

Equity Style Analysis: Growth vs. Value

Value has shifted to outperform growth; will the trend continue?



Value has outperformed recently

- ▶ The global investment environment has fundamentally changed. Since the start of 2021, value stocks have outperformed their growth counterparts, ignited by factors including the war in Ukraine, inflation, and tightening central bank policy.
- ▶ Since the start of 2021, value has outperformed growth in the U.S. by 13.48%, while only exhibiting roughly 60% of the drawdown experienced by the growth benchmark.¹

Outperformance of U.S. Value vs. Growth since 2021

(1/1/21 - 3/31/23)

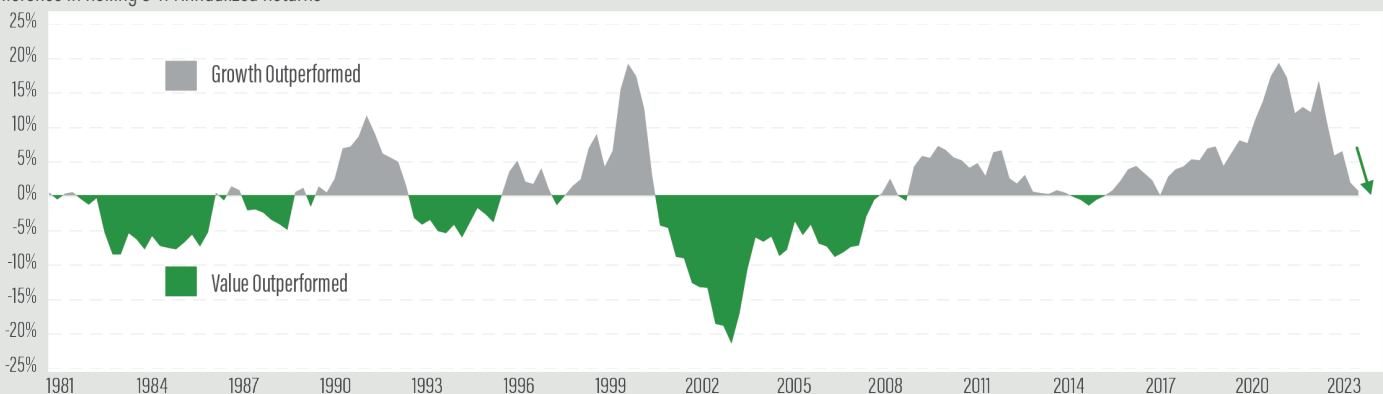


Source: FactSet, as of 3/31/2023. Growth represented by the Russell 1000® Growth Index and value represented by the Russell 1000® Value Index. **Past performance does not guarantee future results.**

- ▶ Given that equity style shifts tend to extend for multiple years, investors may consider re-evaluating their asset allocation to capture the potential cycle of continued value outperformance.

Russell 1000® Growth vs. Russell 1000® Value

Difference in Rolling 3-Yr Annualized Returns



Source: FactSet. As of March 31, 2023. Growth represented by the Russell 1000® Growth Index and value represented by the Russell 1000® Value Index. **Past performance does not guarantee future results.**

¹As of March 31, 2023.

