Market Commentary Blog

Cash Flow *and Carey*

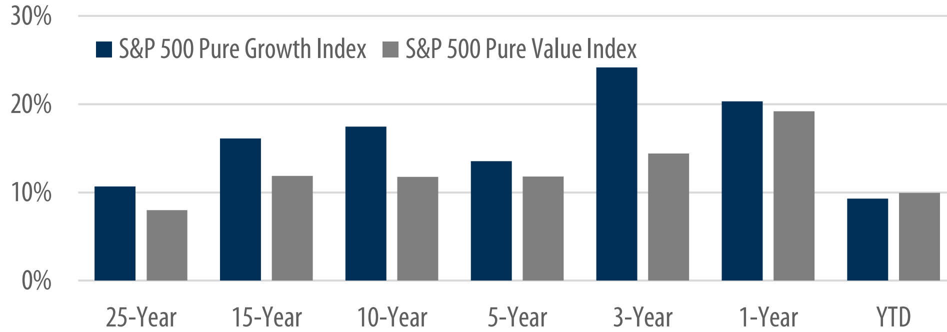
Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

7/21/26

Growth Vs. Value Investing

Growth vs. Value Investing (YTD, 1-Year and Average Annualized Total Returns thru 7/17/26)



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

View from the Observation Deck

Today's post features a comparison between the total returns of the S&P 500 Growth ("Growth Index") and S&P 500 Value ("Value Index") Indices to see which has produced better results over time. We also discuss several factors that we believe account for the results seen in today's chart.

As the chart reveals, growth stocks outperformed their value counterparts in all but one of the time frames.

Looking at the one-year and three-year periods, we note several catalysts to the Growth Index's outperformance compared to its value counterpart. First, the impact of AI capital expenditure and value creation on the Information Technology and Communication Services sectors cannot be overstated. Data from FactSet shows that the S&P 500 Information Technology Index had the largest increase in year-over-year earnings (+54.8%) and revenue (+31.9%) in Q1'26, followed by the S&P 500 Communication Services Index with year-over-year earnings and revenue growth of 48.9% and 15.1%, respectively, during the quarter.

Sector weights had a significant impact on the performance of the styles over the one-year and three-year periods.

With total returns of 27.4% and 24.8%, respectively, Information Technology and Communication Services were the second and third-best performing sectors over the trailing 12-months ended July 17, 2026. When combined, the two sectors made up 67.5% of the Growth Index on June 30, 2026. For comparison, these sectors made up just 23.5% of the weight of the Value Index as of the same date. Additionally, Communication Services and Information Technology were the leading sectors over the trailing 3-year period ended July 17, 2026, providing total returns of 114.1% and 110.4%, respectively.

The total returns in today's chart are as follows (Growth vs. Value):

- **25-year avg. annual (10.7% vs. 8.0%)**
- **15-year avg. annual (16.1% vs. 11.9%)**
- **10-year avg. annual (17.4% vs. 11.8%)**
- **5-year avg. annual (13.5% vs. 11.8%)**
- **3-year avg. annual (24.2% vs. 14.4%)**
- **1-year (20.3% vs. 19.2%)**
- **Year-to-date (9.3% vs. 10.0%)**

Takeaway

Sector performance appears to be skewing returns to the Growth Index's favor. Notably, the S&P 500 Information Technology Index, which made up 52.3% of the Growth Index (vs. 20.6% of the Value Index) as of June 30, 2026, increased by a remarkable 2,101.3% (total return) over the 25-year period in our chart. For comparison, the S&P 500 Consumer Discretionary Index was the second-best performer, with a total return of 879.2% over the same period. A similar situation appears in near-term returns, with the Communication Services and Information Technology sector earnings and revenues far outpacing their peers. As mentioned above, the Communication Services sector, which holds a 15.2% weight in the Growth Index but just 2.9% of the Value Index, increased by 114.1%, while Information Technology increased by 110.4% over the trailing 3-year period ended July 17, 2026. That said, geopolitical unrest, heightened global inflation expectations, and growing skepticism about whether current corporate earnings can be sustained have been tailwinds to the Value Index, pushing it ahead of its growth counterpart year-to-date. Can the Value Index maintain its lead over the Growth Index through year-end? We will continue to monitor this trend and report back as conditions evolve.