Market Commentary Blog

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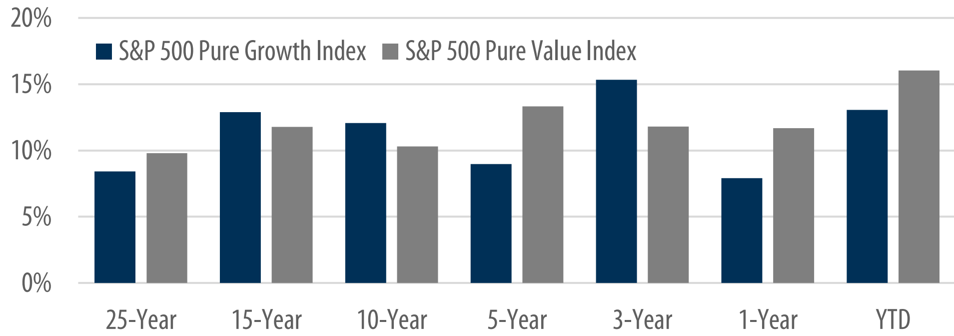
Growth Vs. Value Investing

Growth vs. Value Investing (YTD, 1-Year and Average Annualized Total Returns thru 12/9/25)



Source: Bloomberg. **Past Performance is no guarantee of future results.**

View from the Observation Deck

This post is one in a series we update that investigates which of the two styles (growth or value) has been delivering the better results. Click here to see our last post on this topic.

- We have often noted that value stocks tend to outperform growth stocks when the yield on the benchmark U.S. 10-year Treasury note (T-note) rises and underperform them when the yield on the 10-year T-note falls. The yield on the 10-year T-note increased by 325 basis points (bps) over the 5-year period ended 12/9/25. For comparison, the yield on the 10-year T-note declined by 38 bps YTD through 12/9.
- When we last posted on this topic on 9/16, the Federal Reserve ("Fed") was one day away from implementing its first policy rate reduction of 2025. There have been three reductions to the federal funds target rate since, totaling 75 bps.
- The total returns in today's chart are as follows (Pure Growth vs. Pure Value):

25-year avg. annual (8.42% vs 9.79%)
15-year avg. annual (12.89% vs. 11.78%)
10-year avg. annual (12.06% vs. 10.30%)
5-year avg. annual (8.98% vs. 13.34%)
3-year avg. annual (15.33% vs. 11.80%)
1-year (7.92% vs. 11.69%)
YTD (13.06% vs. 16.04%)

- As many investors are likely aware, weak labor market data and potential overcapitalization among AI companies caused volatility to spike in November. Volatility, as measured by the CBOE Volatility Index, surged from 17.44 on 10/31/25 to 26.42 on 11/20/25. Technology, consumer discretionary, and industrial stocks were hit hardest, declining by 4.29%, 2.39%, and 0.85% (total return) during the month. For comparison, November's top performing sectors were Health Care (9.31%), Communication Services (6.35%), and Materials (4.17%).
- Sector weights had a significant impact on performance over the short run, in our opinion. At a combined weight of 69.5%, the Pure Growth Index had outsized exposure to the worst performing sectors in November (Information Technology, Consumer Discretionary, and Industrials). For comparison, these sectors made up just 20.1% of the weight of the Pure Value Index as of the same date.
- On 11/28/25, the Health Care sector accounted for 18.6% of the weight of the Pure Value Index vs. just 4.3% of the Pure Growth Index, according to S&P Dow Jones Indices. As mentioned above, Health Care was the top performing sector in November.
- The top three performing S&P 500 Index ("Index") sectors and their YTD total returns (through 12/9) are as follows: Communication Services (33.76%); Information Technology (27.47%); and Industrials (17.47%).

Takeaway

How quickly things can change! In our last post on this topic (click here), we posited that sector allocation played a significant role in the Pure Growth Index's persistent outperformance vs. its Pure Value counterpart. It appears that sector allocation is playing a similar role, yet again. Notably, two of the Index's top-performing sectors YTD (Information Technology and Industrials) were among its worst performers in November, shedding 4.29% and 0.85% (total return), respectively. Those sectors comprise an outsized share of the Pure Growth Index (47.4%) vs. just 7.5% of the Pure Value Index as of 11/28. As a result of this reversal, the Pure Growth Index now lags its Pure Value counterpart YTD and over the trailing 12-months. Valuations may signal continued opportunity ahead for value-oriented investors. The Pure Value Index had a Price to Earnings (P/E) ratio of 13.07 on 12/9 compared to the Pure Growth Index's P/E of 24.81 at market close on the same date.