Is Value Investing Dead?

FPPTA Fall Trustee School
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Accelerated Learning CEU Panel Session

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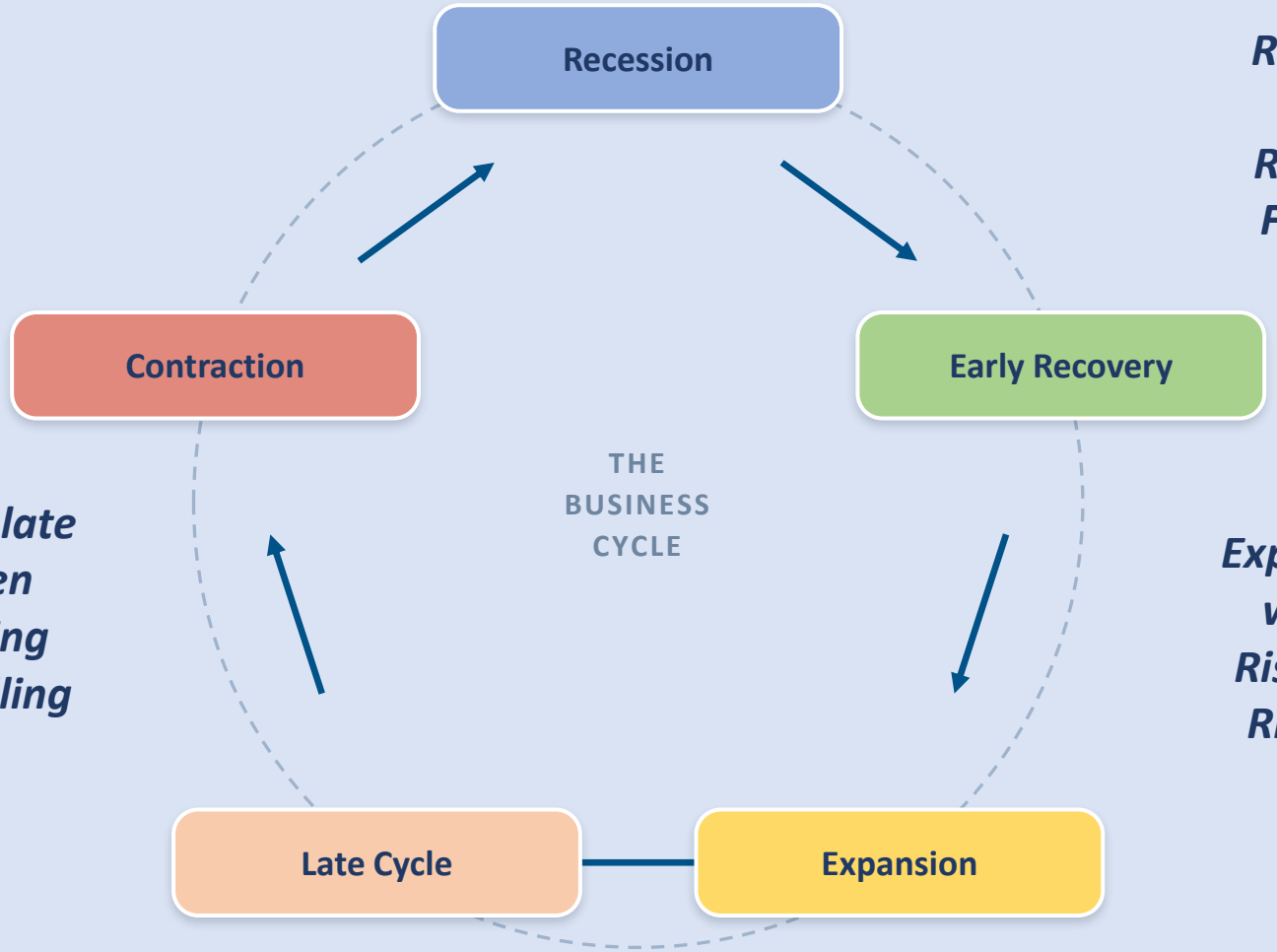
The Value Cycle Is Connected to the Economic Cycle

Value tends to lead and lag different phases of the business cycle

Contraction cycle is when there is Falling Growth & Rising Inflation ("Stagflation") leading to Recession

Recovery cycle is when there is Rising Growth & Falling Inflation



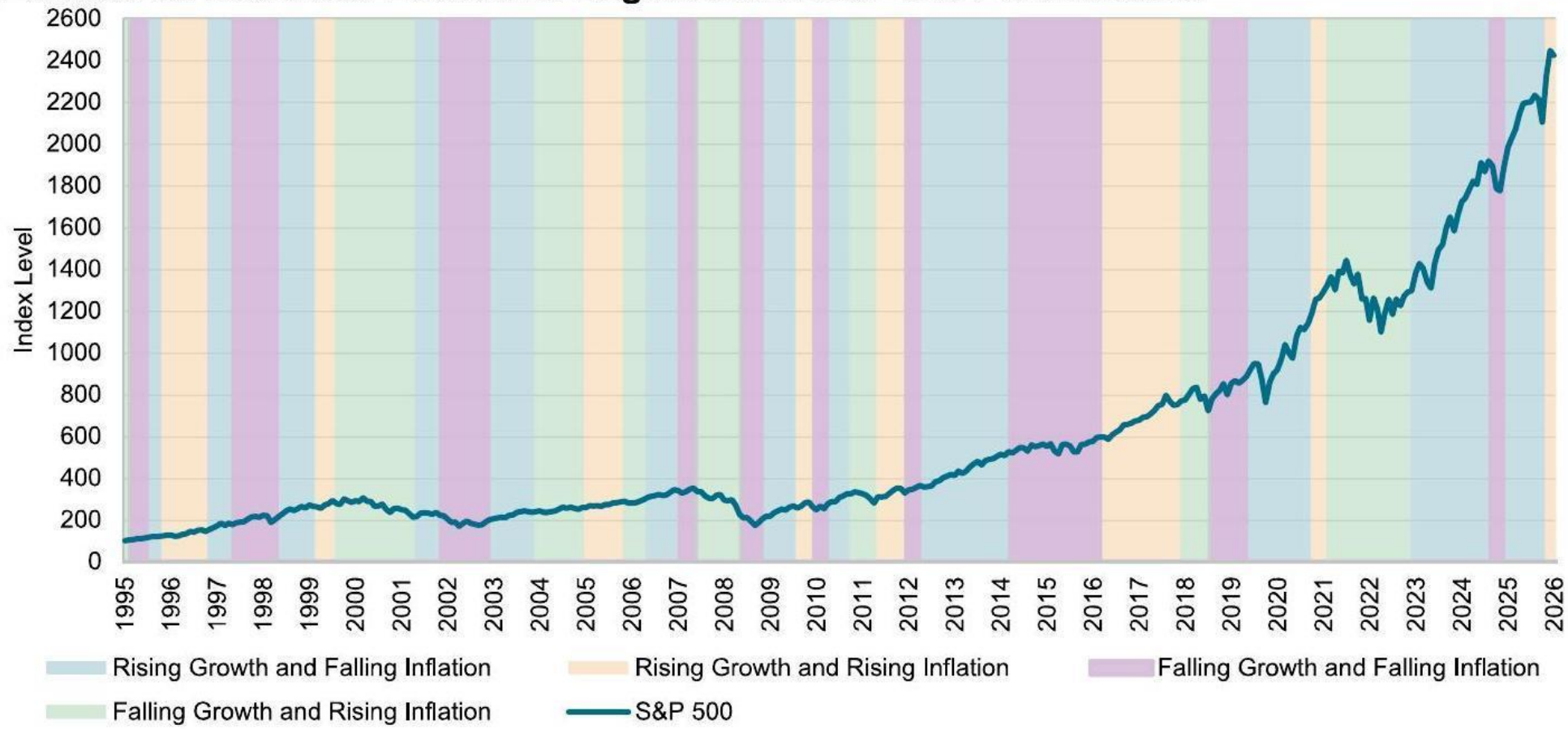
Slowdown or late cycle is when there is Falling Growth & Falling Inflation

Expansion cycle is when there is Rising Growth & Rising Inflation

Source: TWIN Capital Management, Inc.

