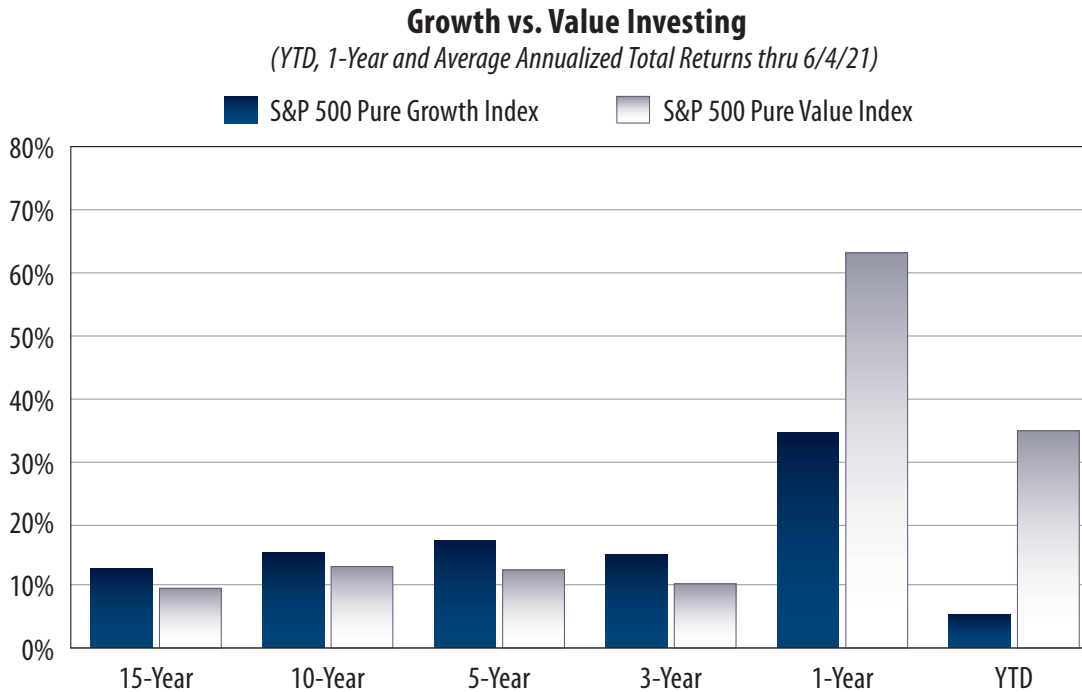


A Snapshot of Growth vs. Value Investing



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 better results.
2. The most recent results clearly show that value stocks are significantly outperforming growth stocks.
3. While the S&P 500 Pure Growth Index outperformed its value counterpart in four of the six periods, the S&P 500 Pure Value Index has the edge over the past year, including year-to-date.
4. The total returns through 6/4/21 were as follows (Pure Growth vs. Pure Value): 15-year avg. annual (12.60% vs. 9.45%); 10-year avg. annual (15.06% vs. 12.88%); 5-year avg. annual (17.02% vs. 12.34%); 3-year avg. annual (14.72% vs. 10.14%); 1-year (34.14% vs. 62.59%); and year-to-date (5.22% vs. 34.39%).
5. As of 5/28/21, the largest sector weighting in the S&P 500 Pure Growth Index was Information Technology at 40.1%, according to S&P Dow Jones Indices. The largest sector weighting in the S&P 500 Pure Value Index was Financials at 43.6%.
6. From 12/31/20 through 6/4/21, the S&P 500 Information Technology Index posted a total return of 7.63%, compared to 31.18% for the S&P 500 Financials Index, according to Bloomberg. The S&P 500 Index was up 13.35% over the same period.
7. Financials, particularly the banks, are benefitting from the steeper slope in the Treasury yield curve, in our opinion. The yield spread between the 2-year Treasury note (0.15%) and the 10-year Treasury note (1.56%) stood at 141 basis points as of 6/4/21, up from 63 basis points a year ago, according to data from Bloomberg.
8. A Financial Times article from 6/1/21 (“The death of the growth vs value stock debate”) offered the following perspective: “Performance drivers are period-specific, hard to predict and unlikely to be repeated. Investors who jump on a style bandwagon that has already logged a lot of miles in one direction will be particularly vulnerable in the event of a sudden U-turn.” After many years of growth stocks outperforming value stocks, that U-turn happened around a year ago (see chart).

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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