“Value Investing Will Beat Growth Again – but Maybe Not For Years to Come” by Sarah Max, *Barron’s,* April 5, 2019

https://www.ft.com/content/43d5e972-2098-11e9-b2f7-97e4dbd3580d?accessToken=zwAAAWirVAXIkc9D1elyIJgR6dOy95fk29NYDQ.MEYCIQDeN6zjlA_RJ2eTUDEX0VC9vhwY4RuT_pXoMoEg44NziAIhAL1W36F2-HLcfDrfGYR_nvQQa1UuZmcKVta-IthrcvsI&sharetype=gift?token=630cf789-9ef5-4524-a574-dd578f4c7679

Summary: Large-cap growth funds have outperformed large-cap value funds over the past decade by an average of 2.4% annually, however, since 1927 value has outperformed growth by 2.7% on an annualized basis. Over this market cycle the spread between the cheapest and most expensive stocks (on the Russell 1000 index) is larger than it has been in 20 years. By some measures it’s even the widest in history. According to Joseph Mezirch, the quantitative analyst at Nomura Instinet, the quantitative easing that the US has gone through has provided very cheap access to capital that growth companies are taking advantage of. He additionally asserts that when the yield curve flattens it gives cash rich companies the ability to buy back even more shares, giving it an even larger advantage over value stocks. Another argument for the disparity between value and growth has been made by Ben Carlson, the director of institutional asset management at Ritholtz Wealth Management, that “As tech has shaken up virtually every industry, it is driving a wedge between innovative growth companies and old-school value companies.”

LS Comment: *All industries become value stocks at some point, when they fall out of favor with investors. This time is no different, the cycle has just lasted longer.*