



RETIREMENT & FINANCIAL PLANNING CORNER

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UNDERSTANDING LARGE VALUE AND LARGE GROWTH INVESTING

The Difference Between Growth Funds and Value Funds

Growth stocks are those companies that are considered to have the potential to outperform the overall market over time because of their future potential. Value stocks are classified as companies that are currently trading below what they are really worth and will generally provide a more moderate, predictable dividend payout and rate of return.

	Growth	Value
Type of Investment	Aggressive	Less aggressive
Dividends Paid	Low or none	Combination of price appreciation and yields
Returns	Expected to gain more quickly than the stock market overall	Historically performs better long term compared to growth funds
Risk	High	Medium

<https://www.thebalance.com/the-difference-between-growth-funds-and-value-funds-2466437#:~:text=Growth%20stock%20funds%20hold%20growth,earnings%20or%20other%20value%20measures.>

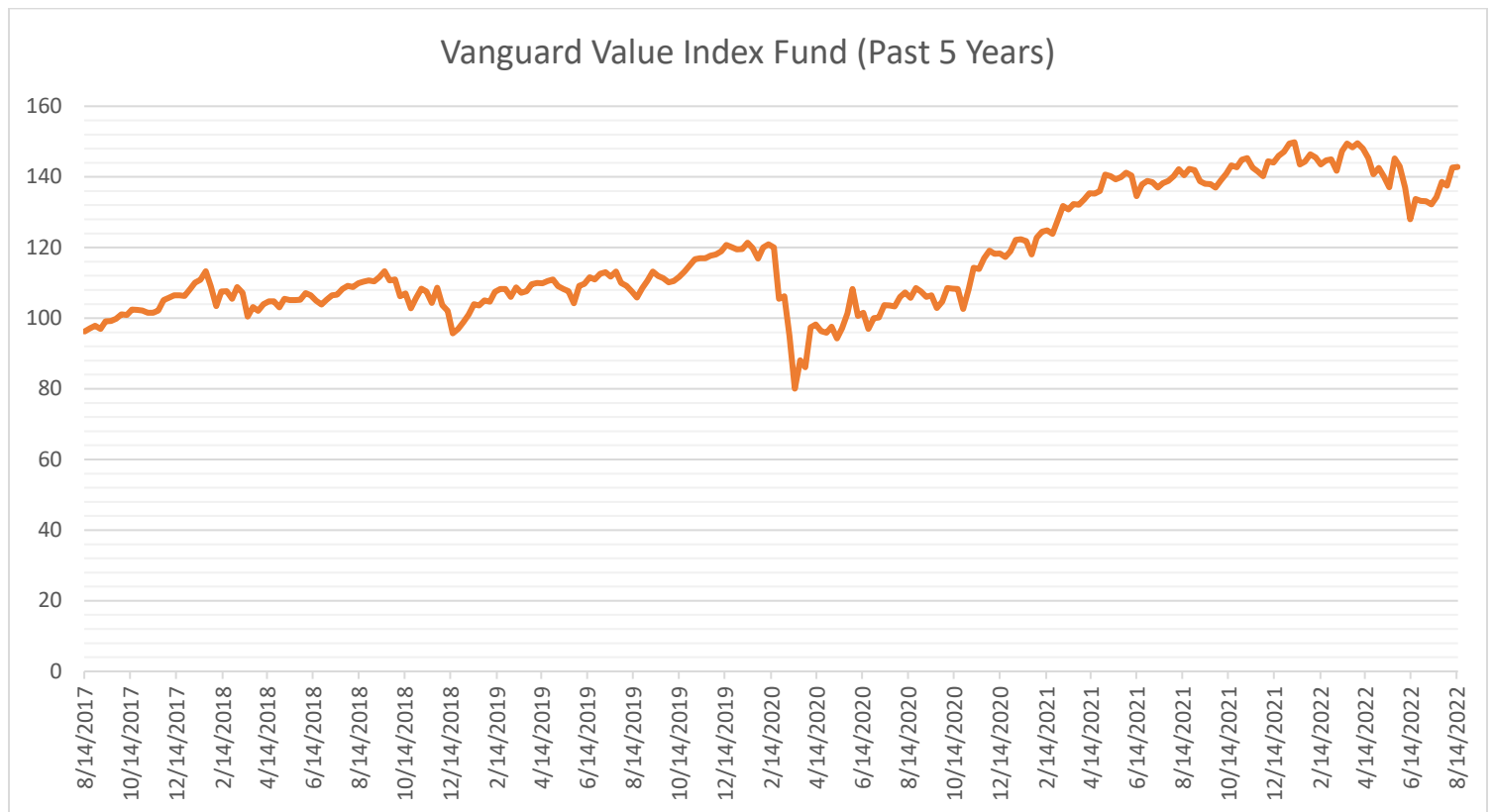
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Types of Large Value Securities

- Large-value stocks refer to those companies that are both large-cap (greater than \$10 billion in market capitalization) and also value stocks.
- Large-value stocks are often mature and stable companies that pay regular dividends, attractive to lower-risk value investors.
- A value stock is often considered underpriced based on fundamental analysis, often paying a relatively high dividend to shareholders and having a low price to equity (P/E) ratio.