Economic Regimes Overlaid on the S&P 500

Exhibit 2c: Historical Economic Regimes and S&P 500 Performance



Source: S&P Dow Jones Indices LLC, OECD, U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis. Data from June 30, 1995, to June 30, 2026. The S&P 500 was rebased to 100 on June 30, 1995. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Source: SPDJI Factors in Macro Regimes, p.5 (Exhibit 2c)

S&P 500 Performance During Economic Cycles

Exhibit 3: S&P 500 Performance in Different Historical Economic Regimes

Metric	Rising Growth and Falling Inflation	Rising Growth and Rising Inflation	Falling Growth and Falling Inflation	Falling Growth and Rising Inflation
Annualized Performance (%)	27.36	19.97	3.02	-10.07
Annualized Volatility (%)	13.05	11.91	16.96	16.84
Risk-Adjusted Performance	2.10	1.68	0.18	-0.60

Source: S&P Dow Jones Indices LLC. Data from June 30, 1995, to June 30, 2026. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Source: SPDJI Factors in Macro Regimes, p.5 (Exhibit 3)

Value Underperforms in Expansionary & Late Cycles and Outperforms in Recovery Cycle

Exhibit 6: Factor Excess Returns, Outperformance Hit Ratios and Economic Cycle

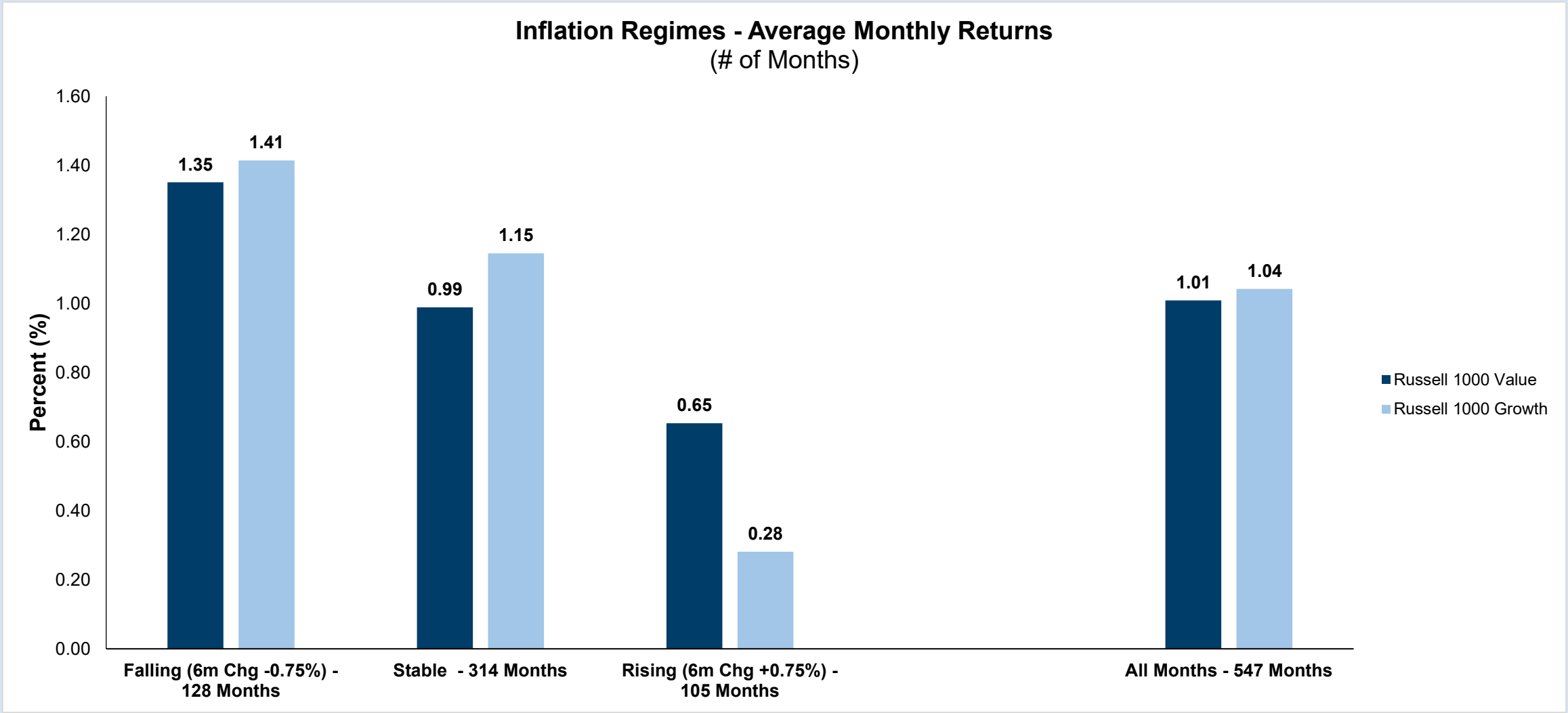
Monthly Excess Return and Outperformance Hit Ratio versus S&P 500	Rising Growth and Falling Inflation	Rising Growth and Rising Inflation	Falling Growth and Falling Inflation	Falling Growth and Rising Inflation
S&P 500 Quality Index	-0.05% (0.52)	0.00% (0.50)	0.39% (0.64)	0.59% (0.66)
S&P 500 Momentum Index	0.20% (0.51)	1.07% (0.63)	0.18% (0.61)	-0.24% (0.50)
S&P 500 Pure Growth	0.58% (0.63)	0.60% (0.57)	-0.05% (0.45)	-0.36% (0.44)
S&P 500 Pure Value	0.56% (0.60)	-0.27% (0.49)	-0.75% (0.42)	0.39% (0.48)
S&P 500 High Dividend Index	-0.13% (0.47)	-0.70% (0.40)	-0.21% (0.48)	0.84% (0.63)
S&P 500 Low Volatility Index	-0.85% (0.33)	-0.82% (0.35)	0.40% (0.61)	1.19% (0.64)
S&P 500 Equal Weight Index	0.21% (0.54)	-0.18% (0.47)	-0.25% (0.35)	0.20% (0.52)

Source: S&P Dow Jones Indices LLC. Data from June 30, 1995, to June 30, 2026. Index performance based on total return in USD. The S&P 500 Quality Index was launched on July 8, 2014. The S&P 500 Momentum Index was launched on Nov. 18, 2014. The S&P 500 Pure Growth was launched on Dec. 16, 2005. The S&P 500 Pure Value was launched on Dec. 16, 2005. The S&P 500 High Dividend Index was launched on Sept. 21, 2015. The S&P 500 Low Volatility Index was launched on April 4, 2011. The S&P 500 Equal Weight Index was launched on Jan. 8, 2003. The S&P 500 was launched on March 4, 1957. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Source: SPDJI Factors in Macro Regimes, p.9 (Exhibit 6)

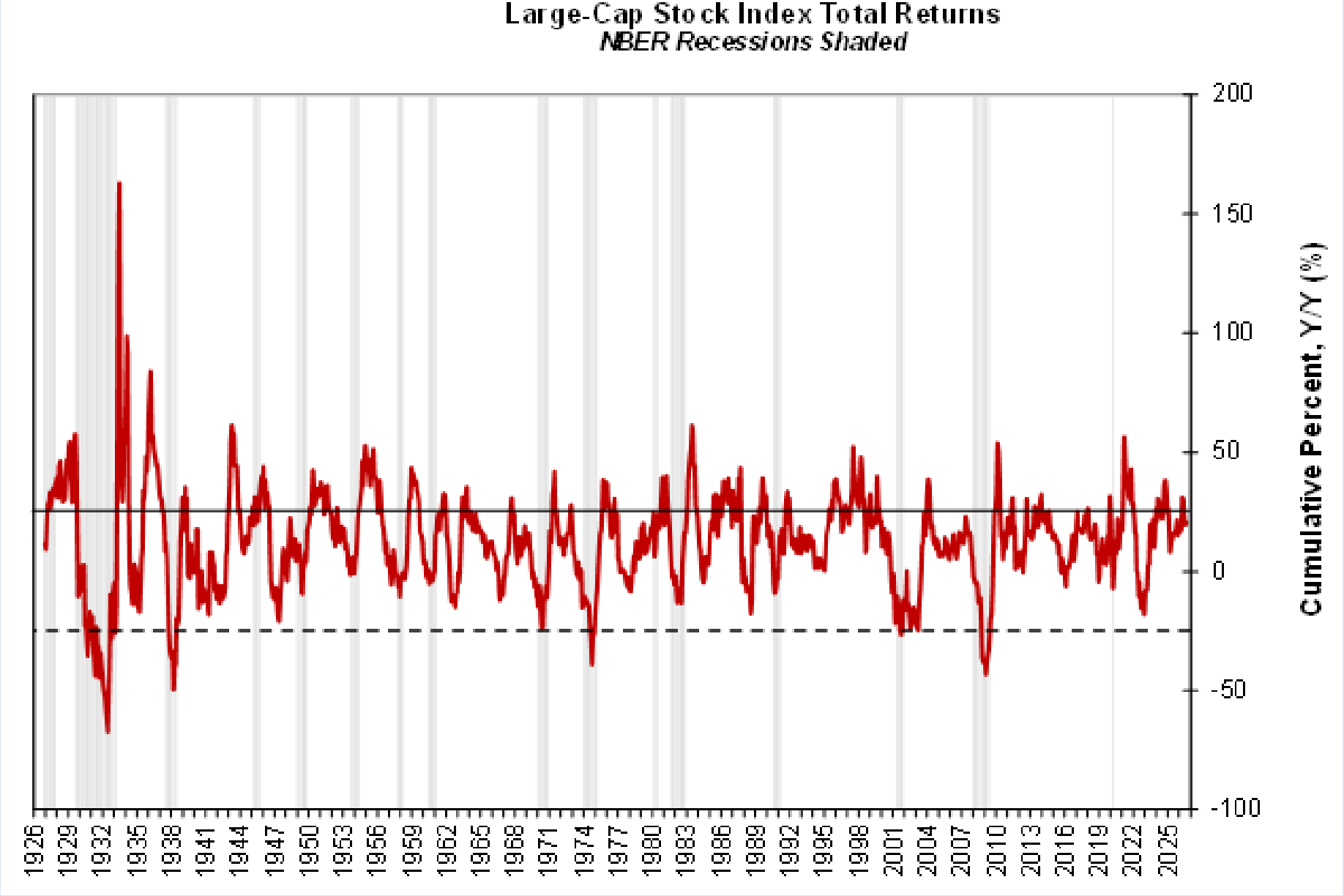
Value Outperforms Growth in Rising Inflationary Periods

January 1979 – August 2026



Source: TWIN Capital Management, Inc.

