



## Which of these companies would you rather buy today?

(Hint: It's not a trick question.)

Option **A** Expected EPS Growth<sup>1</sup>: 17% | P/E: 27x

Option **B** Expected EPS Growth<sup>1</sup>: 23% | P/E: 11x

Source: FactSet, Pzena Analysis

Option A represents the companies in the Russell 1000 Growth Index. Option B represents Deep Value<sup>2</sup>.

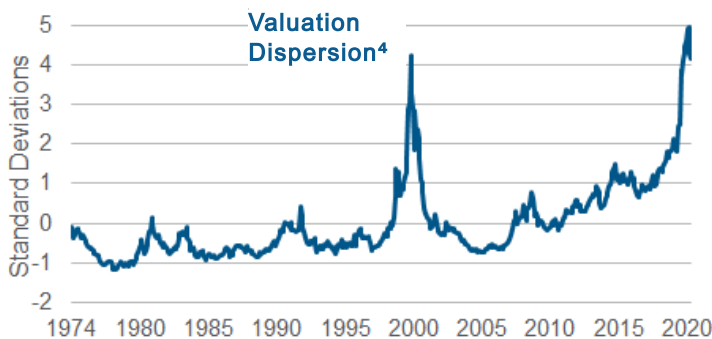
After plenty of false starts, value is finally starting to outperform, and **Deep Value<sup>3</sup> is leading the way.**

	4Q2020	Value Advantage
Russell 1000 Index	13.7%	
Russell 1000 Value Index	16.3%	+2.6%
<b>Deep Value<sup>3</sup></b>	<b>32.1%</b>	<b>+18.4%</b>

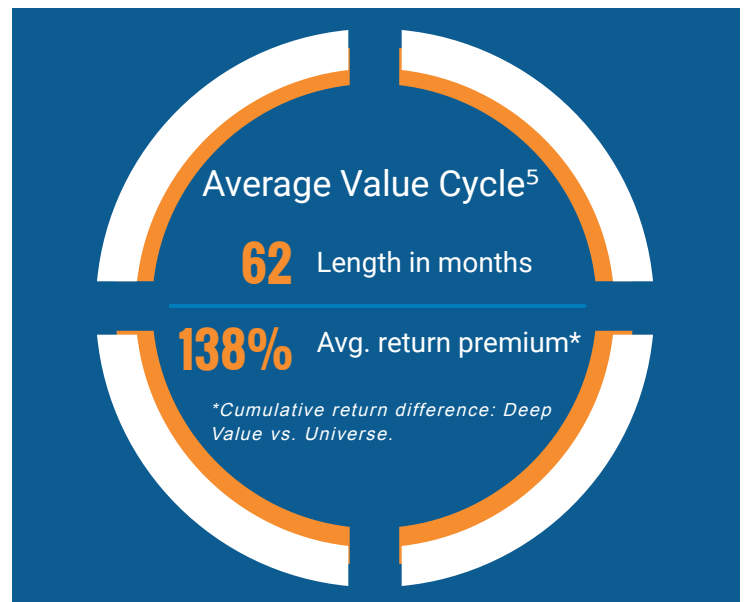
Source: FTSE Russell, Sanford C. Bernstein & Co., Pzena Analysis  
Past performance is not indicative of future results.

## But the opportunity is far from behind us

The shift was significant, yet barely moved the dial. The valuation gap<sup>4</sup> between cheap and expensive stocks remains near historical highs, which is to say: this looks like the early innings of a normal value rotation.



Source: Sanford C. Bernstein & Co., Pzena Analysis



As spreads<sup>4</sup> contract, Deep Value<sup>3</sup> has outperformed both the broad and value indices.



