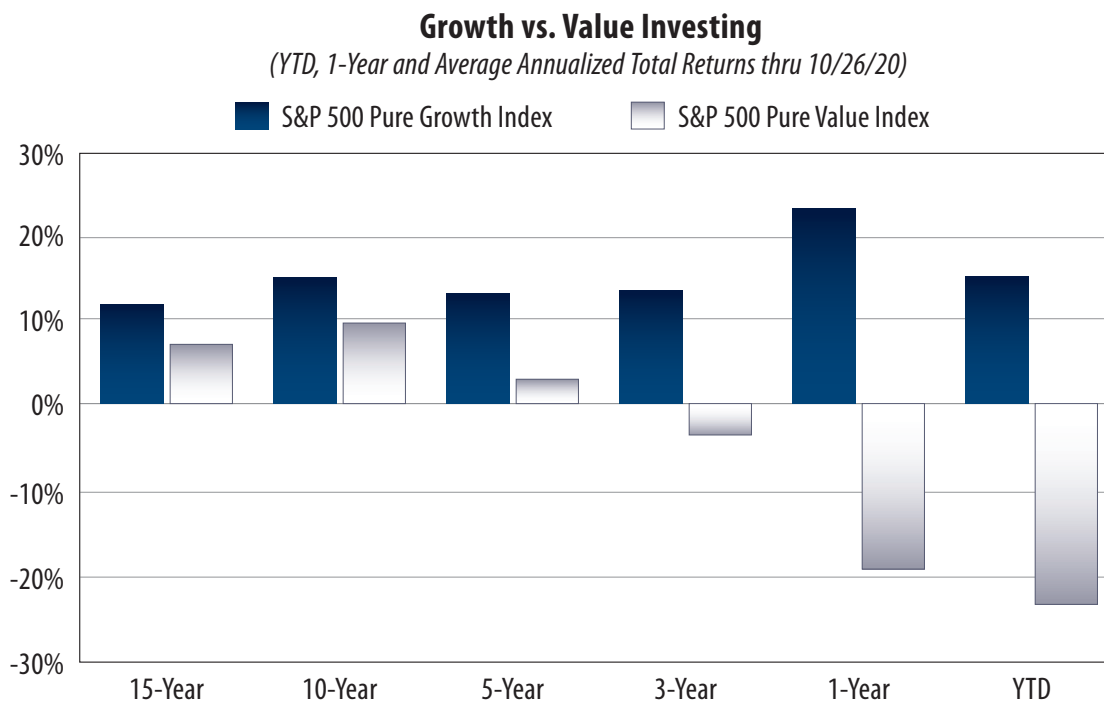


A Snapshot of Growth vs. Value Investing



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

View from the Observation Deck

1. We update this post every few months so that investors can see which of the two styles (growth or value) are delivering the best results.
2. The S&P 500 Index closed 5.02% below its all-time high of 3,580.84 (9/2/20) on 10/26/20, according to Bloomberg.
3. The S&P 500 Pure Growth Index significantly outperformed its value counterpart in all six periods featured in the chart. Growth stocks have held up exceptionally well year-to-date, which has been shaped by the COVID-19 pandemic.
4. The total returns through 10/26/20 were as follows (Pure Growth vs. Pure Value): 15-year avg. annual (11.72% vs. 6.98%); 10-year avg. annual (14.82% vs. 9.49%); 5-year avg. annual (12.96% vs. 2.87%); 3-year avg. annual (13.32% vs. -3.70%); 1-year (23.03% vs. -19.50%); and year-to-date (14.94% vs. -23.66%).
5. As of 9/30/20, the largest sector weighting in the S&P 500 Pure Growth Index was Information Technology at 38.8%, according to S&P Dow Jones Indices. The largest sector weighting in the S&P 500 Pure Value Index was Financials at 33.3%.
6. From 12/31/19 through 10/26/20, the S&P 500 Information Technology Index posted a total return of 27.73%, compared to -18.14% for the S&P 500 Financials Index, according to Bloomberg. The S&P 500 Index was up 6.86% over the same period.
7. Looking ahead, Bank of America (BoFA) believes that investors should focus on buying high-quality value stocks, according to Business Insider. BoFA notes that, since the end of the financial crisis (2008-2009), the valuation dispersion between growth and value stocks reached its highest level at the end of September 2020. Historically, when the valuation dispersion has been this high or higher, value stocks have outperformed growth stocks 95% of the time over the subsequent 12 months, by an average of 24 percentage points.

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 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. 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.

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