The Worst 12-Month Equity Returns Happen During Recessions



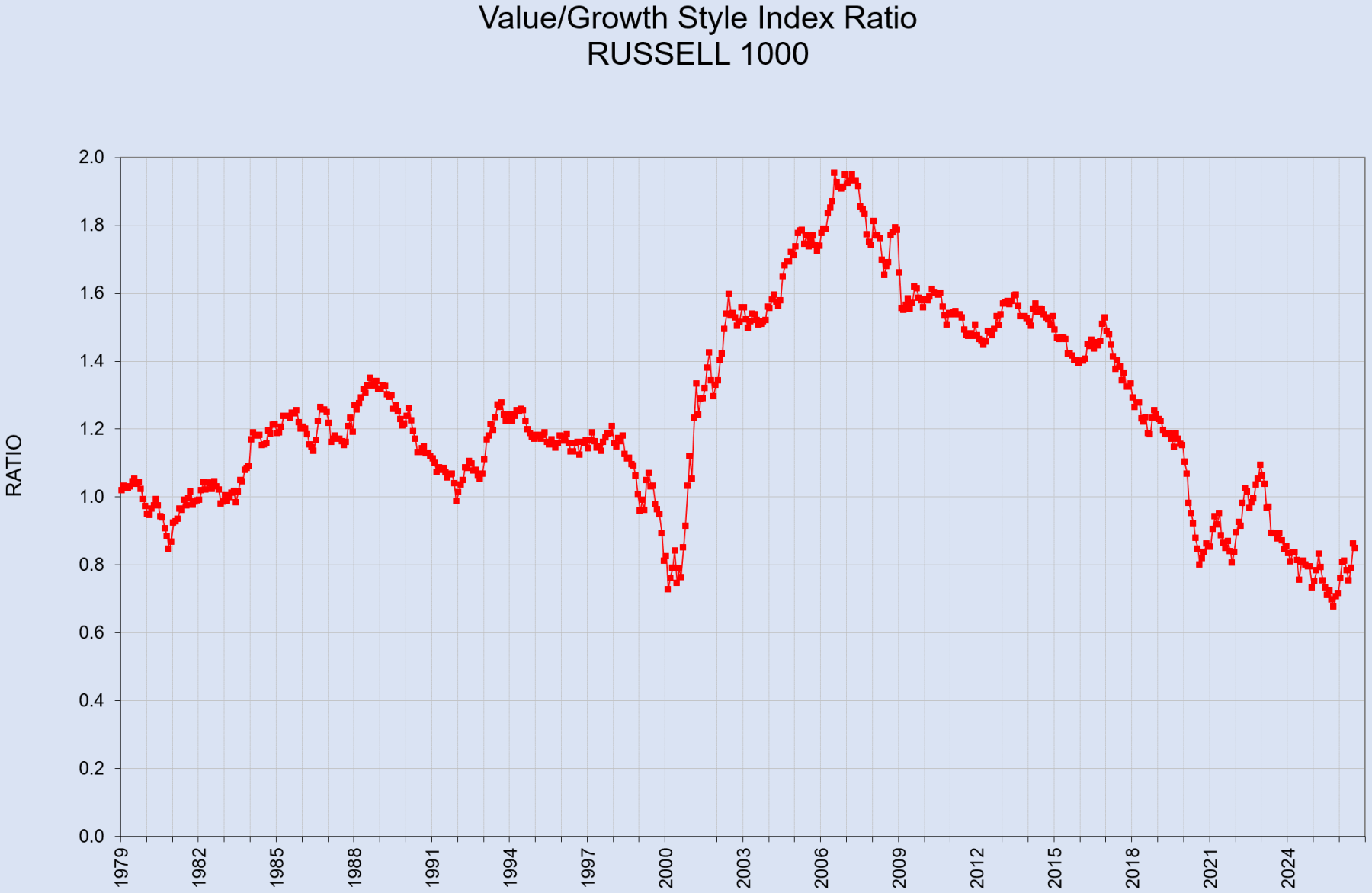
There have been 45 times beginning in 1926 when the S&P Large-cap Index declined by more than 25% cumulatively over a 12-month period.

ALL 45 instances occurred during a recession.

Equities typically fall prior to a recession and rebound before the recession is over.

Source: TWIN Capital Management, Inc.

Long Cycle of Growth Leading Value Began in 2007



Source: TWIN Capital Management, Inc.

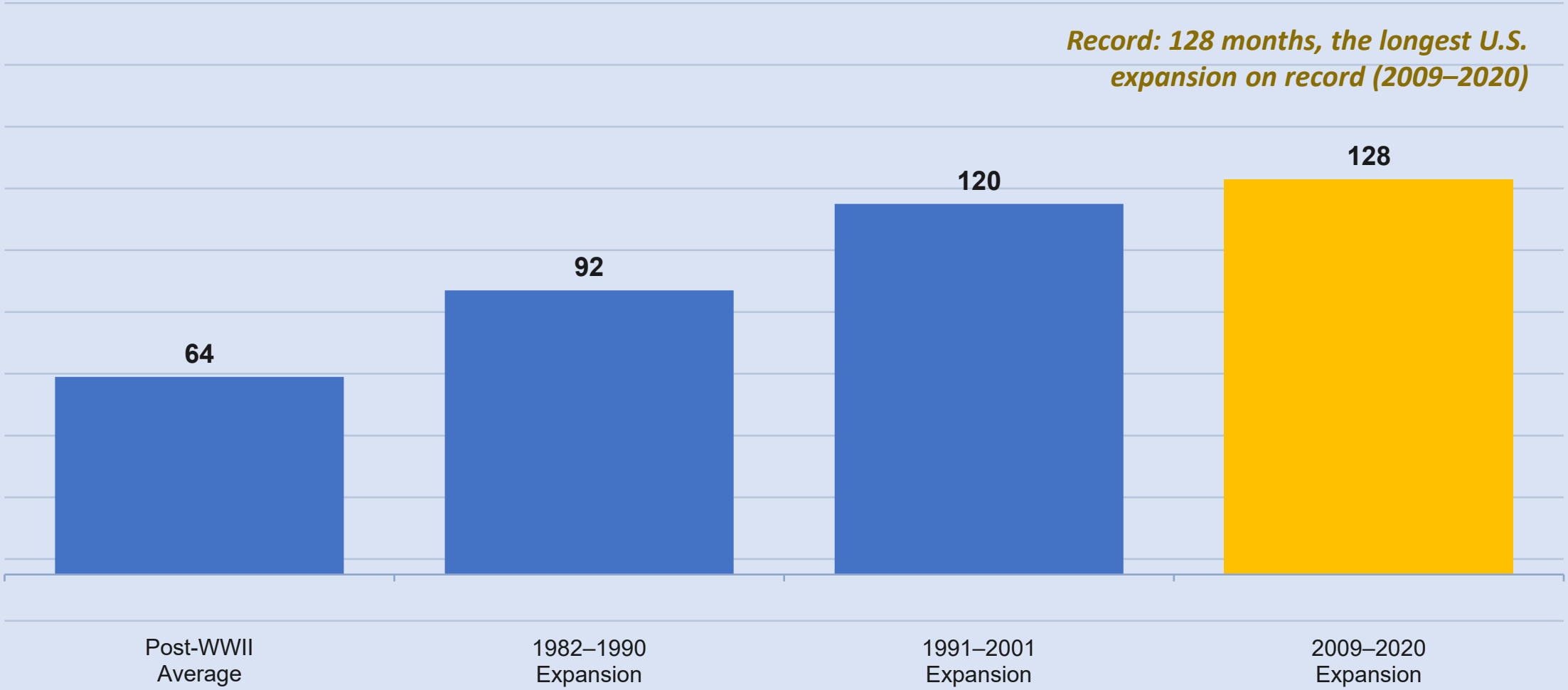
From March 2000 through June 2006, Value beat Growth by 15.7% per year.

From July 2007 through December 2020, Growth beat Value by 5.9%. If it were not for 2022 when Value won handily in a down market, the spread would be far greater.

Value outperformed Growth during the recessions in the 1980's, 1990's and from 2000-2002.

