

# Value has been Crushed!

By Rob da Silva, Head of Research

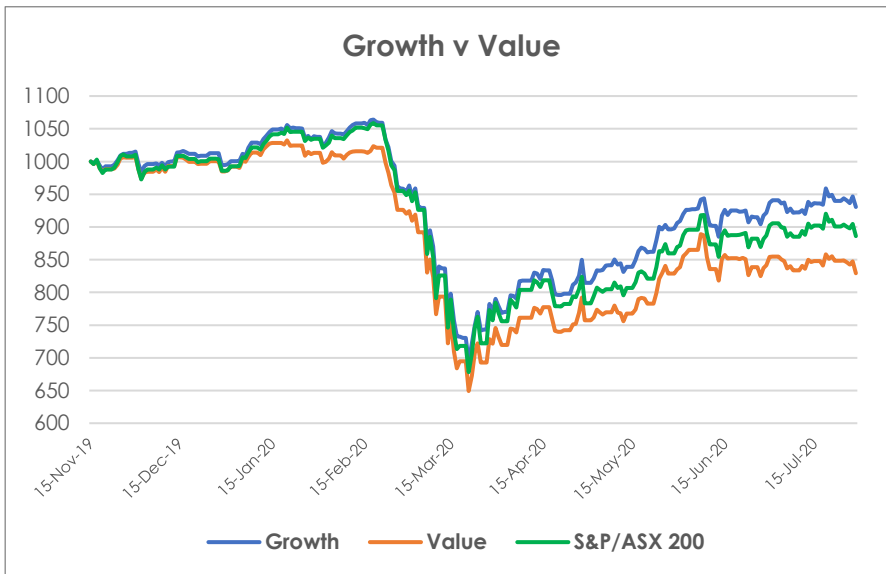
We take a quick look at Australian Equity Managers (Large-Cap) and how Growth has performed versus Value, both through the Covid-19 Crisis and in the longer term. The news is not good (for value proponents).

The analysis covers 25 of the largest Growth funds and 25 of the largest Value Funds totalling just under \$20 billion of Funds Under Management (FUM). The information is derived from SQM's Funds Explorer Tool which in turn is powered by Morningstar data.

## The Covid-19 Crisis

The chart below tracks the daily average TRI of the 25 Growth funds and the 25 Value funds, along with the daily S&P/ASX 300 Accumulation Index as a market comparison. The TRI (Total Return Index) is the fund's unit price with distributions reinvested in a manner that essentially creates an accumulation index of investment value. The time span covers a symmetric period of 130 days before the trough (on 23<sup>rd</sup> March 2020) and 130 days after the trough (ending on 31<sup>st</sup> July 2020).

It is clear that over this timeframe Growth has outperformed the market by a decent margin and has outperformed Value by a country mile!



Here are the numbers:

Return Comparison	From 15-Nov-19 to 31-Jul-20		
	Growth	Value	S&P/ASX 200
Total Return	-6.92%	-17.08%	-11.38%
Excess Return	4.46%	-5.70%	
Growth minus Value	<b>10.16%</b>		

That is over 10% difference in what is roughly three-quarters of a year – very disappointing for those who thought Value was due to have a resurgence.

You might have believed that Value should have outperformed during the downleg and perhaps lagged in the recovery. Wrong! Value has lagged markedly in both periods – see below.

### The Crash

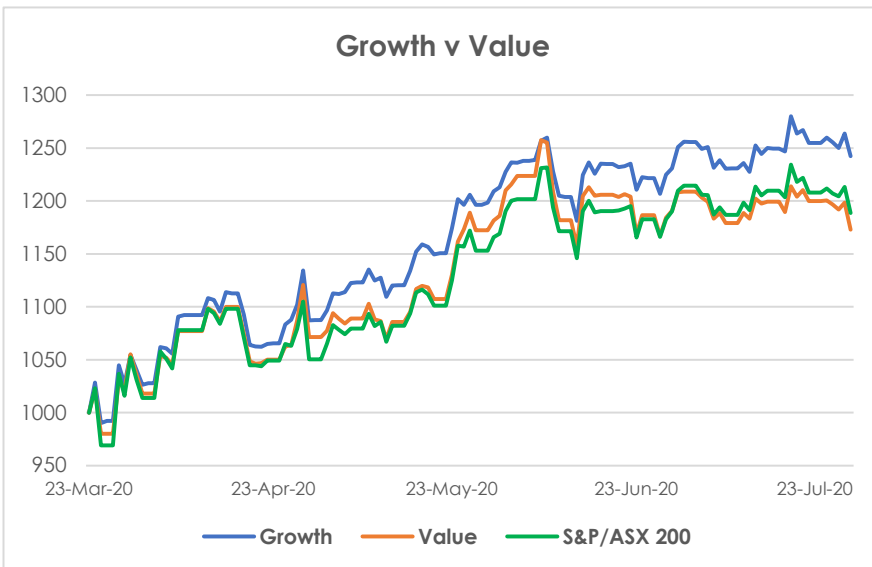


#### Return Comparison

From 15-Nov-19 to 23-Mar-20

	Growth	Value	S&P/ASX 200
Total Return	-25.08%	-29.31%	-25.43%
Excess Return	0.36%	-3.87%	
Growth minus Value	<b>4.23%</b>		

