



# WHEN VALUE UNDERPERFORMS GROWTH

Over the first half of 2024, the S&P 500 Value Index underperformed the S&P 500 Growth Index by 17.77%. The S&P 500 Growth Index returned 23.56% over that time compared to a return of only 5.79% for the S&P 500 Value Index.

Extreme dislocations such as this may occur when markets discount economic or monetary conditions favorable to growth far too quickly. At these junctures, it is important to understand what may happen next and what extra risks a portfolio may be exposed to if value has severely underperformed growth. This is becoming increasingly important as growth-orientated technology stocks continue to take up more and more of the market capitalization weighted S&P 500 Index.

Since 2000, every time the S&P 500 Value Index has underperformed the S&P 500 Growth Index by 5%, 10%, or 15% over any prior 6-month period, value has, on average, gone on to outperform growth with lower volatility over the next 6-months.

Value Underperformance Against Growth Over Previous 6 Months	Average S&P 500 Value Return over Next 6 Months	Average S&P 500 Growth Return over Next 6 Months
> 5%	7.03%	5.23%
> 10%	15.74%	13.25%
> 15%	14.32%	11.51%

Value Underperformance Against Growth Over Previous 6 Months	S&P 500 Value Standard Deviation over Next 6 Months	S&P 500 Growth Standard Deviation over Next 6 Months	S&P 500 Growth Percent Higher Volatility over Next 6 Months
> 5%	15.91%	16.56%	4.07%
> 10%	11.76%	16.99%	44.49%
> 15%	7.57%	13.92%	83.80%

*Data Source: S&P Global, Monthly Returns (12/31/1999 – 06/30/2024)*

*An investment cannot be made directly in an Index.*

*Past Performance is No Guarantee of Future Results.*

Larger underperformances of 10% and 15%, like in the first half of 2024, have historically seen higher volatility in growth over the next 6 months. The standard deviation of future 6-month returns for the S&P 500 Growth Index were 44.49% and 83.80% higher than the S&P 500 Value Index for 10% and 15% underperformances of value against growth, respectively.

In BTS' view, at key junctures when value has vastly underperformed growth, it's worth overweighting value against growth due to the strong relative valuation perspectives of value and the potential for lower volatility.

## S&P 500 Value and S&P 500 Growth Standard Performance

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
S&P 500 Value Index	5.79%	15.29%	9.59%	11.89%	9.89%	9.25%
S&P 500 Growth Index	23.56%	32.52%	9.42%	16.87%	14.97%	11.29%

*As of 6/30/2024. Source: Morningstar. An investment cannot be made directly in an Index.*

*S&P 500 Growth Index inception: 1/3/1994; S&P 500 Value Index inception: 1/3/1994*

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### Disclosure:

Diversification does not ensure a profit or guarantee against loss.

There is no assurance that the portfolio will achieve its investment objective. Investors cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

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### Definitions:

The S&P 500 is an index that includes 500 leading companies in leading industries of the U.S. economy and is a proxy for the total stock market. Returns shown are total returns with dividends reinvested.

The S&P 500 Growth Index measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum.

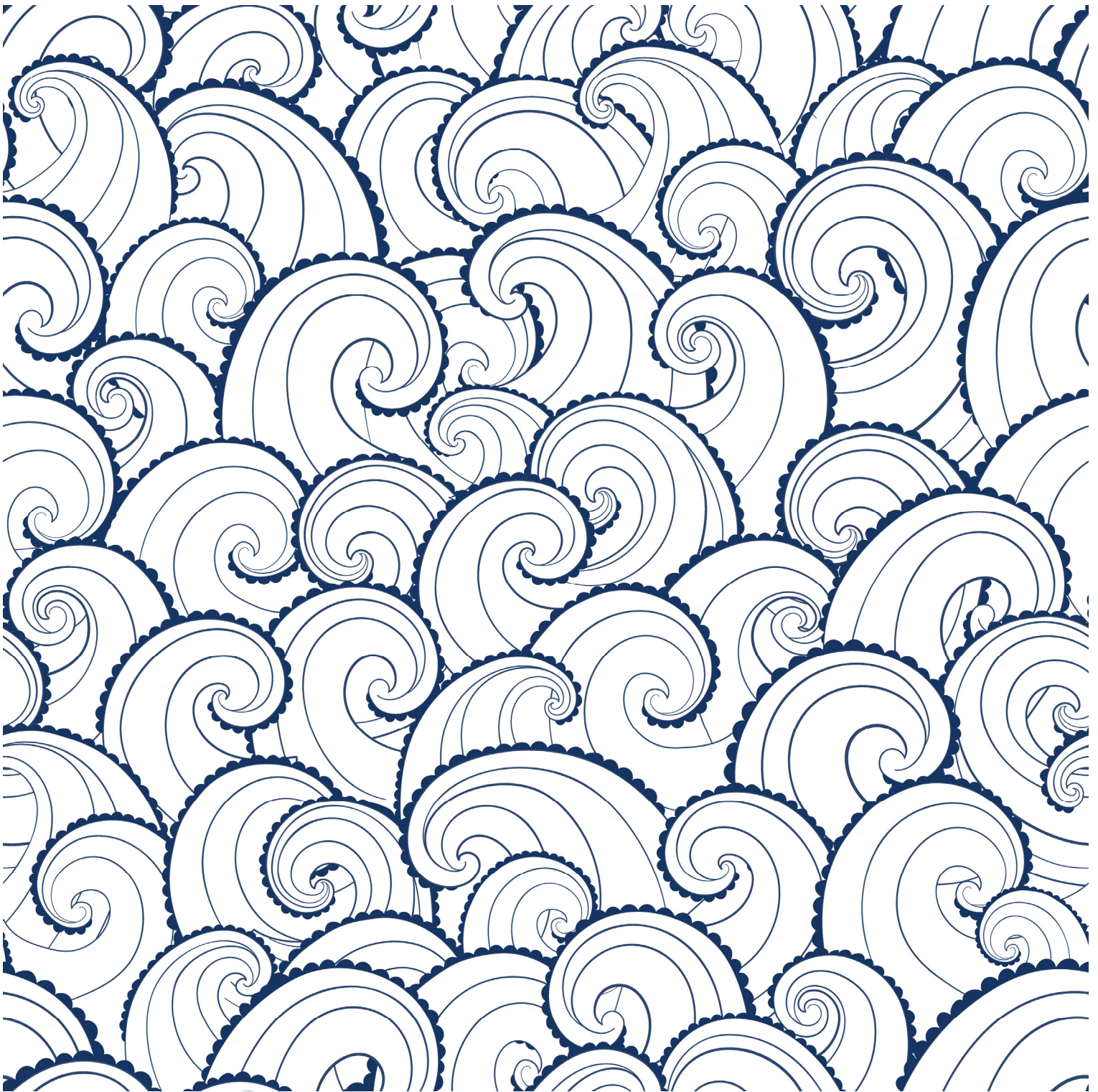
The S&P 500 Value Index measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings, and sales to price.

Correlation measures how two securities move in relation to one another based on monthly returns.

*\*Index returns are for illustrative purposes only. Investors cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.*

Source: **Morningstar and Bloomberg (for index returns)**

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