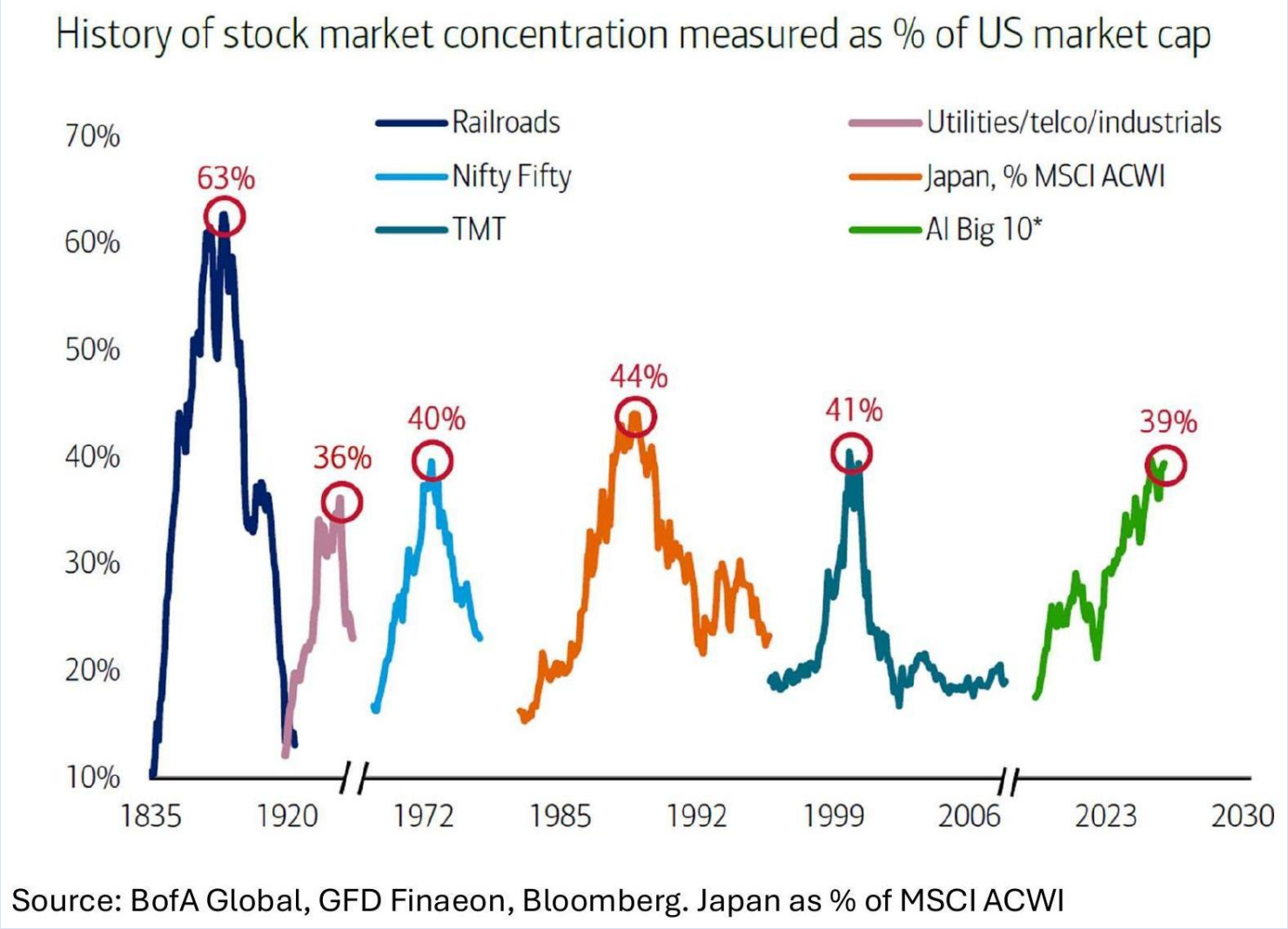
Growth outperformed Value during the Global Financial Crisis & the Covid recessions.

But the Economic Cycle Itself Has Lengthened



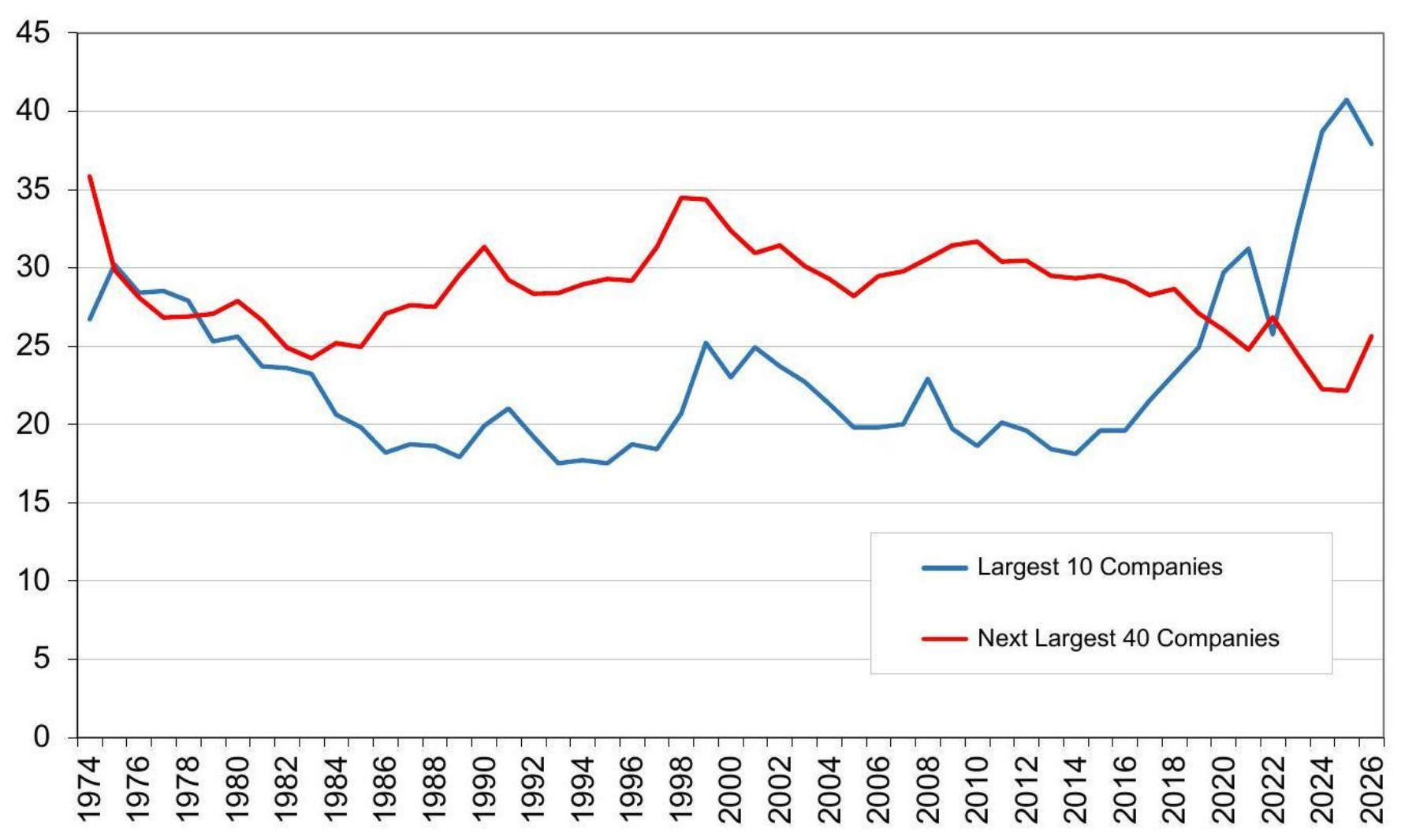
Source: NBER U.S. Business Cycle Expansions and Contractions chronology
TWIN Capital Management

