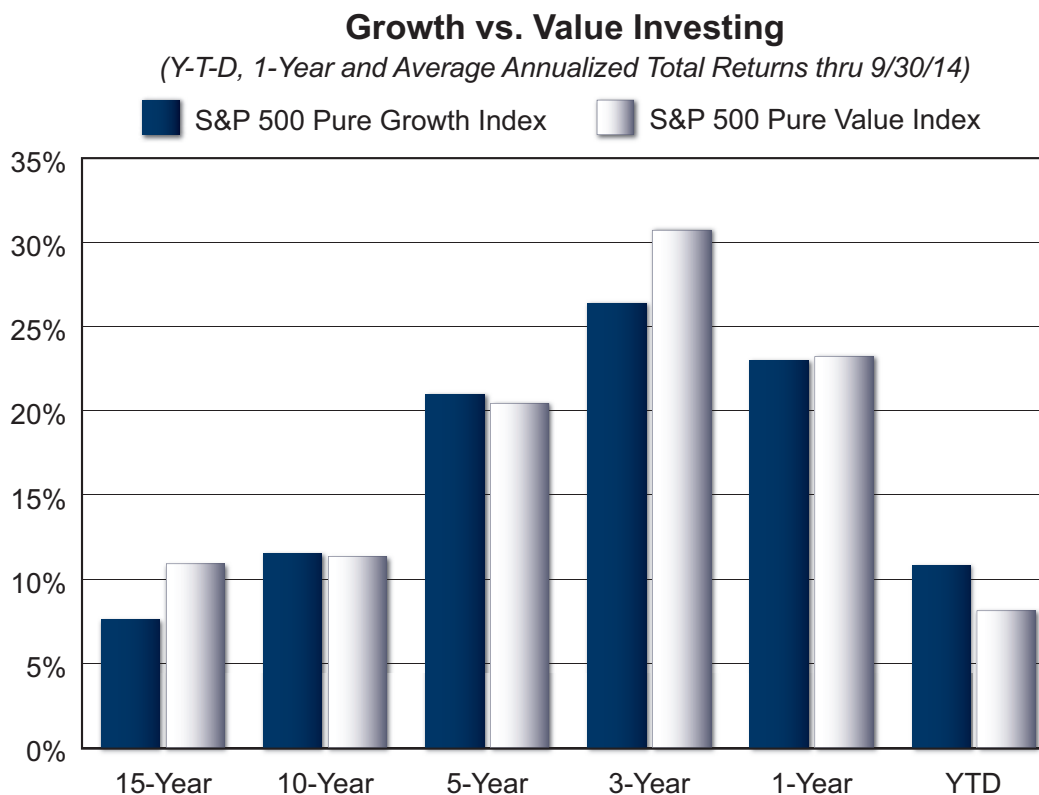


A Snapshot of Growth vs. Value Investing



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post is an update of one we did on 12/19/13. In that post, the S&P 500 Pure Value Index outperformed its growth counterpart over the 1-, 3-, 5-, 10- and 15-year periods.
2. Conventional thought suggests that, over time, the value style of investing should have an edge in performance over the growth style, partly due to the compounding of higher stock dividend payouts.
3. Growth tends to outpace value investing when the earnings growth rates of said companies accelerate faster than the broader market, such as right after the economy exits a recession.
4. In today's chart, unlike the snapshot from 12/19/13, the S&P 500 Pure Growth Index outperformed its value counterpart year-to-date, and for the 5- and 10-year periods ended 9/30/14.
5. The returns were as follows (Pure Value vs. Pure Growth): 15-yr. avg. annualized (10.91% vs. 7.63%); 10-yr. avg. annualized (11.34% vs. 11.53%); 5-yr. avg. annualized (20.43% vs. 20.97%); 3-yr. avg. annualized (30.72% vs. 26.36%); 1-yr. (23.21% vs. 22.97%) and Y-T-D (8.12% vs. 10.83%).
6. Real U.S. GDP growth has averaged 2.1% since the end of the recession (6/30/09-6/30/14), according to data from the Bureau of Economic Analysis. The International Monetary Fund is forecasting 3.1% growth for the U.S. in 2015.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Pure Growth Index is comprised of 112 growth stocks selected via the following three factors: sales growth, the ratio of earnings change to price, and momentum. It includes only those components of the parent index that exhibit strong growth characteristics, and weights them by growth score. Constituents are drawn from the S&P 500®. The S&P 500 Pure Value Index is comprised of 117 value stocks selected via the following three factors: the ratios of book value, earnings, and sales to price. It includes only those components of the parent index that exhibit strong value characteristics, and weights them by value score. Constituents are drawn from the S&P 500®. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.