

A good time for value stocks?

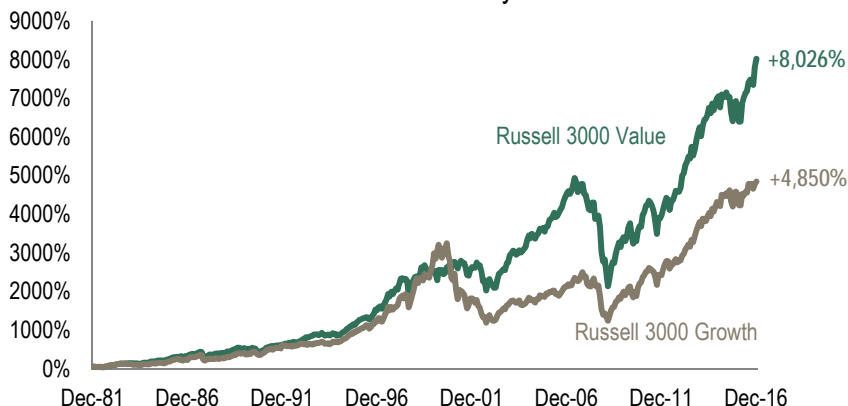
December 2016



Full Market Cycles

- ▶ Value has outperformed growth over full market cycles
- ▶ Since 1979, value stocks have outperformed growth stocks by +3,176%, cumulatively

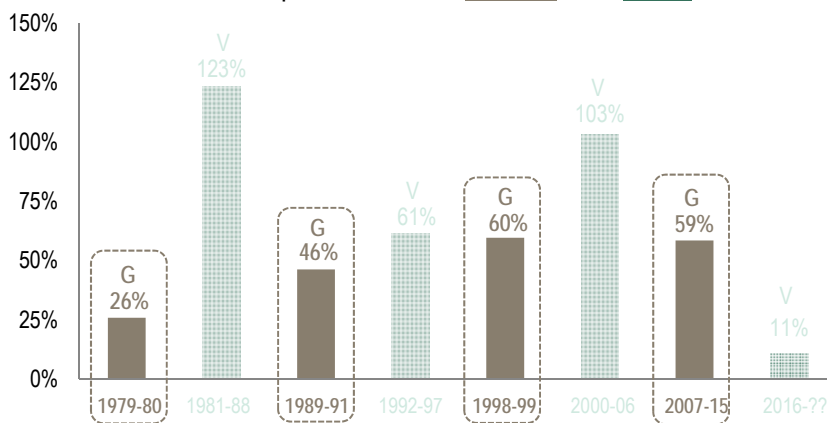
Cumulative Performance: January 1979 – December 2016



Growth Cycles

- ▶ The stock market moves in growth/value cycles
- ▶ Growth cycles have varied in duration and severity ranging from 26% outperformance to 60% outperformance, cumulatively

Outperformance of Growth over Value

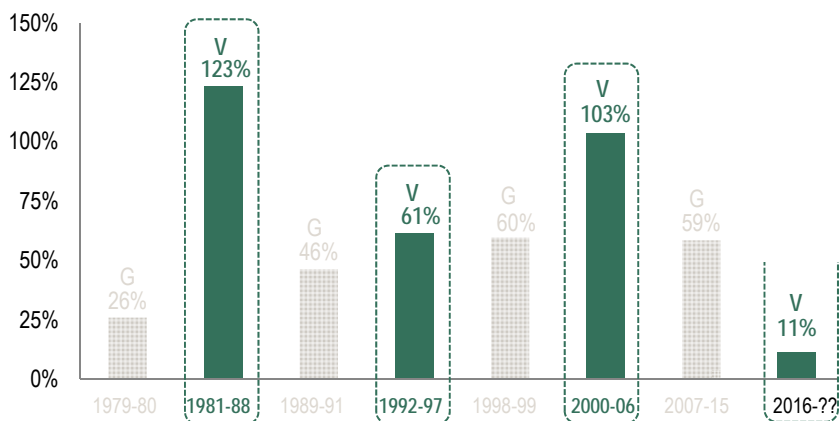


The highlighted data represents the Russell 3000 Growth minus the Russell 3000 Value, cumulatively.

Value Cycles

- ▶ When value comes back into vogue, it has done so with a vengeance historically
- ▶ Value's outperformance has ranged from 61% to 123%

Outperformance of Value over Growth



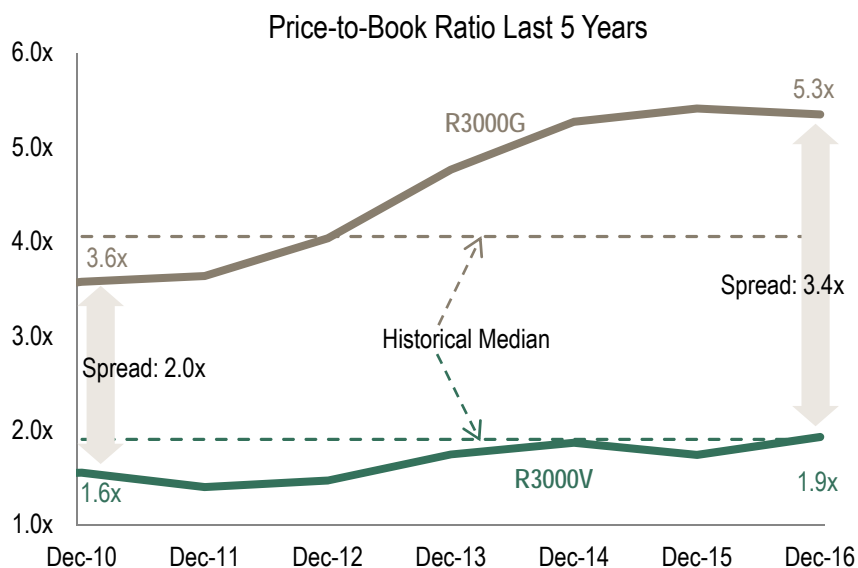
The highlighted data represents the Russell 3000 Value minus the Russell 3000 Growth, cumulatively.

Russell 3000 Value & Russell 3000 Growth data/indexes

Prior to the inception dates of the Russell indexes, historical data was calculated based on the same companies, and information, which would have been available (or interpolated if unavailable) at the specific times throughout history as if it was actually created during that time. Application to the performance calculation may vary due to data sources, corporate actions and the availability of historical data with respect to certain securities. *Past performance is no guarantee of future results.*

Value on Sale?

- ▶ The Russell 3000 Index has returned +100% over the past 6 years, cumulatively
- ▶ Over this period, the P/B multiple of growth stocks has expanded to a much larger extent than value stocks
- ▶ Valuation spreads, therefore, have widened
- ▶ The current P/B spread of 3.4x is considerably wider than the historical average of 2.4x
- ▶ The last time the P/B spread was greater than 3.0x was 2000—value outperformed growth by a cumulative 103 percentage points in the subsequent 7 years



All investments contain risk and may lose value. Equity securities may have greater risks and price volatility than U.S. Treasuries and bonds, where the price of these securities may decline due to various company, industry and market factors. Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.

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