Click [here](#) for additional analysis in our commentary, *Momentum is With Value.*

FOR FINANCIAL ADVISOR USE ONLY

## FURTHER INFORMATION

<sup>1</sup>Estimated 2022 earnings per share per FactSet. <sup>2</sup>Deep Value is the Cheapest Quintile (the cheapest 20% of stocks based on Pzena's estimates of their price-to-normal valuations, measured on an equally weighted basis within the largest 1,000 US stocks by market capitalization). Does not represent any specific Pzena strategy. <sup>3</sup>Deep Value based on price/book of the cheapest quintile within the largest 1000 US stock universe; equal-weighted data. Does not represent any specific Pzena strategy. <sup>4</sup>Valuation dispersion line chart expressed in standard deviations, based on price/book of the cheapest quintile vs. the most expensive quintile in the largest 1000 US stock universe; equal-weighted data. <sup>5</sup>Definition of a completed cycle: Relative performance between the cheapest quintile (based on price/book) and universe is at a relative peak or trough 12 months in either direction and at least +/- 1500 bps.

This document is intended solely for informational purposes. The views expressed reflect the current views of Pzena Investment Management ("PIM") as of the date hereof and are subject to change. PIM is a registered investment adviser registered with the United States Securities and Exchange Commission. PIM does not undertake to advise you of any changes in the views expressed herein. There is no guarantee that any projection, forecast, or opinion in this material will be realized. Past performance is not indicative of future results. All investments involve risk, including risk of total loss.

This document does not constitute a current or past recommendation, an offer, or solicitation of an offer to purchase any securities or provide investment advisory services and should not be construed as such. The information contained herein is general in nature and does not constitute legal, tax, or investment advice. PIM does not make any warranty, express or implied, as to the information's accuracy or completeness. Prospective investors are encouraged to consult their own professional advisers as to the implications of making an investment in any securities or investment advisory services.

For UK Investors

This financial promotion is issued by Pzena Investment Management, Limited ("PIM UK"). PIM UK is a limited company registered in England and Wales with registered number 09380422, and its registered office is at 34-37 Liverpool Street, London EC2M 7PP, United Kingdom. PIM UK is an appointed representative of Mirabella Advisers LLP, which is authorised and regulated by the Financial Conduct Authority. The Pzena documents are only made available to professional clients and eligible counterparties as defined by the FCA. Past performance is not indicative of future results. The value of your investment may go down as well as up, and you may not receive upon redemption the full amount of your original investment. The views and statements contained herein are those of Pzena Investment Management and are based on internal research.

For Australia and New Zealand Investors Only: This document has been prepared and issued by Pzena Investment Management, LLC (ARBN 108 743 415), a limited liability company ("Pzena"). Pzena is regulated by the Securities and Exchange Commission (SEC) under U.S. laws, which differ from Australian laws. Pzena is exempt from the requirement to hold an Australian financial services license in Australia in accordance with ASIC Corporations (Repeal and Transitional) Instrument 2016/396. Pzena offers financial services in Australia to 'wholesale clients' only pursuant to that exemption. This document is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia.

In New Zealand, any offer is limited to 'wholesale investors' within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 ('FMCA'). This document is not to be treated as an offer, and is not capable of acceptance by, any person in New Zealand who is not a Wholesale Investor.

For Jersey Investors Only: Consent under the Control of Borrowing (Jersey) Order 1958 (the "COBO" Order) has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom, or Guernsey, as the case may be. The directors may, but are not obliged to, apply for such consent in the future. The services and/or products discussed herein are only suitable for sophisticated investors who understand the risks involved. Neither Pzena Investment Management, Ltd. nor Pzena Investment Management, LLC nor the activities of any functionary with regard to either Pzena Investment Management, Ltd. or Pzena Investment Management, LLC are subject to the provisions of the Financial Services (Jersey) Law 1998.

For South African Investors Only: Pzena Investment Management, LLC is an authorised financial services provider licensed by the South African Financial Sector Conduct Authority (licence nr: 49029).

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). ©LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. Russell® is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

The Russell 1000® Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The index cannot be invested in directly.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The index cannot be invested in directly.