WHAT'S YOUR VALUE?

Indices do not differentiate consistently between the growth and value styles.

After the last several months, value investors have reason to be encouraged. Value outperformed the largest 500 US stocks* by 6.47 percentage points year to date and by over 12.60 percentage points for the nine months ending May.

Importantly, are you participating fully in this value rally? To help answer this question it's important to consider how you are getting your exposure to value. If it's tied to an index, for instance a value ETF, the answer is probably not.

Value, in this case, refers to the Russell 1000 Value Index. But a deep value exposure is decidedly different. Deep Value* outperformed by 20.29 and 42.50 percentage points, respectively, and, while the Russell 1000 Value Index started outperforming in September, Deep Value started outperforming last April.

Returns	Deep Value	Russell 1000 Value	Largest 500 US Stocks
YTD (5/31/21)	32.21%	18.40%	11.92%
9/1/20 - 5/31/21	64.16%	34.26%	21.66%
4/1/20 - 5/31/21	119.36%	66.11%	68.93%

Source: FTSE Russell, Sanford C. Bernstein & Co., Pzena analysis
Deep Value reflects the cheapest quintile of stocks based on their price-to-book valuations, measured on an equally weighted basis within the US universe (the ~1,000 largest stocks by market capitalization). The largest 500 stocks are taken from this same universe and are weighted by market capitalization.* ***Past performance is not indicative of future returns. Does not represent any specific Pzena product or service.*

CONTACT US: WWW.PZENA.COM
+1.347.643.0912
INFO@PZENA.COM

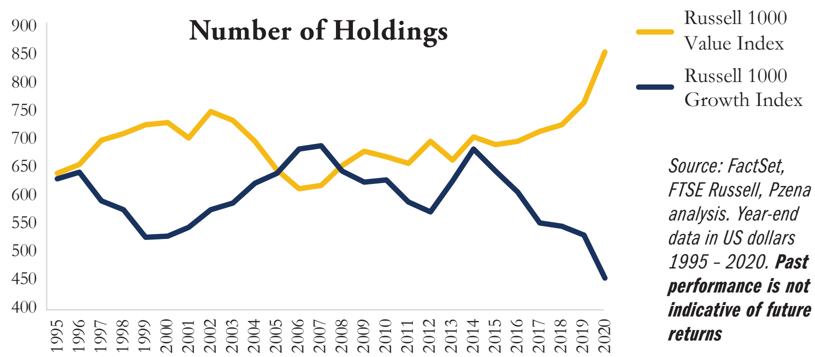
CAVEAT EMPTOR

To help understand the inherent limitation in style indices that lead to these return differences, it's useful to review index construction methodology. You might expect the index providers to just put the cheap stocks in the value bucket. They don't. But even if they did, their definition of what is cheap is simply based on a factor or set of factors. Index construction methodology produces "pure" value stocks (high value scores and low growth scores). The opposite happens on the growth side. But then there's a large tranche that sits in the middle that are neither pure growth nor value. Each of these stocks will have its weight split between the value and growth indices.

HOW IT WORKS

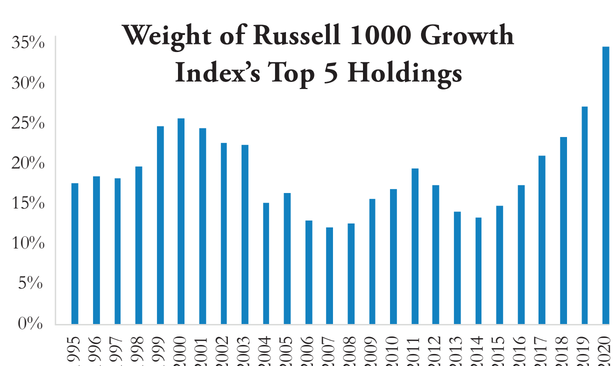
Russell, for example, rebalances its style indices each year in June. They are constructed using a multi-variable approach, consisting of: book-to-price ratios, five-year sales growth, and two-year forward earnings estimates.

Because Russell's goal is to have its value and growth indices be the same size (by market cap) at reconstitution, the number of stocks in each index differs. Currently, the Russell 1000 Growth Index has far fewer constituents (high concentration) than the Russell 1000 Value Index. Russell expects stock overlap to be about 30% by name when it rebalances.



Source: FactSet, FTSE Russell, Pzena analysis. Year-end data in US dollars 1995 - 2020. ***Past performance is not indicative of future returns***

Once Russell fills up the growth bucket (just five stocks accounted for about 35% in 2020), the remainder get poured into the value bucket. Consequently, the value index gets a disproportionate allocation to stocks that don't reflect obvious style characteristics; by rule they're weak on growth and value factors. Just because it's in the value index doesn't necessarily make it a true value investment.



Source: FactSet, FTSE Russell, Pzena analysis. Year-end data in US dollars 1995 - 2020. ***Past performance is not indicative of future returns.***

Consider, for example, that bond proxies' valuations have been driven up the last few years as investors reached for yield during a period of record-low interest rates. Utilities and real estate, for example, are still mostly sitting in the value index, but few real value investors would regard them as offering much actual value today.

June 2021

FURTHER INFORMATION

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.

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® Value Index is an unmanaged index that 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.

The Russell 1000® Growth Index is an unmanaged index that measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth rates. The index cannot be invested in directly.

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 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 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 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).