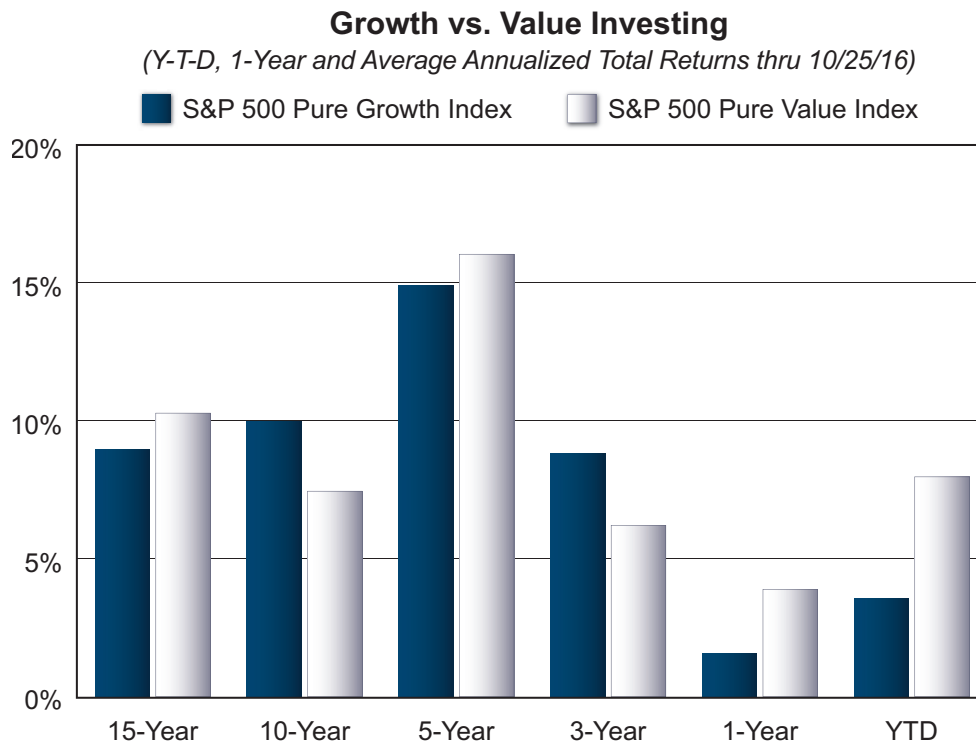


A Snapshot of Growth vs. Value Investing



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 do on an ongoing basis. Investors can compare today's snapshot to the one we did on 2/11/16 ([click here to view](#)).
2. The 2/11/16 date is significant because it marked the low in the price of crude oil (closing price of \$26.21 per barrel) dating back to its 2014-high of \$107.26 per barrel on 6/20/14, according to Bloomberg. Stocks and crude oil have largely been in rally mode since 2/11/16.
3. Growth style investing tends to outpace value style investing when the earnings growth rates of companies accelerate faster than the broader market, such as right after the economy exits a recession. In the past three quarters, U.S. GDP growth has been below 1.50%, on an annualized basis, according to data from the Bureau of Economic Analysis. The economists surveyed by Bloomberg have a consensus forecast of 2.5% (annualized) for Q3'16 (release date is 10/28/16).
4. In today's chart, the S&P 500 Pure Growth Index outperformed its value counterpart in two of the six periods. Growth investing topped value investing for the 3- and 10-year periods through 10/25/16.
5. The returns were as follows (Pure Value vs. Pure Growth): 15-yr. average annualized (10.28% vs. 8.95%); 10-yr. average annualized (7.45% vs. 9.99%); 5-yr. average annualized (16.04% vs. 14.91%); 3-yr. average annualized (6.21% vs. 8.83%); 1-yr. (3.89% vs. 1.57%) and Y-T-D (7.97% vs. 3.57%).
6. The Large Value and Large Growth fund categories tracked by Morningstar, which include both open-end mutual funds and exchange-traded funds, reported estimated net flows totaling \$9.47 billion and -\$83.21 billion, respectively, in the first nine months of 2016, according to its own release. Large Blend funds and ETFs, however, reported estimated net inflows totaling \$44.10 billion over the same period, an indication that many investors may not currently favor one style over the other, in our opinion.

This chart is for illustrative purposes only and not indicative of any actual investment. 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 a style-concentrated index designed to track the performance of stocks that exhibit the strongest growth characteristics based on 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 Index. The S&P 500 Pure Value Index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest value characteristics based on 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 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.