### The Recovery



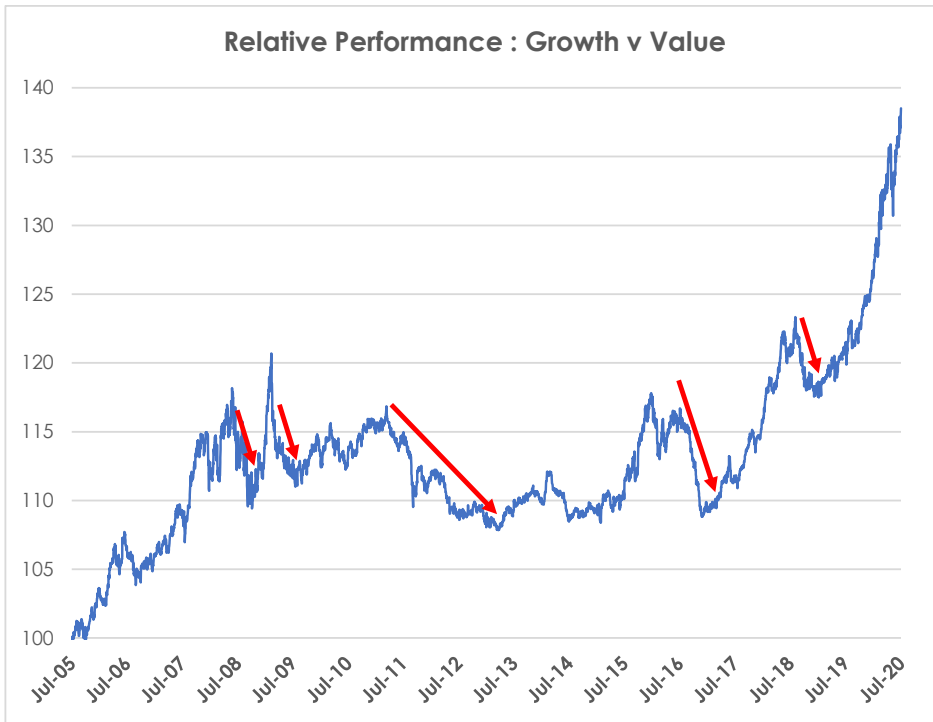
#### Return Comparison

From 23-Mar-20 to 31-Jul-20

	Growth	Value	S&P/ASX 200
Total Return	24.24%	17.29%	18.85%
Excess Return	5.38%	-1.56%	
Growth minus Value	<b>6.94%</b>		

Has Value done better over the longer-term? Not particularly – it has had some sporadic and mostly short-lived episodes of outperformance over the last 15 years. The majority of the time has seen Growth dominating, with the last couple of years seeing a veritable explosion in its advantage over Value.

(The chart shows Growth's performance **relative to** Value, when the line is moving up, Growth is outperforming Value, and vice versa. The red arrows highlight the most significant episodes of Value outperformance)



The table below summarises the performance statistics of the 25 Growth funds versus the 25 Value funds:

Total Returns	12-Months to 31-Jul-20		
	Growth	Value	Difference
Max	16.45	-4.12	<b>-20.57</b>
Top Quartile	1.43	-12.36	<b>-13.79</b>
Median	-5.29	-16.17	<b>-10.88</b>
Bottom Quartile	-10.00	-19.01	<b>-9.01</b>
Min	-16.84	-23.38	<b>-6.55</b>

The last 12 months have been brutal, with Value underperforming materially across the entire spectrum – from bottom quartile to top quartile and beyond.

While this period has been particularly harsh, the results have been poor over three years:

Total Returns	36-Months to 31-Jul-20		
	Growth	Value	Difference
Max	14.37	6.79	<b>-7.58</b>
Top Quartile	11.16	1.10	<b>-10.06</b>
Median	6.13	-0.58	<b>-6.71</b>
Bottom Quartile	4.44	-1.65	<b>-6.08</b>
Min	-2.52	-3.37	<b>-0.86</b>

...and 5 years:

Total Returns	60-Months to 31-Jul-20		
	Growth	Value	Difference
Max	12.72	6.39	<b>-6.33</b>
Top Quartile	8.16	2.95	<b>-5.21</b>
Median	6.64	1.69	<b>-4.95</b>
Bottom Quartile	4.65	0.85	<b>-3.80</b>
Min	<b>-1.64</b>	<b>-0.63</b>	<b>1.01</b>

...and even 10 years:

Total Returns	120-Months to 31-Jul-20		
	Growth	Value	Difference
Max	15.17	9.02	<b>-6.15</b>
Top Quartile	10.29	7.19	<b>-3.10</b>
Median	7.52	6.26	<b>-1.26</b>
Bottom Quartile	6.33	5.57	<b>-0.76</b>
Min	3.21	4.93	<b>1.72</b>

...and 15 years! (you get the idea).

The Value “factor” has been researched, recognised, and accepted by academia for many decades now. It has been a well-established and successful investment style for some of the world’s best investors going back to Benjamin Graham. At SQM Research we feel that Value is not dead, but for the time being it has been taking a helluva beating!

More on this topic next month.

### About SQM Research

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