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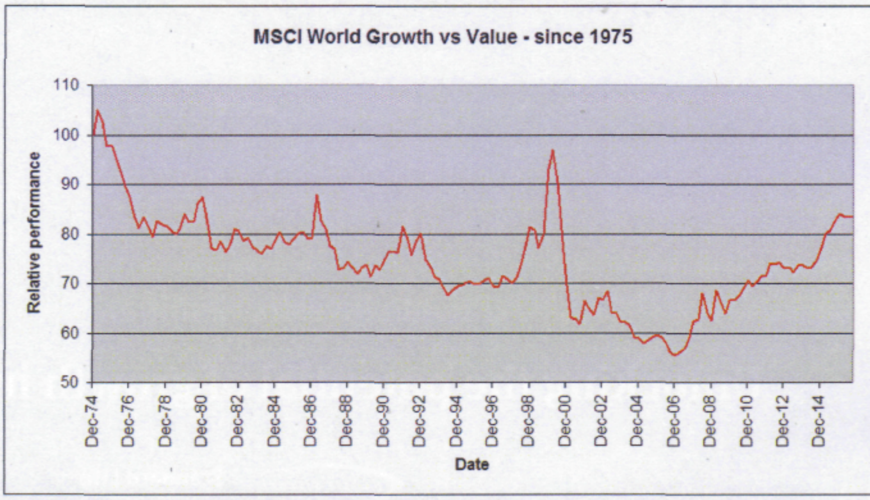
Unlocking the potential of growth investing

Conventional wisdom: Value beats Growth….



source: Bloomberg

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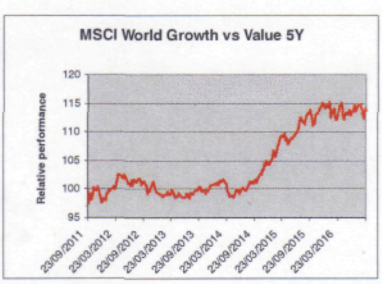
But not so much recently…

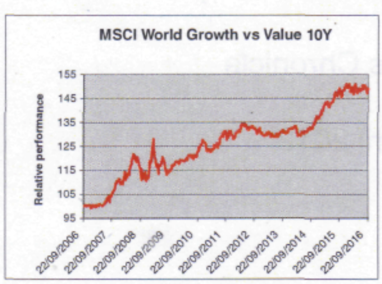
MSCI Value = low PE, low P/BV, high DY

MSCI Growth = strong EPS moment (5 measures)

source: Bloomberg

To pres.	MSCI Wld Grth	MSCI Wld Value	Growth v Value
1 Yr	7.6%	7.5%	+0.0%
5 Yr	67%	47%	+14%
10 Yr	54%	3.7%	+49%
20 Yr	132%	97%	+17%
30 Yr	410%	383%	+5.7%
Since 1975	1895%	2294%	-17%





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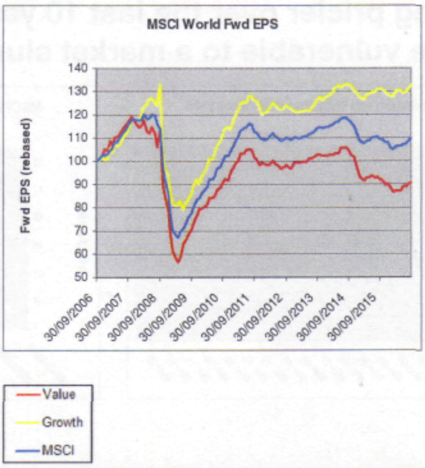
Earnings driven outperformance...

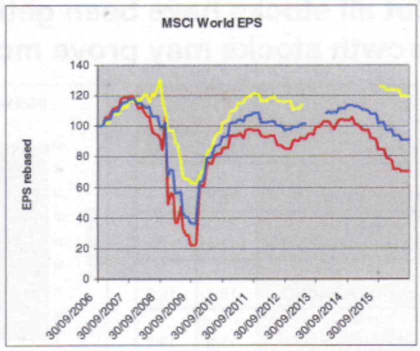
Low inflation, tepid GDP growth, low interest rates:

- Makes genuine growth stocks look more attractive
- Makes growth harder to achieve for value stock

Information revolution and disruptive technologies (?):

- Emergence of growth opportunities for tech companies in established industries
- Creating more "value traps"





source: Bloomberg

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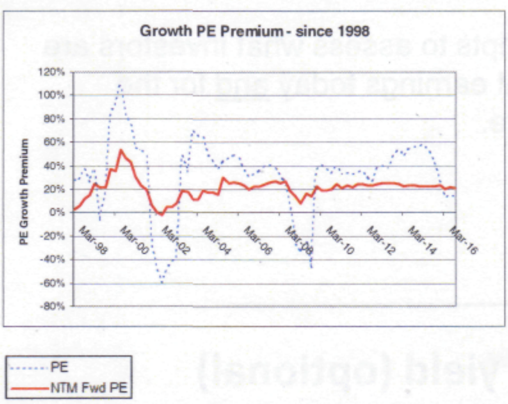
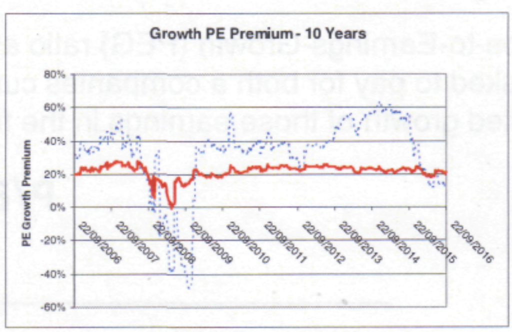
But growth does not look excessively expensive compared with value....





source: Bloomberg

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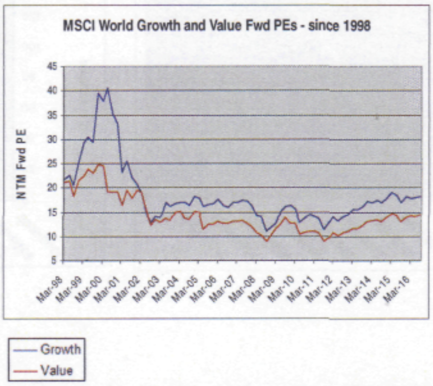
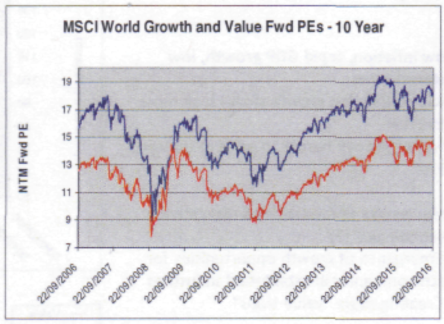
But all stocks have been getting pricier over the last 10 years and valuations of growth stocks may prove more vulnerable to a market slump than value stocks.

Date range	10 Year	Since 1998
Current Grth fwd PE	18.2	-
Current Value fwd PE	14.4	-
Median Grth fwd PE	15.7	16.9
Median Value fwd PE	12.3	13.1
Current Value fwd PE Rank	92%	73%
Current Growth fwd PE Rank	93%	69%





source: Bloomberg

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PEG – Don't Overpay For Growth

The Price-to-Earnings-Growth (PEG) ratio attempts to assess what investors are being asked to pay for both a companies current earnings today <u>and</u> for the anticipated growth of those earnings in the future.

$$\frac{\textbf{P/E}}{\textbf{EPS growth + dividend yield (optional)}}$$