Are Value Stocks Poised for a Comeback? – Video Transcript

Growth stocks have dominated the market for the last decade, led by tech-giants and other fast-growing companies.

While this trend could continue, some analysts think value stocks might have strong appeal during the next phase of the economic recovery.

Value stocks are associated with companies that may be undervalued by the market, or in an industry that is currently out of favor.

These stocks may be priced lower than might be expected in relation to their earnings, assets, or growth potential.

Established companies are more likely to be considered value stocks. That's because older businesses may be more conservative with spending and emphasize paying dividends over reinvesting profits.

In fact, the potential for solid dividend returns regardless of market direction is one reason why value stocks can be appealing, especially in the current low-interest environment.

Value stocks and growth stocks tend to perform differently under different market conditions.

This chart shows how these stocks have performed over the past 20 years.

Chart: Value stocks grew 3.26% and Growth stocks 0.02% from 2001-2010. Value stocks grew 10.18% and Growth stocks 16.83% from 2011-November 2020.

The last 10 years have been a strong period for growth stocks, whereas value stocks were stronger during the previous decade, a period that included two recessions and extended bear markets.

For diversification purposes, you may want to hold both value and growth stocks in your portfolio. This can be accomplished by investing in broad index funds, which generally include a mix of value and growth stocks.

Typically, investors who follow a value or growth strategy weight their portfolios to one side or the other through funds or individual stocks.

If you use a fund to emphasize value or growth in your equity portfolio, it's important to understand the fund's objectives and structure.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. Past results do not guarantee future performance.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against loss. The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.