



Which of these companies would you rather buy today?

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

Option **A** Expected EPS Growth¹: 17% | P/E: 27x

Option **B** Expected EPS Growth¹: 23% | P/E: 11x

Source: FactSet, Pzena Analysis

Option A represents the companies in the Russell 1000 Growth Index. Option B represents Deep Value².

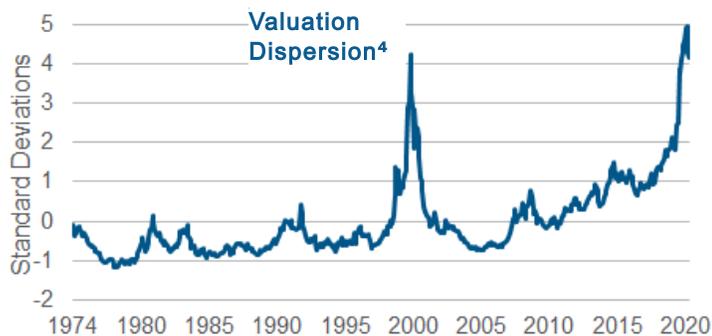
After plenty of false starts, value is finally starting to outperform, and **Deep Value³ is leading the way.**

	4Q2020	Value Advantage
Russell 1000 Index	13.7%	
Russell 1000 Value Index	16.3%	+2.6%
Deep Value³	32.1%	+18.4%

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 gap⁴ 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 spreads⁴ contract, Deep Value³ has outperformed both the broad and value indices.



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

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FURTHER INFORMATION

¹Estimated 2022 earnings per share per FactSet. ²Deep 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. ³Deep 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. ⁴Valuation 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. ⁵Definition 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.

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