History of Stock Market Concentration



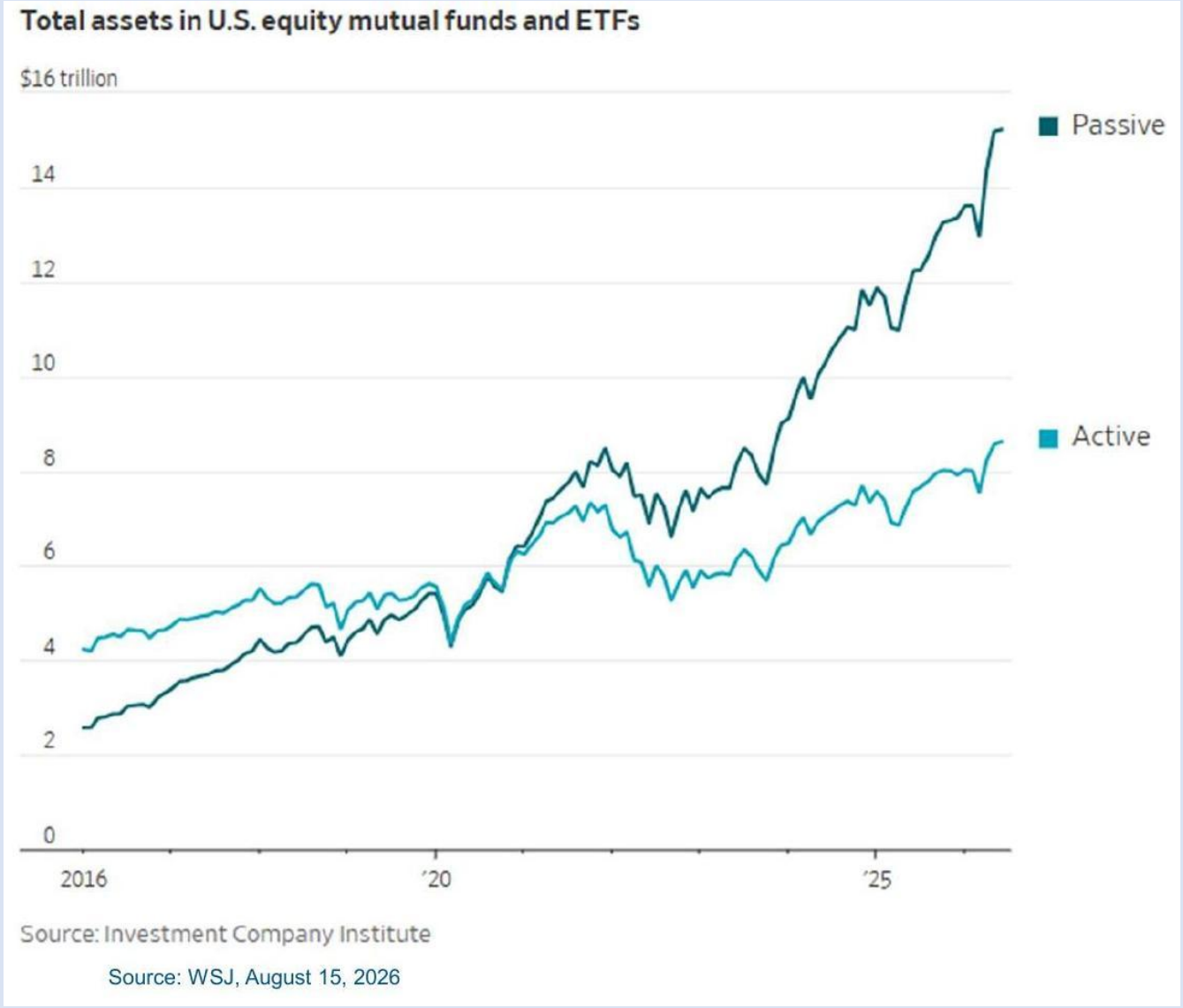
Source: DRZ

The Passive Index Is the Most Concentrated Ever



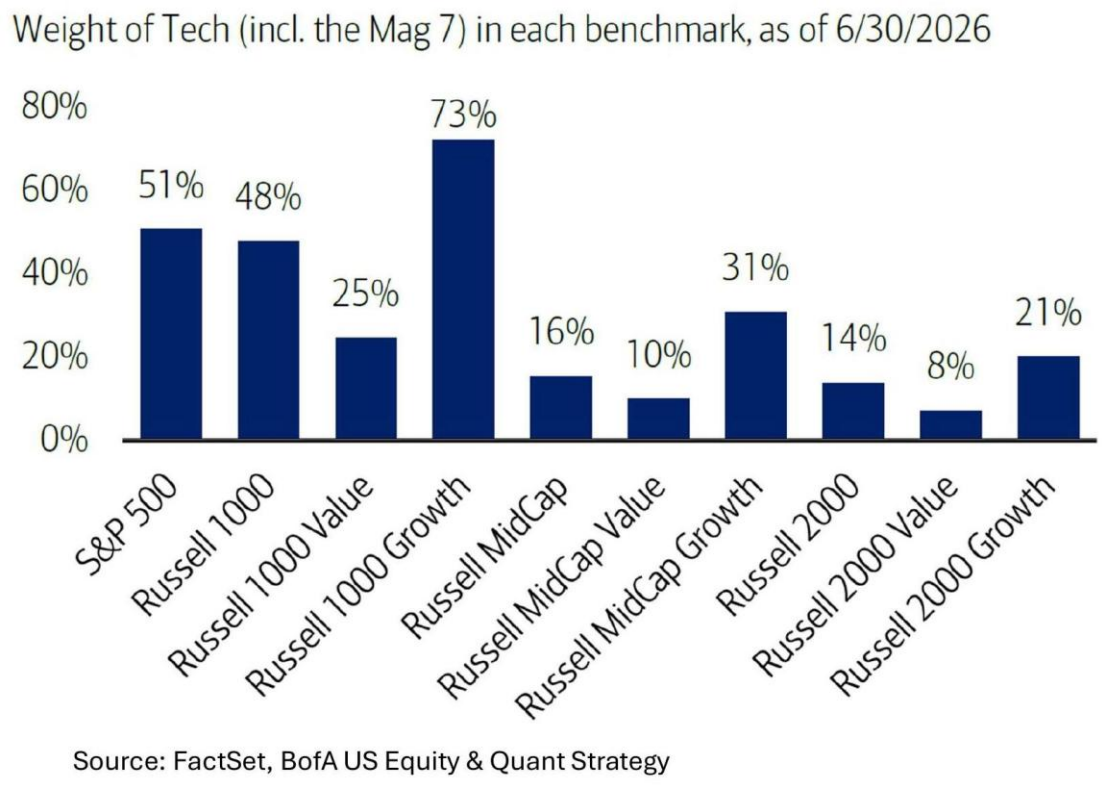
Source: TWIN Capital Management

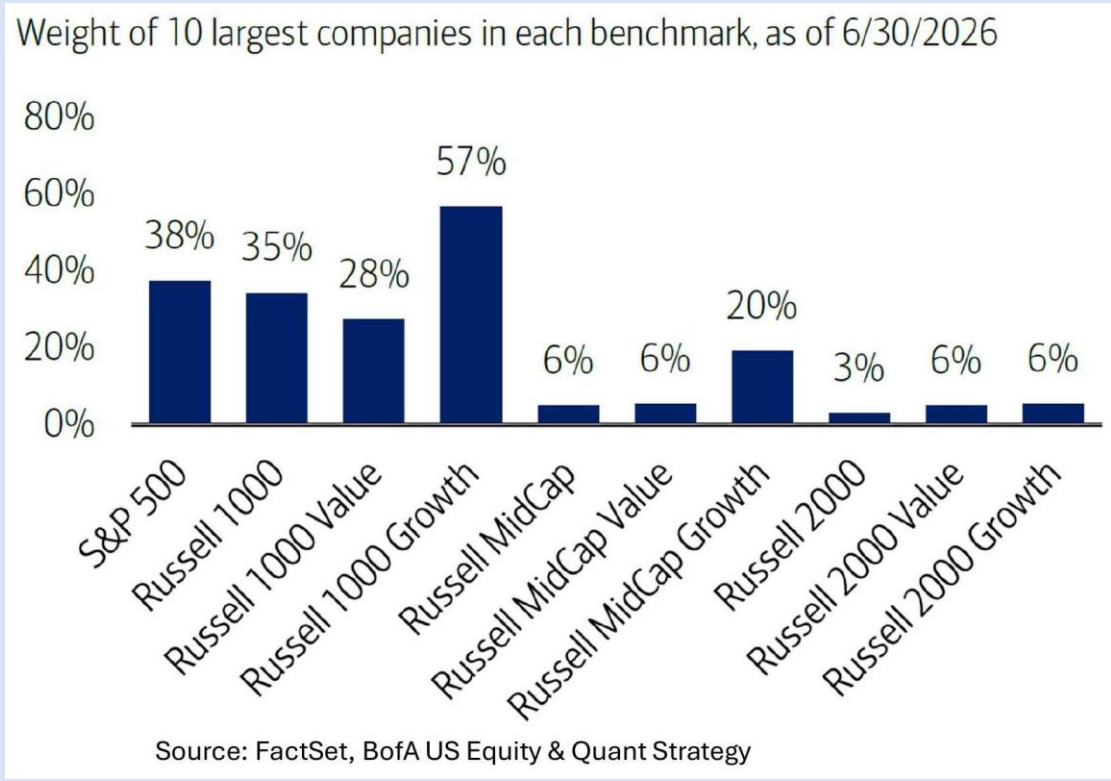
Passive Exceeds Active This Decade



Source: TWIN Capital Management

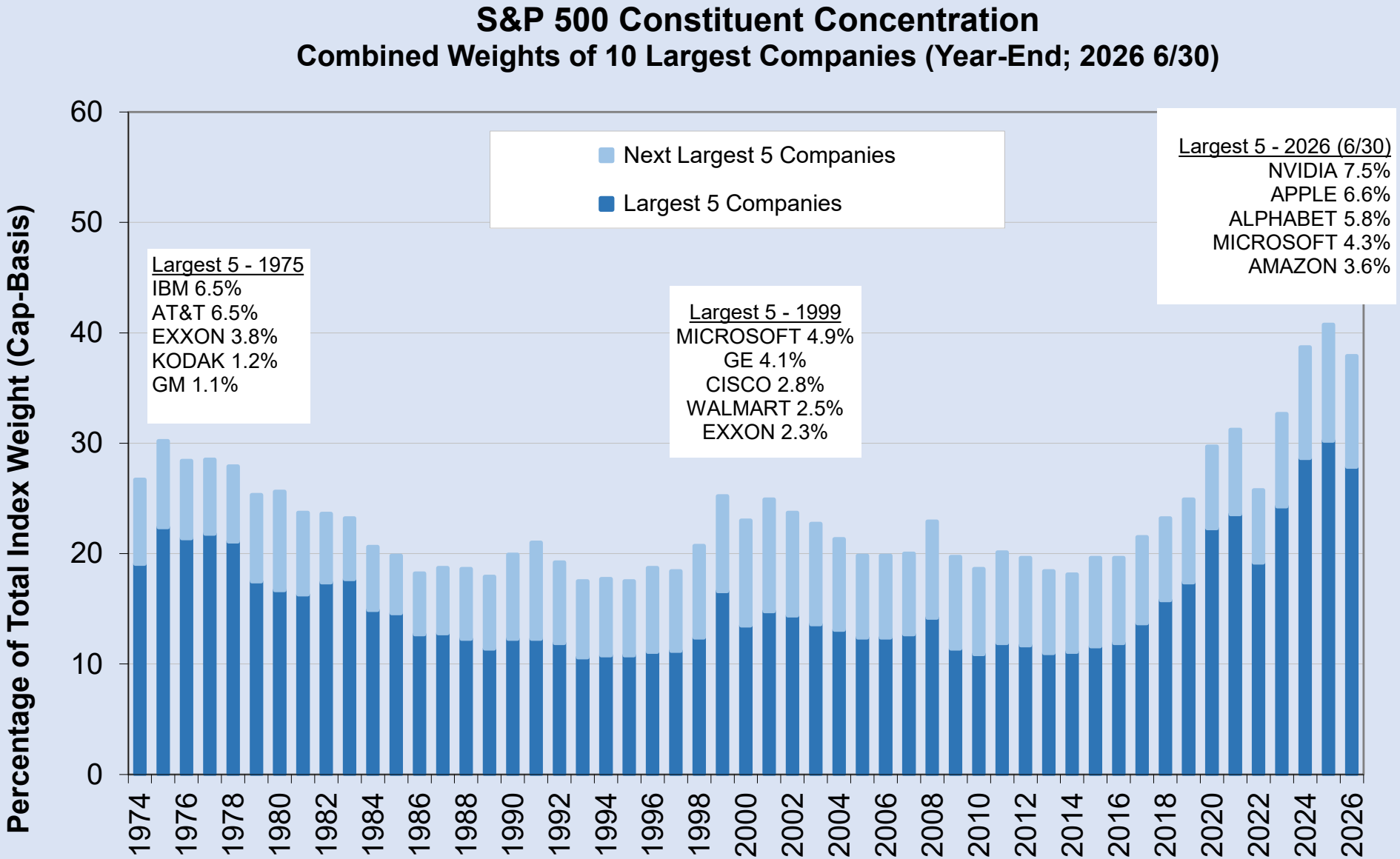
Which Stocks are Driving the Distortion?