Examples

- Bank of America Corporation
- JPMorgan Chase & Co.
- Vanguard Value Index Fund ETF
- iShares S&P 500 Value ETF



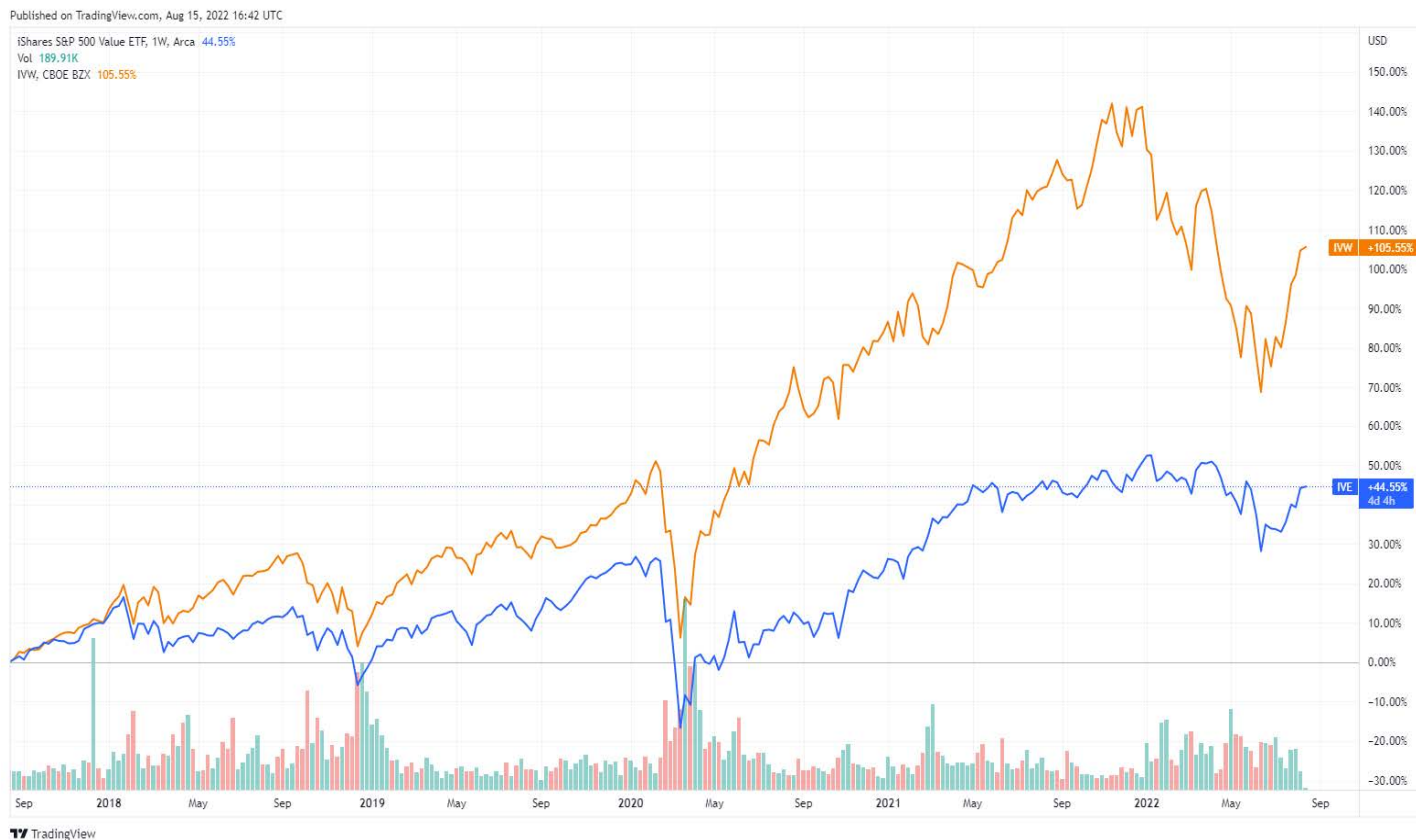
https://www.investopedia.com/terms/l/large_value_stock.asp

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Performance Comparisons

Value stocks are at least theoretically considered to have a lower level of risk and volatility associated with them because they are usually found among larger, more established companies.

