

# The Value of Value



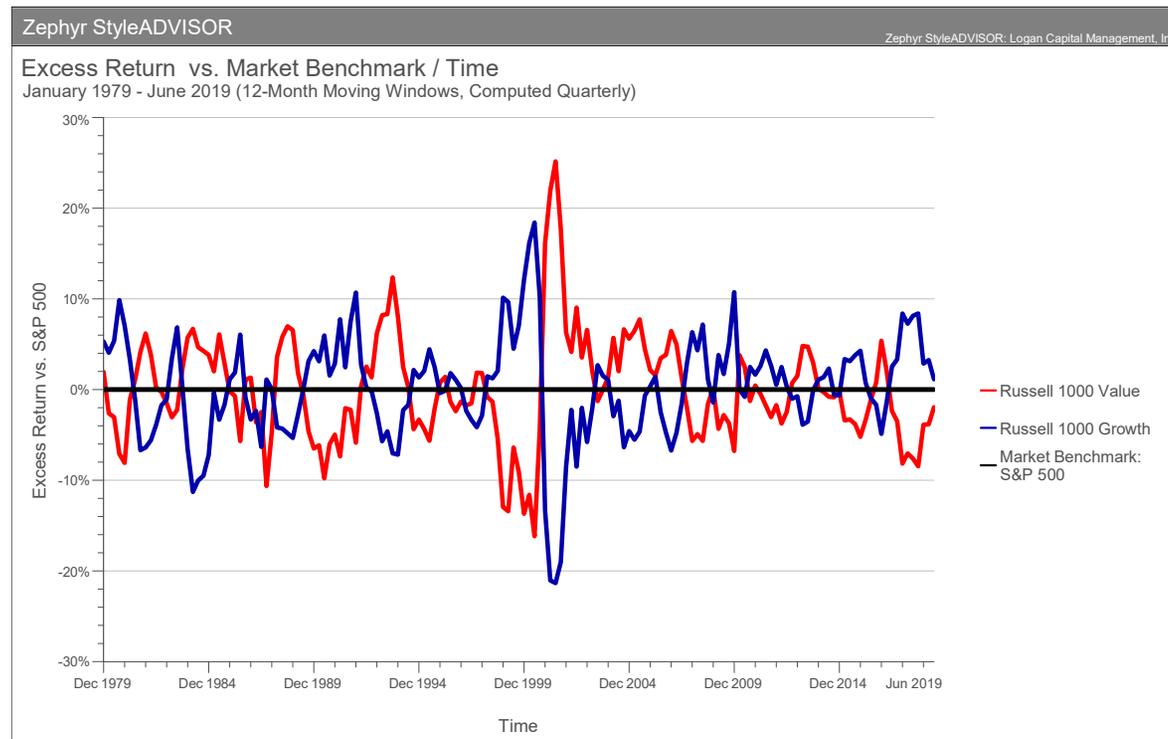
## In a Diversified Portfolio

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**The Value of Value in a Diversified\* Portfolio**

In order to aim for smooth growth in a large pension fund's equity assets, complementary strategies can be employed. The most common structure pairs growth and value strategies, which tend to perform inversely to each other. Ideally, in strong markets growth investments propel the assets forward, while in weak markets, value investments will be meaningfully protective to help to stabilize returns and avoid giving back most of the growth-fueled gains.

The graph below illustrates the complementary nature of the Russell 1000 Growth Index **\*\***(blue) and the Russell 1000 Value Index**\*\*** (red) by plotting excess return over rolling one-year periods versus the S&P 500**\*\*** (black) to represent the US stock market.