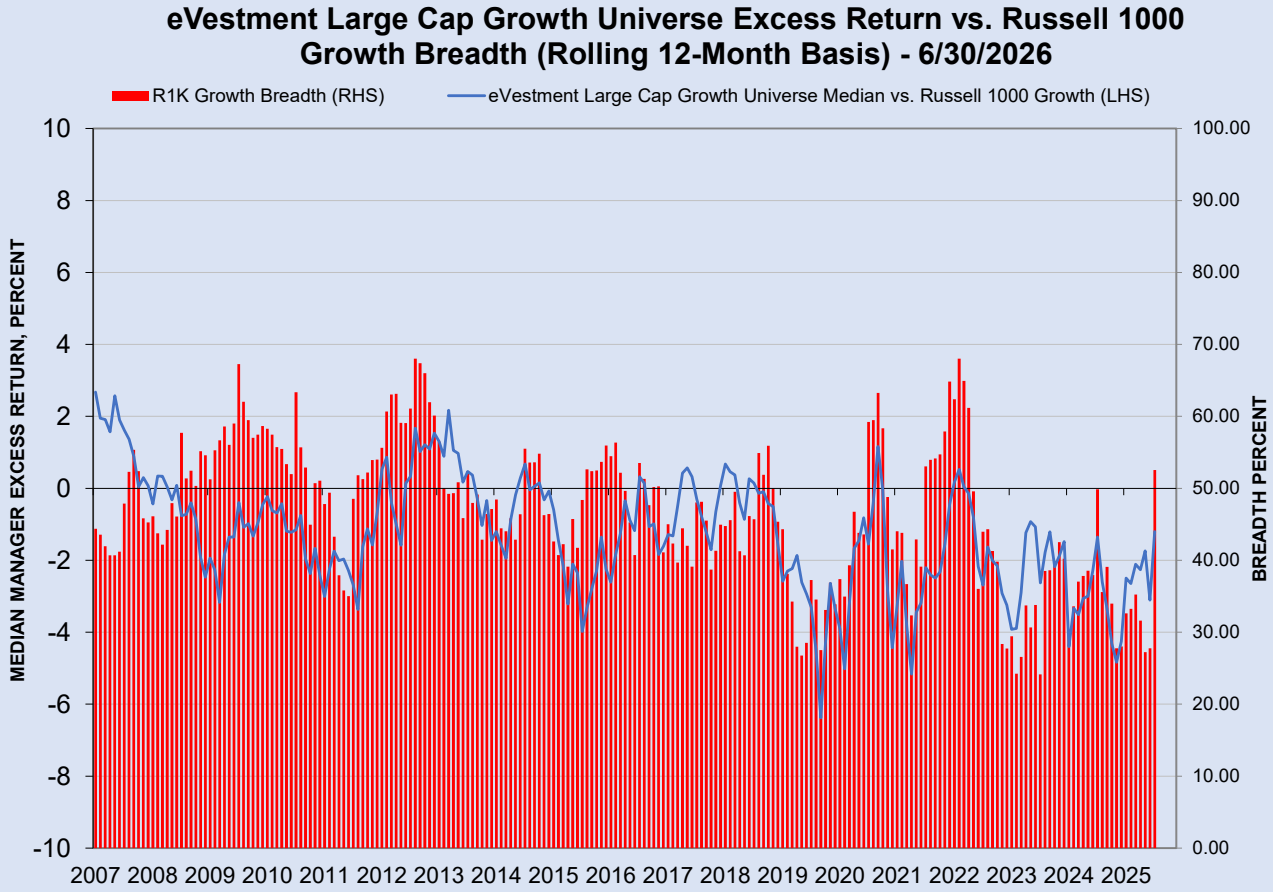
Source: DRZ

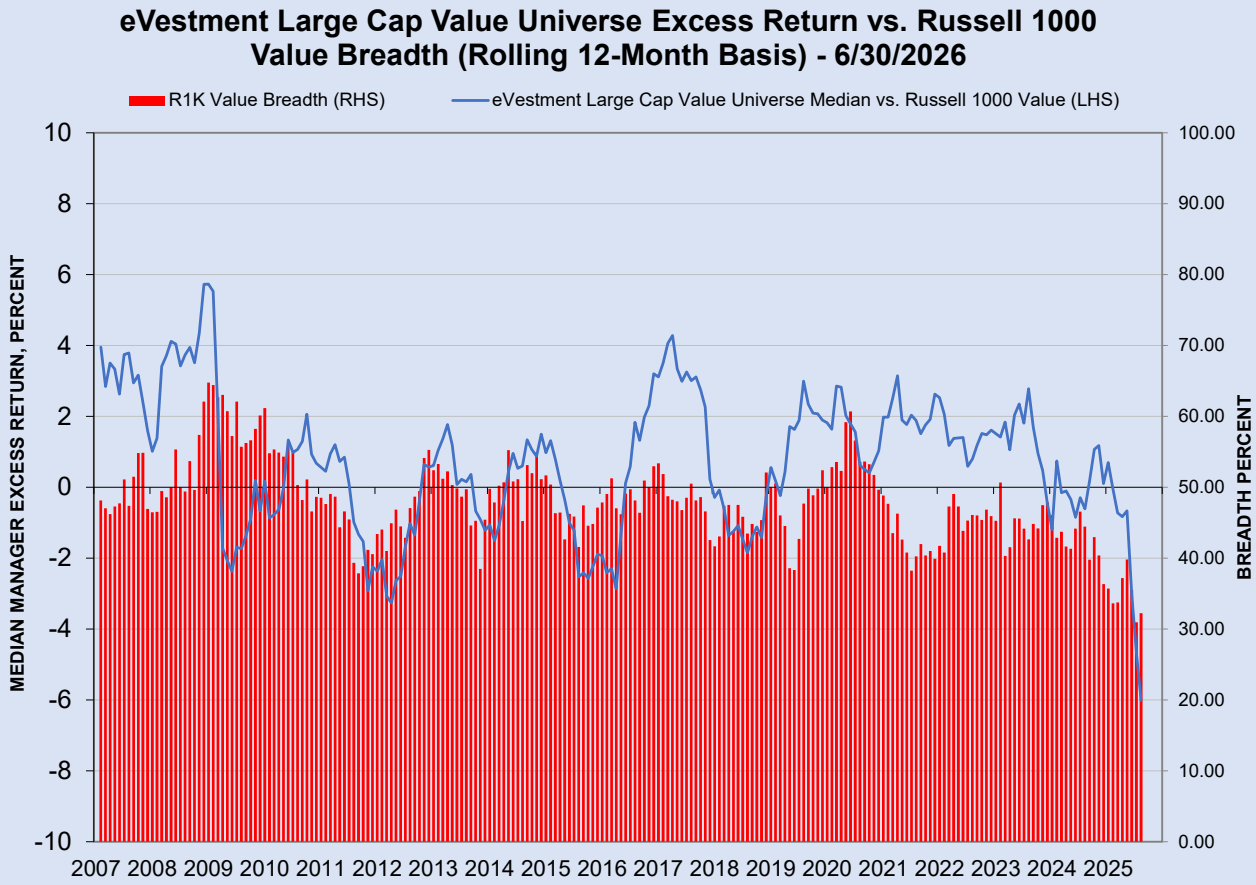
Market Leaders Shift Over Time



Source: TWIN Capital Management

Large-Cap Growth vs. Value Active Managers

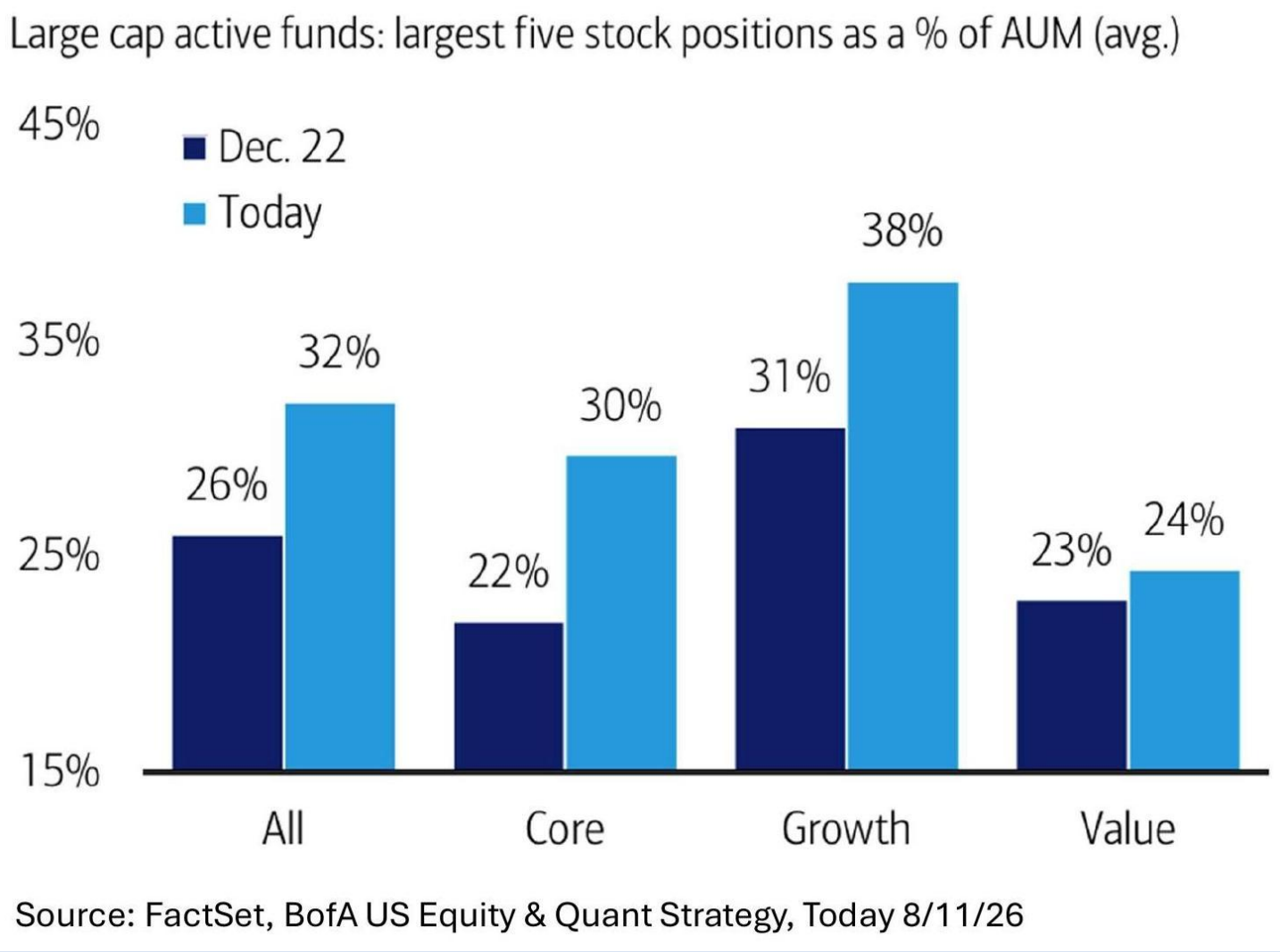




For the past 10 years, Large-cap Active Growth managers have underperformed the Russell 1000 Growth Index while Large-cap Active Value managers have outperformed the Russell 1000 Value index.

