

# Cash Flow and Carey



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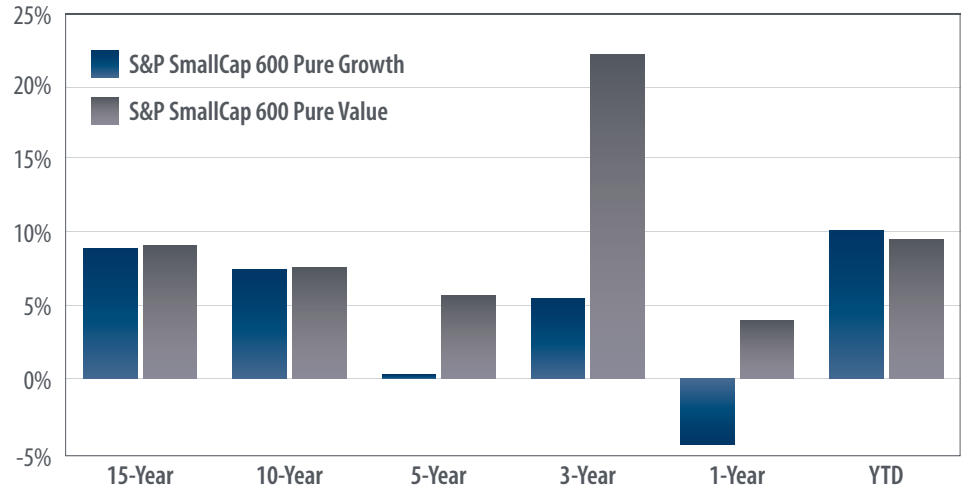
This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P SmallCap 600 Index is an unmanaged index of 600 companies used to measure small-cap U.S. stock market performance. The S&P SmallCap 600 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 SmallCap 600 Index. The S&P SmallCap 600 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. The respective S&P SmallCap 600 Sector Indices are capitalization-weighted and comprised of S&P SmallCap 600 constituents representing a specific sector.

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## Growth Vs. Value Investing (Small-Caps)

### Growth vs. Value Investing

(YTD, 1-Year and Average Annualized Total Returns thru 8/15/23)



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

### View from the Observation Deck

We update this post on small-capitalization (cap) stocks every now and then so that investors can see which of the two styles (growth or value) are delivering the better results. [Click Here](#) to view our last post on this topic.

- As today's chart reveals, the S&P SmallCap 600 Pure Value Index (Pure Value Index) outperformed its growth counterpart in five of the six periods presented.
- As of July 31, 2023, the Pure Value Index's largest sector was Consumer Discretionary at 31%, while the S&P SmallCap 600 Pure Growth Index's (Pure Growth Index) largest sector was Information Technology at 19.8%.

Year-to-date thru August 15, 2023, the S&P SmallCap 600 Consumer Discretionary and Information Technology Indices posted total returns of 18.95% and 14.64%, respectively. For comparative purposes, the S&P SmallCap 600 Index was up 6.73% on a total return basis over the same period. The Pure Value Index had a 6.4% weighting in the Information Technology sector (the Growth Index's largest sector) and the Pure Growth Index had an 8.2% weighting in the Consumer Discretionary sector (the Value Index's largest sector) as of July 31, 2023.

The total returns in today's chart, thru August 15, 2023 were as follows (Pure Growth vs. Pure Value):

- 15-year average annualized (8.87% vs. 9.04%)
- 10-year average annualized (7.44% vs. 7.55%)
- 5-year average annualized (0.31% vs. 5.67%)
- 3-year average annualized (5.43% vs. 21.99%)
- 1-year (-4.43% vs. 3.95%)
- YTD (10.03% vs. 9.47%)

### Takeaway

As today's chart illustrates, the Pure Value Index has enjoyed higher total returns than the Pure Growth Index in five of the six time periods. The last time we posted about this topic, we presented the idea that sector allocations between the indices could offer insight into the divergent performance over the 1, 3, and 5-year time frames. In our view, that estimation still holds. As of July 31, 2023, the Pure Value Index had just an 8.5% exposure to the two worst performing sectors over the past twelve months (Real Estate and Health Care). The SmallCap Pure Growth Index, by contrast had a combined weight of 19.5% in Real Estate and Health Care on the same date. While sector weightings can change, they may provide unique insight into recent performance trends, in our view.