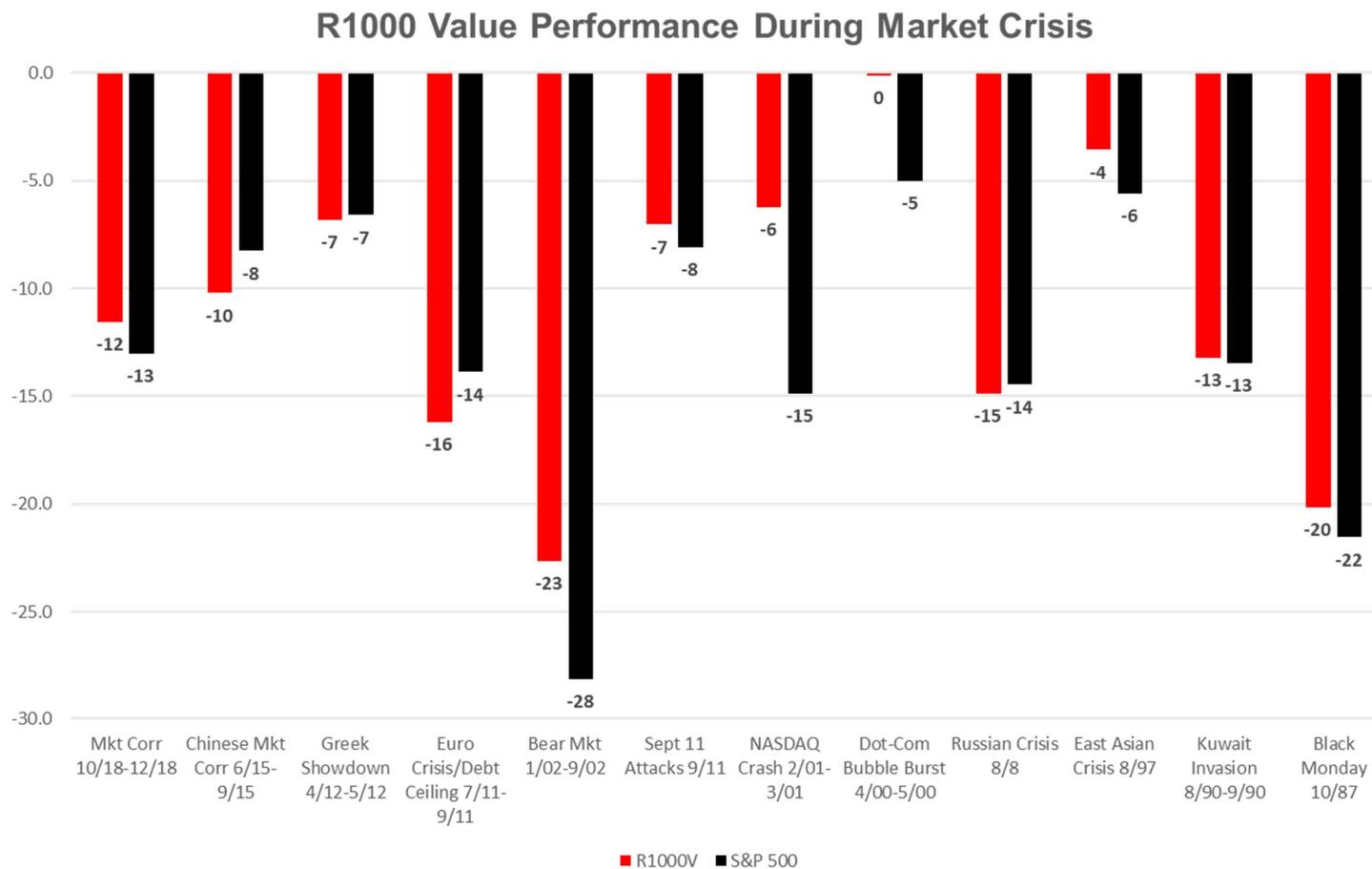


Source: Zephyr StyleADVISOR

\*Diversification does not guarantee a profit or protect against a loss in a declining market. It is a method used to help manage investment risk. \*\* Please see Disclosures and Definitions at the end of this paper.

Taking this a step further, we looked at twelve "crisis" periods since Black Monday in 1987, where the S&P 500 either declined significantly or stayed down for some period of time in response to economic or political events, to assess how well the widely-used Russell 1000 Value Index "did its job" to be protective.