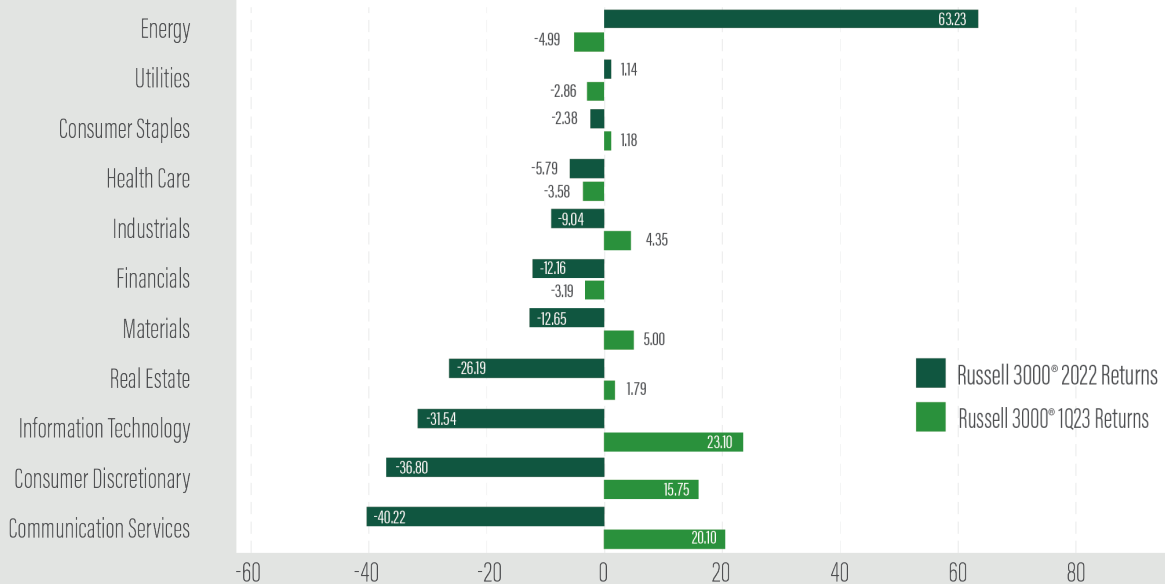


Value is gaining momentum

- ▶ Value and growth have performed in line since the style benchmarks.² Value has outperformed growth globally since 2021 after an extended period of outperformance by growth stocks.
- ▶ Despite a mild reversion in the trend during the first quarter of 2023, returns for value stocks have been led by significant gains in the energy sector, while returns for growth stocks have been overwhelmingly driven by underperformance in the communications, consumer discretionary, and information technology sectors.

Style Return Differential Driven by Extreme Sector Level Dispersion

GICS Sector Performance



Source: FactSet. As of March 31, 2023.

The Global Industry Classification Standard (GICS) is an industry taxonomy developed in 1999 by MSCI and Standard & Poor's for use by the global financial community. The GICS structure consists of 11 sectors, 24 industry groups, 69 industries and 158 sub-industries into which S&P has categorized all major public companies.

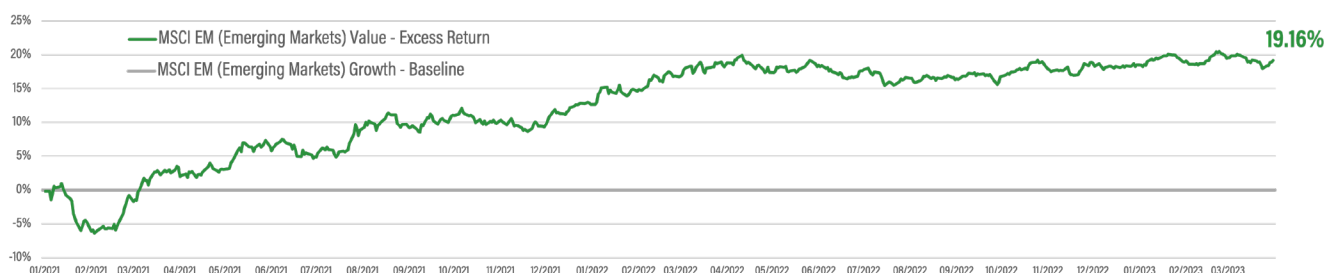
Value Outperforming Growth Globally Since the Start of 2021

Across all markets, value has closed its large gap with growth that was extended during and after the bear market of 2020.

Non-US Developed Markets



Emerging Markets



Source: FactSet. As of March 31, 2023.

² Since December 29, 1978 the annualized total return of the Russell 1000® Growth benchmark is 11.36%, and the annualized total return of the Russell 1000® Value benchmark is 11.35%.

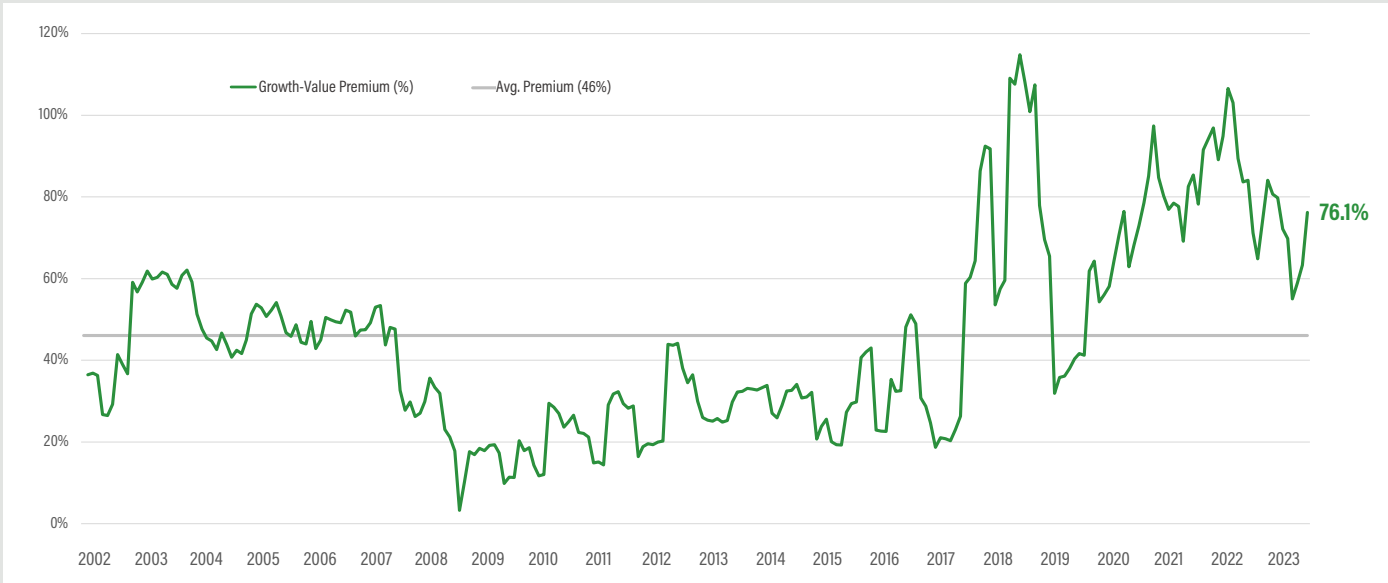


Why value? Relative valuations look attractive

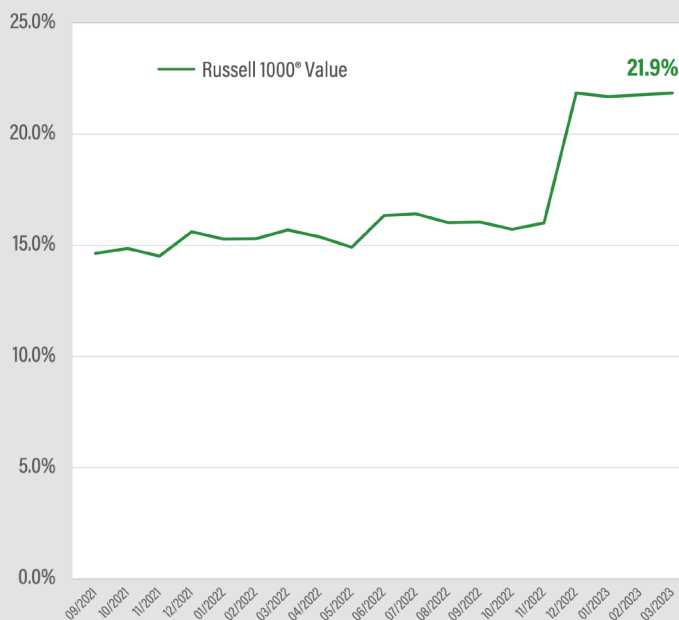
- ▶ Investors may need to reassess portfolio diversification and rebalancing after the conclusion of an extended cycle of growth outperformance.
- ▶ The relative valuation of value compared to growth has not been as attractive since the market downturn in 2002, which precipitated a long stretch of value outperformance.
- ▶ Lastly, the earnings of value stocks have been far more resilient than growth stocks during the current bear market. Since the start of 2022, the 3-year historical average earnings growth of the value index has increased by 49.35%, while the growth index has shrunk by -32.33%.

Value Stocks May Be Attractive

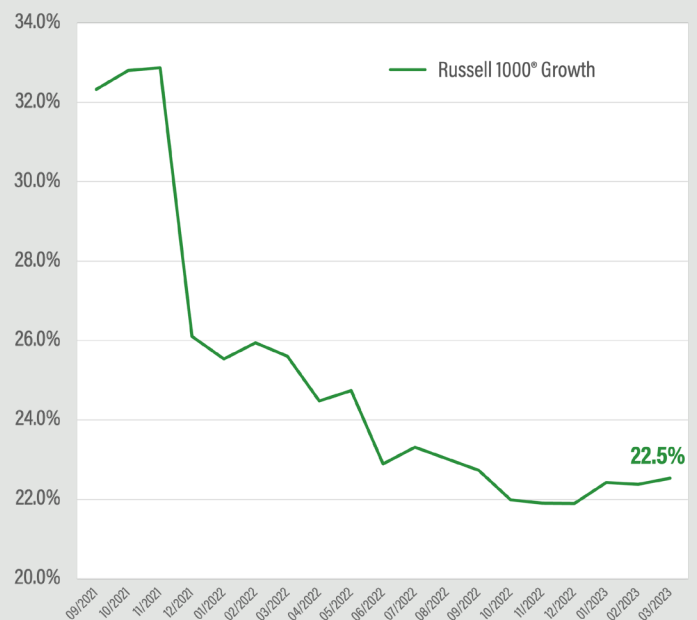
Russell 1000® Growth to Value Trailing (LTM) Price to Earnings Premium (9/30/02 – 3/31/23)



Russell 1000® Value — Historic 3 Yr EPS Growth



Russell 1000® Growth — Historic 3 Yr EPS Growth



Source: FactSet. As of March 31, 2023.

Latest Twelve Months Price/Earnings (or LTM P/E) ratio is the ratio of the company's closing stock price to its last 12-months earnings per share. The "Russell 1000® Growth to Value Trailing P/E Premium" is the premium of the Russell 1000® Growth P/E ratio over the Russell 1000® Value P/E ratio.



Past performance is not a guarantee of future results.

Investing involves risk, including possible loss of principal. Diversification does not ensure a profit or protect against a loss.

This does not constitute, nor should this be perceived as, investment advice or an investment recommendation of any particular sector, industry, or security. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for a long term, especially during periods of downturns in the market.

Growth stocks may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits. Growth stocks may underperform value stocks during given periods.

Value stocks may perform differently from the market as a whole and may be undervalued by the market for a long period of time.

Investments in international securities are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging markets.

The Fund is subject to the risks associated with investments in emerging markets, such as erratic earnings patterns, economic and political instability, changing exchange controls, limitations on repatriation of foreign capital and changes in local governmental attitudes toward private investment, possibly leading to nationalization or confiscation of investor assets.

Market prices of stocks may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or companies.

The Russell 1000® Growth Index measures the performance of those Russell 1000® companies with higher price/book ratios and higher forecasted growth values. The stocks are also members of the Russell 3000® Growth Index.

The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price/book ratios and lower forecasted growth values. The stocks are also members of the Russell 3000® Value Index.

The Russell 3000® Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000® companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000® Growth Index measures the performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

The MSCI EAFE Value Index (Europe, Australasia, Far East) captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Please go to msci.com for the most current list of countries represented by the index.

The MSCI EAFE Growth Index (Europe, Australasia, Far East) captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Please go to msci.com for the most current list of countries represented by the index.

The MSCI Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 24 Emerging Markets (EM) countries. Please go to msci.com for the most current list of countries represented by the index.

The MSCI Emerging Markets Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 24 Emerging Markets (EM) countries. Please go to msci.com for the most current list of countries represented by the index.

The indices are unmanaged, are not available for direct investment and do not incur expenses.

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