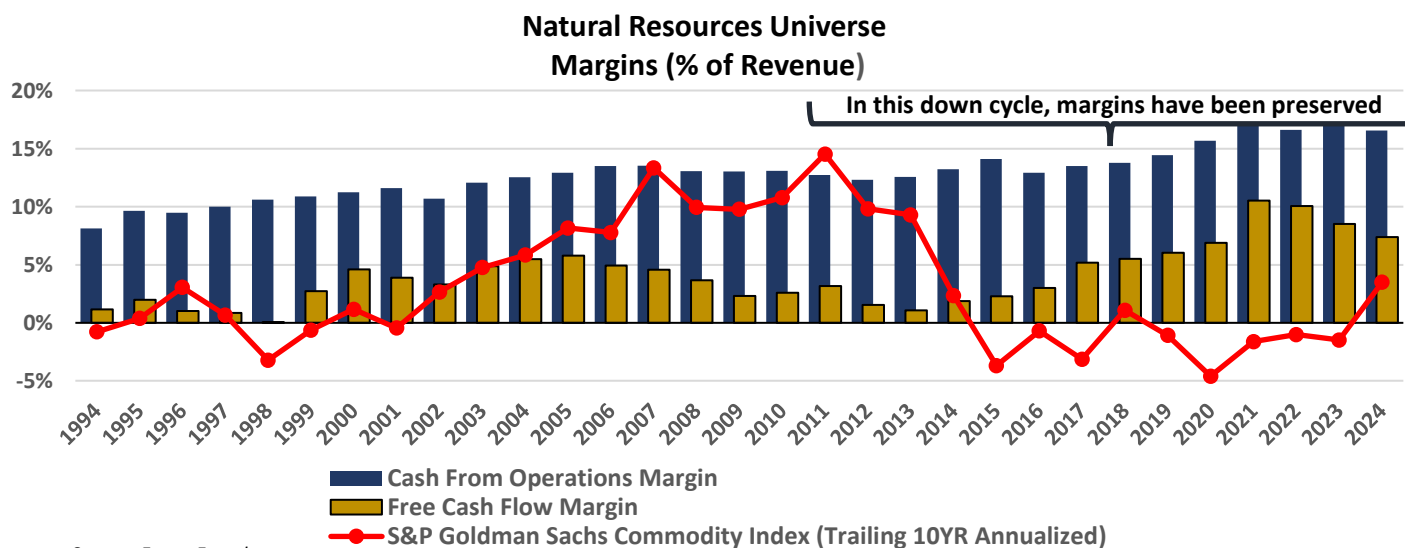
Next 3 Years Relative Return of Natural Resources Quartiles Formed on Relative Price to Book US market 1926-2022



Source: Fama-French

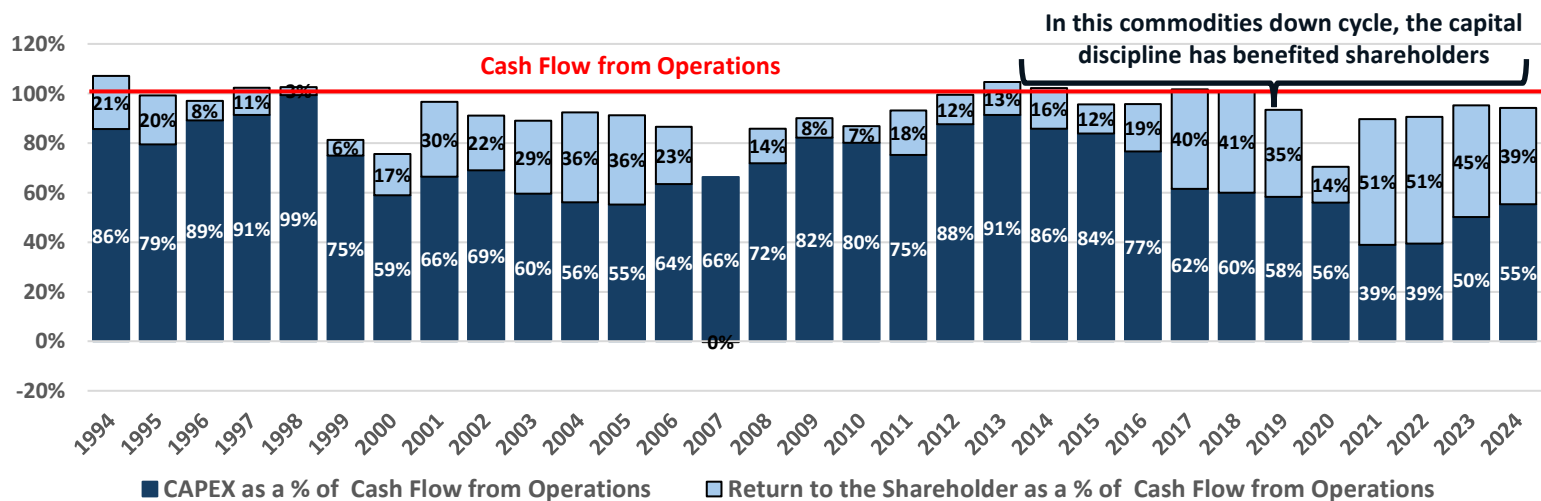


The major de-rating of Natural Resource stocks over the last 15 years seems unwarranted. Of course, Natural Resources companies had to digest the excesses of the previous commodities up-cycle (1999-2011) spurred by the insatiable demand from China and a weak dollar. In that process, as prices and volumes retreated, consolidation took place, the weakest assets were shut down, and margins rebounded. The following graph tracks the sector's margins over the past 30 years:



Post-2011, corporates have demonstrated a more disciplined allocation of capital, slashing capex and favoring the return to the shareholders, via the combination of dividend payment, stock buyback or debt repayment. The following chart illustrates that:

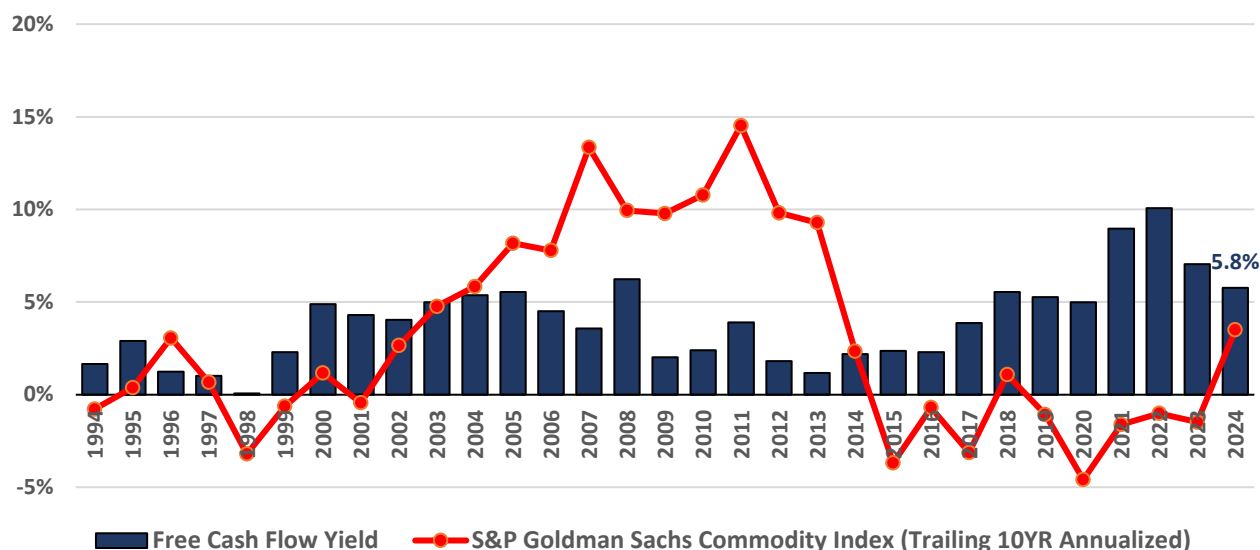
Global Natural Resources Universe Capex and Return to the Shareholder as a % of Cash Flow From Operations





Lower capex spending has also resulted in higher Free Cash Flow yields for Natural Resources stocks. If commodity prices continue to rebound off their pandemic-lows, as we expect, this will create an additional tailwind to FCF generation and shareholder returns.

Natural Resources Sector's Free Cash Flow Yield



Source: Fama-French

Natural Resources stocks constitute one of the most compelling investment opportunities available for patient, contrarian investors. Over the long term, Natural Resource stocks produce strong annualized returns of ~11.5% per annum, combined with the lowest sector correlation ratio vs the market.

The underperformance experienced over the last 15 years creates a unique entry point for investors. Valuation ratios for Natural Resources are currently trading at 100-year lows, even though the supply/demand outlook is favorable and the sector is generating rising FCF yields and increased shareholder returns. History suggests that when valuation spreads reached similar stretched levels, Natural Resource stocks significantly outperformed over the following 3 years, especially if inflation is rising. The “higher for longer” economic backdrop should result in a tailwind to the space over the medium term. GVA’s strategies are ideally positioned for such a scenario.

Thank you for your interest in Global Value Advisors. We look forward to updating you again next quarter.



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** This information is presented as supplemental to the GIPS Report, which is available [here](#).

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated by retroactively applying the highest model fee for the composite which is the fee new clients would expect to pay based on the early adopter fee schedule (0.60%). The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The standard investment management fee schedule for new business is as follows: 0.60% in perpetuity on all investments made prior to strategy assets reaching \$250 million, thereafter, 0.90% on the first \$25 million, 0.80% on next \$25 million, and 0.70% on all additional funds. Management fees are paid quarterly in arrears. Actual investment advisory fees incurred by clients may vary.

The information presented in the presentation contains analysis of GVA’s Advantaged Subset. GVA’s Advantaged Subset is a quantitative screen of the investable universe that identifies liquid companies with positive free cash flows and that have positive total return to shareholders.