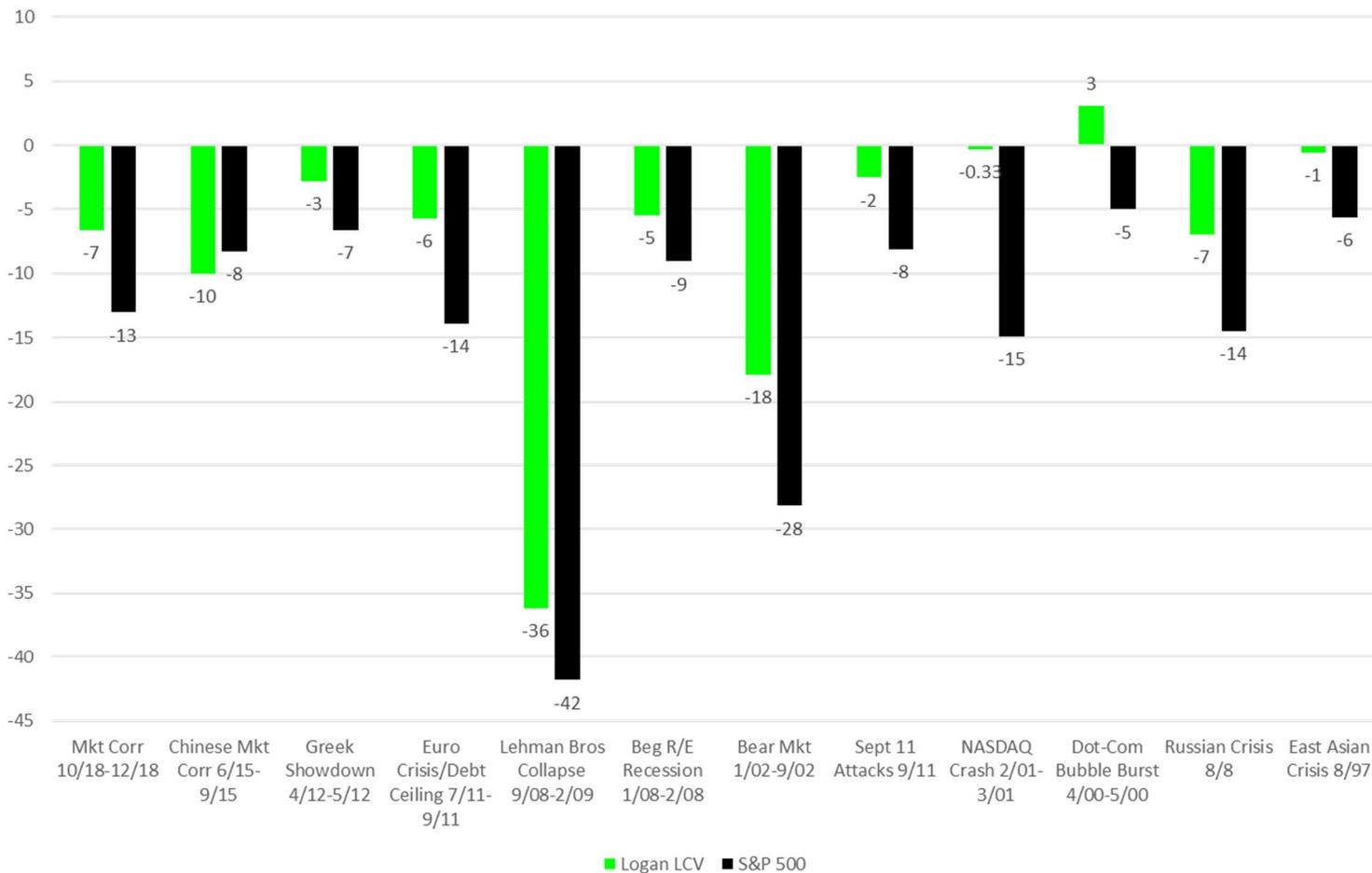
The following graph shows that **in nine of twelve instances the Index was not significantly protective** versus the S&P 500's performance, declining either in line with or more than the S&P 500, or losing just 1-2% less.



Data source: Zephyr StyleADVISOR

In comparison\*\*, Logan Capital's Concentrated Value strategy CAN offer the type of protection expected of a value investment, as shown below. The strategy outperformed the S&P 500 in eleven of twelve periods. During the NASDAQ\*\* Crash, it lost just 33 bps and outperformed the market by more than 14%. **This is the value of value in a diversified portfolio.**

### Logan Concentrated Value Performance During Market Crisis



Data source: Zephyr StyleADVISOR \*\* Please see Disclosures and Definitions at the end of this paper.

## **Disclosures and Definitions**

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment.

The Russell 1000 Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

The Nasdaq Composite Index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted.