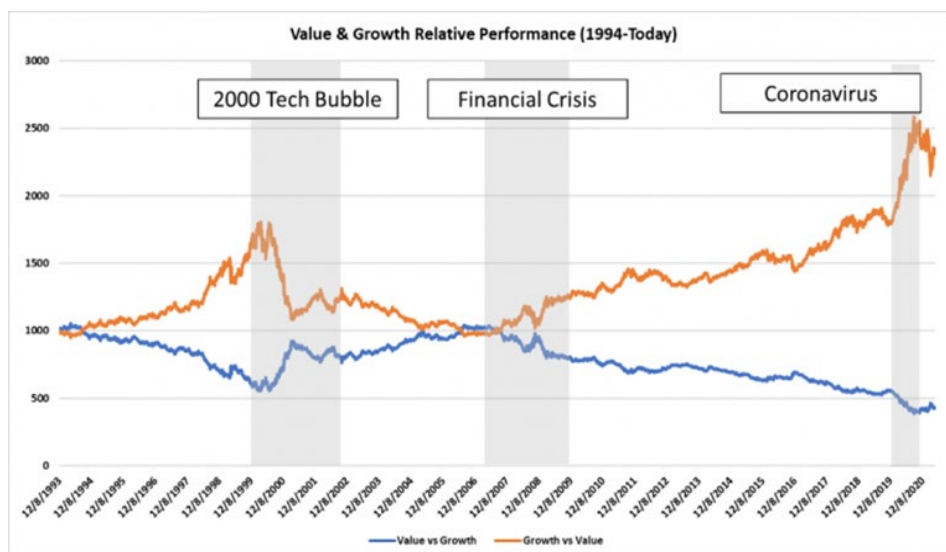


There has been a years' long discussion as to when value stocks will overtake growth stocks. 2021 is proving out to hold the answer. As of 6/27/2021, the Russell 2000 value index fund is up 28.12%, while the Russell 2000 growth index fund was up 9.12% for the same time period. The Russell 1000 value index fund was up 17.11%, while the Russell 1000 growth index fund was up 11.83% for the same time period (CNBC). The question is how long value will outperform growth. The chart depicts growth vs value in orange and value vs growth in blue from 12/8/1993 to 12/8/2020. Historically, value has performed well during recovery and expansion periods (Invesco). This possibly explains value outperformance in 2021 assuming the Covid recovery.

- Value stocks are characterized by low price to book value, high dividend yield, and lower price to earnings ratios.
- Value stocks are traditionally financials, healthcare, industrials, and energy stocks.
- GDP growth and rising interest rates may point to continued outperformance for value stocks (Goldman Sachs).
- A hybrid approach to growth and value is growth at a reasonable price (GARP). This may be an effective approach until growth or value leadership becomes clear.
- Bank stocks, making up a meaningful portion of value indexes, often benefit from a rising rate environment.



Source: Nasdaq