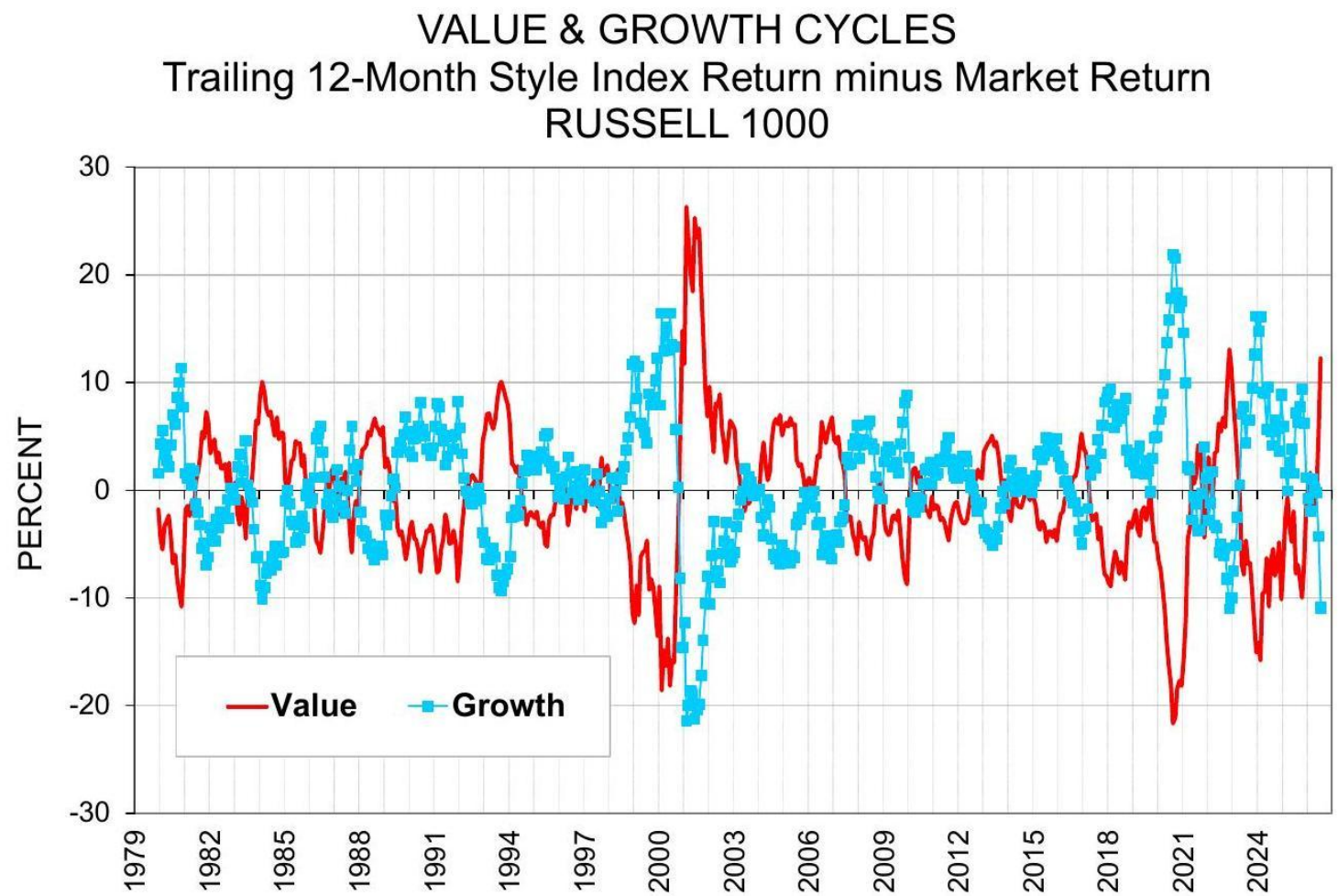
Source: TWIN Capital Management

Largest Five Stock Positions as % of AUM



Source: DRZ

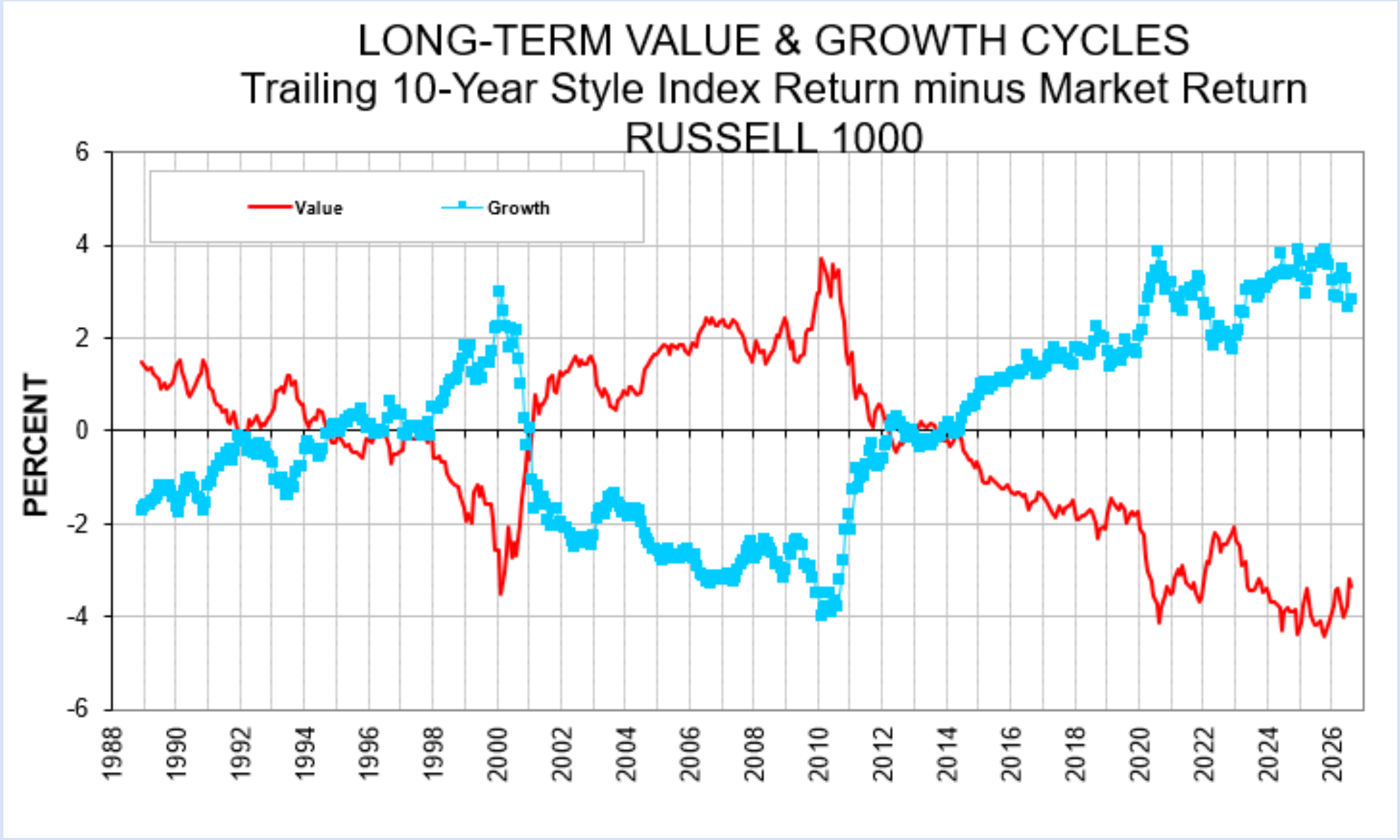
Style Cycles — Trailing 12-Month (1-Year Rolling)



Growth stocks outpaced Value stocks significantly in 2023, 2024 and 2025. The gap for the 12-months ending in July 2026 is 23.2% in favor of Value.

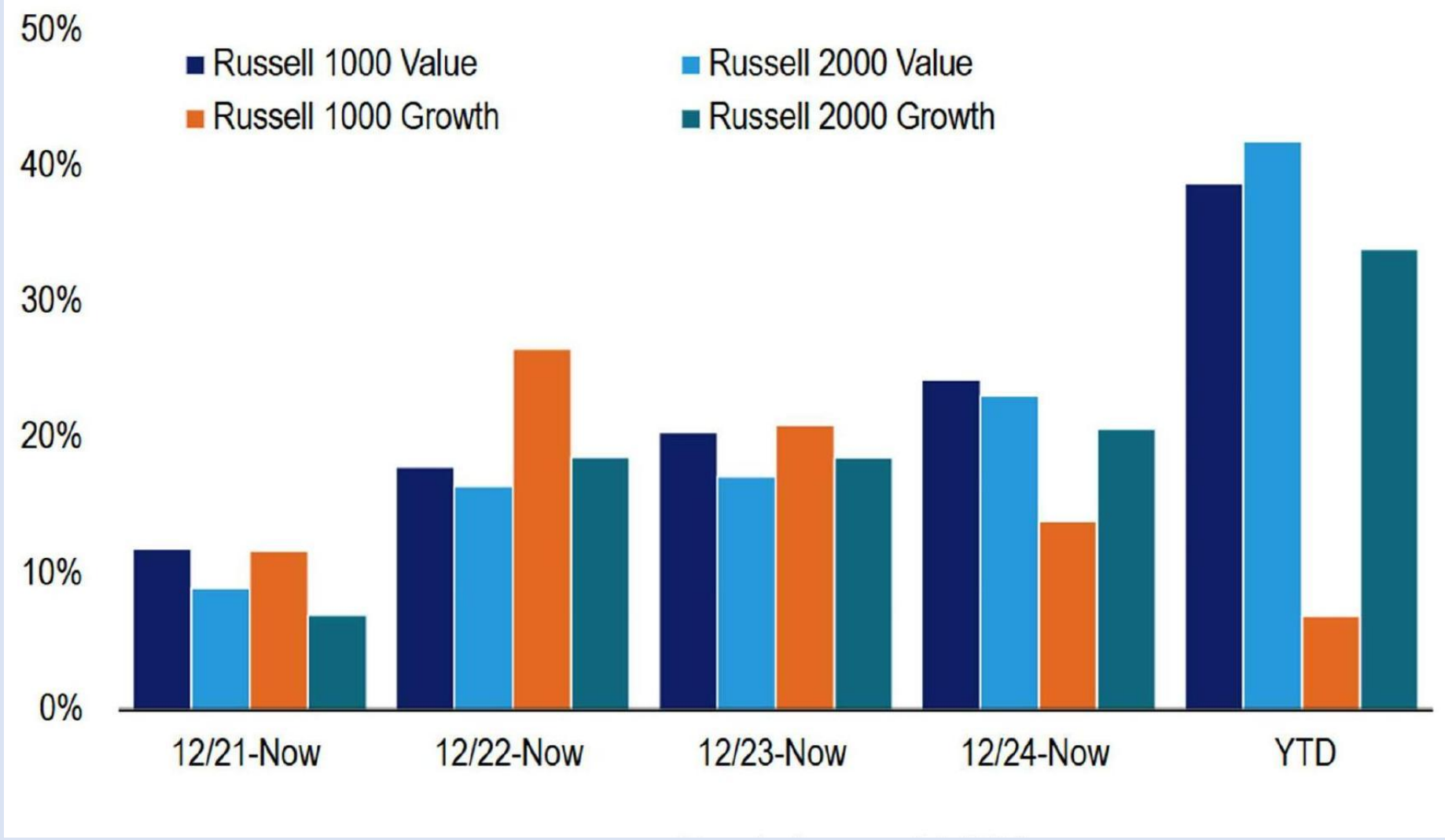
Source: TWIN Capital Management

Style Cycles — Trailing 10-Year Rolling



Source: TWIN Capital Management

Russell 1000/2000 Value & Growth — 5 Trailing Periods



Source: DRZ

Only One of Eleven S&P 500 Sectors Has Outperformed — 10 Years Ending July 2026

TOTAL RETURNS (WITH INCOME) %, THROUGH JULY 2026

	WEIGHT, % (July 31,2026)	PAST MONTH	PAST 3 MOS	PAST 12 MOS	YTD 2026	Annual Averages PAST 36 MOS	PAST 60 MOS	PAST 120 MOS
