

# Double Dipping: Small Caps are Cheap; Small Cap Value is Even Cheaper

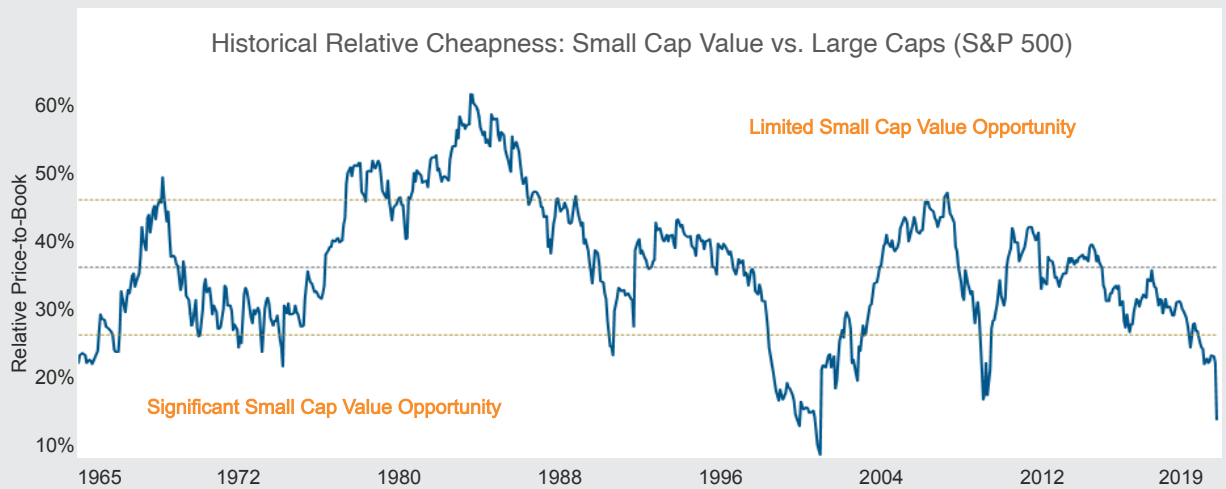
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Small cap stocks have significantly underperformed large caps over the last three calendar years. And in the first half of 2020, they lagged by another 9.9 percentage points, extending a 10-year run of weak relative performance. Small cap value stocks have fared even worse, leading to **historic levels of valuation dispersion**.

	S&P 500	RUSSELL 2000®	RUSSELL 2000® VALUE
1H2020	-3.1%	-13.0%	-23.5%
2017 - 1H2020^	11.9%	3.2%	-3.6%
2010 - 1H2020^	12.5%	9.8%	7.3%

^Annualized

By our calculation small cap value stocks are trading at a **provocative level of relative valuation** – their lowest in nearly two decades.



	S&P 500*	LARGE CAP VALUE	SMALL CAP VALUE
Average Return (1 Year from Trough)*	36.1%	57.1%	87.6%
Average Return^ (3 Years from Trough)*	18.9%	25.5%	31.7%

^Annualized

**Value stocks have typically outperformed following bear markets,\* with small cap value stocks leading the way.**



Listen to the podcast to hear about this and other specific opportunities we are uncovering.

Source: FTSE Russell; Empirical Research Partners, Sanford C. Bernstein & Co., Standard & Poor's, Pzena analysis. \*S&P 500 is represented by Bernstein's proxy for the index due to the limited data history available from the index provider. Pzena analysis. Small capitalization value universe is the cheapest stocks (based on the lowest 20% ranked by price-to-book) among US stocks ranked #751 - #2,750 by market capitalization. Large capitalization value universe is the cheapest stocks (based on the lowest 20% ranked by price-to-book) among the largest 500 stock universe. Universes are equally weighted. Data through June 2020. \*Bear market troughs used for this analysis were June 1970, September 1974, November 1987, September 2002, and February 2009. Returns do not represent any specific Pzena investment strategy. Returns greater than one year are annualized. Past performance is not indicative of future results.

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