

Cash Flow and Carey



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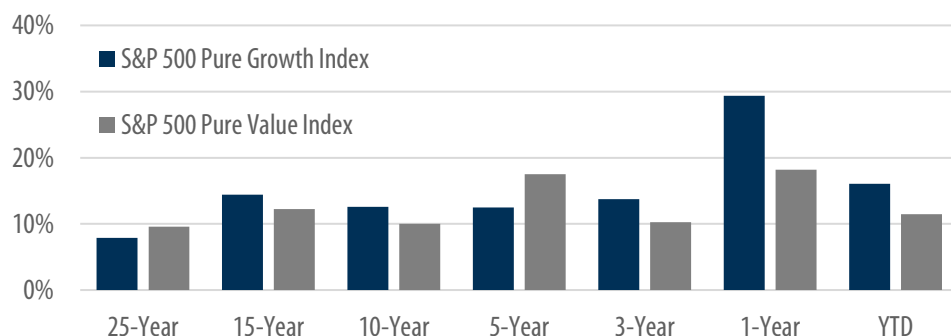
This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The S&P 500 Pure Growth Index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest growth characteristics based on three factors: sales growth, the ratio of earnings-change to price, and momentum. It includes only those components of the parent index that exhibit strong growth characteristics, and weights them by growth score. Constituents are drawn from the S&P 500 Index. The S&P 500 Pure Value Index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest value characteristics based on three factors: the ratios of book value, earnings, and sales to price. It includes only those components of the parent index that exhibit strong value characteristics, and weights them by value score.

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Growth Vs. Value Investing

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



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

View from the Observation Deck

It had been over a year, so we thought we'd dust this post off and provide an update regarding 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 340 basis points (bps) over the 5-year period ended 9/12/25. For comparison, the yield on the 10-year T-note declined by 51 bps YTD through 9/12.
- When we last posted on this topic in July 2024, the Federal Reserve had yet to implement any policy rate reductions. Since then, there have been three reductions to the federal funds target rate totaling 100 bps, with more cuts likely in the coming days and months. As we see it, these reductions may explain, in part, the surging total return enjoyed by the S&P 500 Pure Growth Index over the trailing 1-year period represented in today's chart.
- The total returns in today's chart are as follows (Pure Growth vs. Pure Value):

25-year avg. annual (7.92% vs 9.60%)	3-year avg. annual (13.76% vs. 10.25%)
15-year avg. annual (14.44% vs. 12.27%)	1-year (29.35% vs. 18.20%)
10-year avg. annual (12.57% vs. 10.00%)	YTD (16.07% vs. 11.46%)
5-year avg. annual (12.51% vs. 17.51%)	
- On 8/29/25, Industrials accounted for 24.1% of the weight of the Pure Growth Index, according to S&P Dow Jones Indices. At 18.8%, Financials made up the largest weighting in the Pure Value Index as of the same date.
- With a YTD total return of 15.69% (through 9/12), Industrials were the third-best performer of the 11 major sectors in the S&P 500 Index. By comparison, Financials posted a total return of 12.14% over the same period.
- The top three performing S&P 500 Index sectors and their YTD total returns (through 9/12) are as follows: Communication Services (24.97%); Information Technology (17.81%); and Industrials (15.69%). As of 8/29/25 those three sectors comprised a combined 51.0% and 12.9% of the total weighting of the Pure Growth and Pure Value Indices, respectively.

Takeaway

The Pure Growth Index outperformed the Pure Value Index in five of the seven time periods presented in today's chart. While this blog post does not account for changes to index constituents over time, it is notable that Pure Growth's most recent outperformance appears to be driven largely by sector allocation. The three top performing S&P 500 sectors YTD account for 51.0% of the weight of the Pure Growth Index but just 12.9% of the weight of the Pure Value Index. That said, valuations may signal opportunity ahead for value-oriented investors. The Pure Value Index had a Price to Earnings (P/E) ratio of 13.32 on 9/12/25, below its 15-year average of 13.41. By comparison, the Pure Growth Index had a P/E ratio of 28.07 at market close on the same date, above its 15-year average of 23.50. Are future rate cuts already priced in the Pure Growth Index, or is there more room to run? Stay tuned!