Growth stocks, meanwhile, will usually refrain from paying out dividends and will instead reinvest retained earnings back into the company to expand. Growth stocks' probability of loss for investors can also be greater, particularly if the company is unable to keep up with growth expectations.



***image shows the market index for value funds (blue) and growth funds (orange) based on dates 8/14/2017 – 8/14/2022*

<https://www.investopedia.com/articles/professionals/072415/value-or-growth-stocks-which-best.asp>

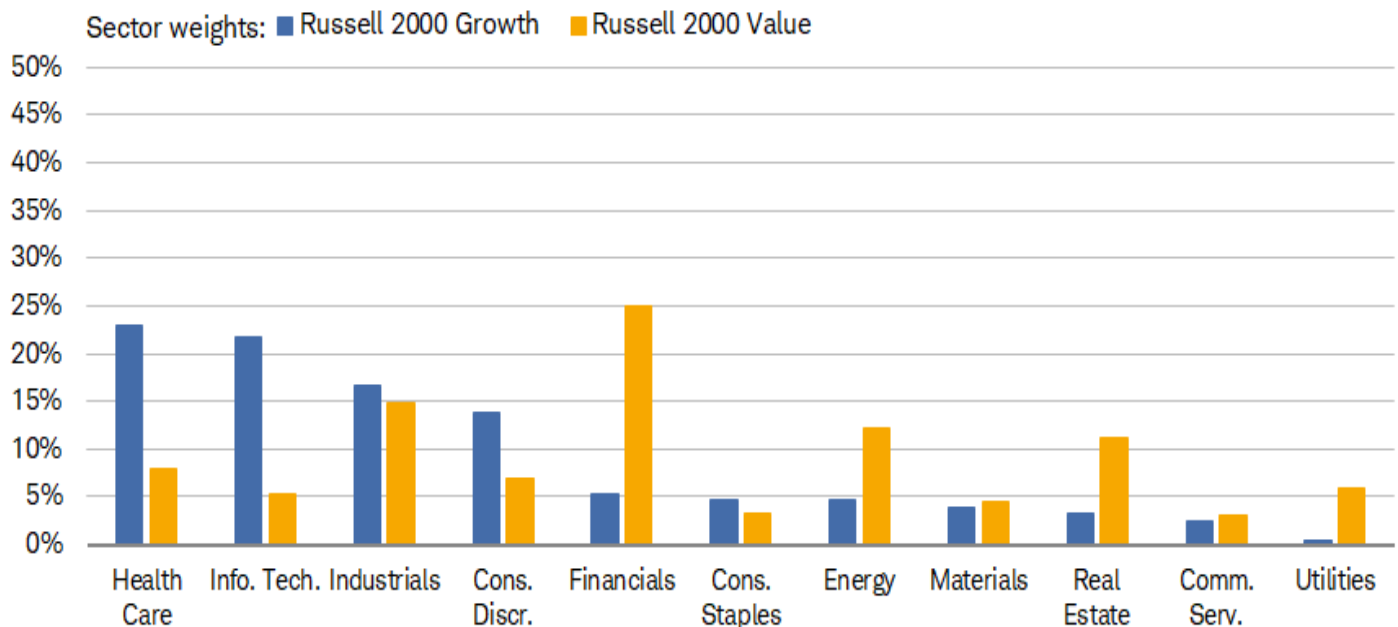
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Future of Large Value & Large Growth Investing

Research Affiliates is forecasting an estimated annualized compound nominal return of 8% for the Russell 1000 Value Index and a negative 4% for the Russell 1000 Growth Index over the coming decade.

Vanguard, too, favors value stocks over growth stocks. “We expect value stocks to outperform by as much as the historical equity risk premium over the next decade, mostly because of a decay in the overvaluation of growth stocks,” according to its 2022 market outlook.

“Value stocks remain 30% undervalued overgrowth,” said Kevin DiCiurcio, senior investment strategist at Vanguard, in a recent webinar. He expects value stocks will outperform growth stocks over the next decade because of long-term inflation and rising real rates, cumulative corporate profit growth rates and equity market volatility.



<https://www.thinkadvisor.com/2022/01/14/why-value-stocks-could-beat-growth-stocks-in-2022-and-beyond/>

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