S&P 500		-0.1	4.2	19.6	10.1	19.3	12.9	15.1
S&P 500/GICS SECTOR INDICES								
INFO TECH	36.8	-3.4	8.3	26.2	15.7	28.3	20.4	25.2
FINANCIALS	12.5	6.2	9.6	10.5	4.9	19.2	11.3	13.7
INDUSTRIALS	8.7	-3.0	3.2	19.9	16.5	19.4	13.5	13.7
CONS DISCRETIONARY	9.4	0.8	-1.4	7.5	0.0	13.0	6.8	12.6
COMMUNIC SVC	9.7	0.6	-8.1	19.0	1.4	26.6	11.8	11.6
ENERGY	3.4	12.6	1.0	41.2	34.7	14.6	24.0	10.2
HEALTH CARE	9.1	2.4	11.9	26.9	6.0	8.5	6.0	10.0
MATERIALS	1.8	-1.7	-2.3	15.3	10.1	7.1	5.5	9.6
UTILITIES	2.1	-2.2	-4.7	6.4	5.3	13.2	9.4	8.9
CONS STAPLES	4.7	2.1	-0.6	10.3	10.3	8.6	7.7	8.2
REAL ESTATE	1.9	2.5	2.3	14.0	14.3	9.9	3.1	6.5

SOURCE: FACTSET

As the only sector to beat the market for the most recent 10-year period, Information Technology has more than 2.5 times the weight of the next largest S&P 500 sector.

Source: TWIN Capital Management