Buckingham

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]

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]

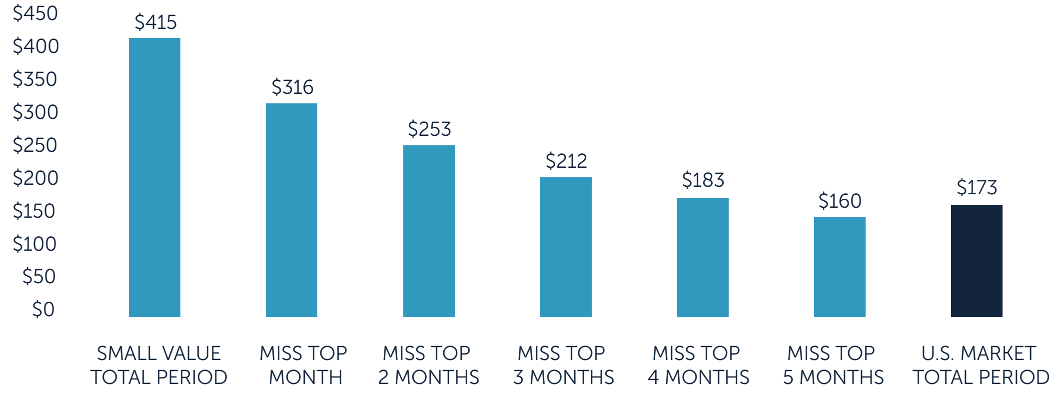
However, with the benefit of hindsight, we now know that value stocks roared back to earn nearly 50% more than large growth stocks over the next two quarters.[3]

The 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]

1-3. Small Value being measured by Russell 2000 Value and Large Growth being measured by Russell 1000 Growth. 4: Ken French Data Library. 5. Small Value is being measured by the Russell 3000 and the U.S. Market is being measured by Russell 3000. Represents the average annual premium from 1927-2020. The content presented here is for informational purposes only and should not be construed as specific investment, accounting, legal or tax advice. Certain information is based on third-party data which may become outdated or otherwise suspended without notice. Third-party data is deemed to be reliable, but its accuracy and completeness cannot be guaranteed. Hypothetical value of $1 invested at the beginning of 1972 and kept invested through April 2021. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and is not indicative of any investment. Indexes are unmanaged baskets of securities that investors cannot directly invest in. Index performance does not reflect the fees and expenses associated with the management of an actual portfolio. Information from sources deemed reliable, but its accuracy cannot be guaranteed. Performance is historical and does not guarantee future results. Data chosen based on availability of data.