You Have to Stay the Course to Reach the Summit.

VALUE INVESTORS WHO CHOSE TO STAY THE COURSE THROUGH THE LAST FEW YEARS WERE FINALLY REWARDED FOR THEIR DISCIPLINE.

Although it's hard to believe, if we back up just a few months, the one-year period ending September 2020 was the worst return ever for small value stocks relative to larger, more growth companies, with small value underperforming large growth by a whopping 52%.¹

However, with the benefit of hindsight, we now know that value stocks roared back to earn nearly 50% more than large growth stocks over the next two quarters.³

The three-year returns were

also abysmal, with small

value underperforming large

growth by nearly 26% per

year, which is close to the performance disparity we saw during the tech bubble

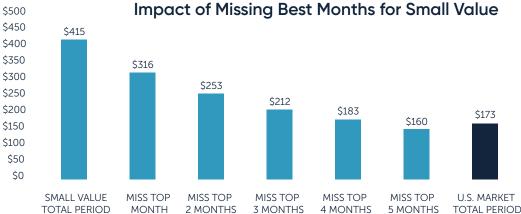
in the late 1990s.2

The last few years have reminded us that trying to time the market, or even the value premium, can be detrimental to a portfolio's overall growth.

Despite clocking in at an annual average of 4% per year since 1927, the value premium is not earned steadily.⁴ Rather, it comes in quick waves.

That is why the best way to capture the value premium is to stay invested consistently—even through the inevitable underperformance.

Hypothetical Growth of \$1 Since January 1972 Impact of Missing Best Months for Small Value



Looking at returns since 1972, this graph shows that a dollar hypothetically invested in small value stocks would have grown to over \$400 compared to just \$173 for the same dollar invested in the total U.S. stock market, a healthy premium of almost \$240. But by missing just the five best months for small value stocks during that period, your hypothetical dollar would have only grown to \$160, falling short of growth in the total stock market.⁵

