

# VALUE STOCKS CAN CONTINUE TO LEAD

Commentary Q1 2022

April 2022  
For Professional Investors Only

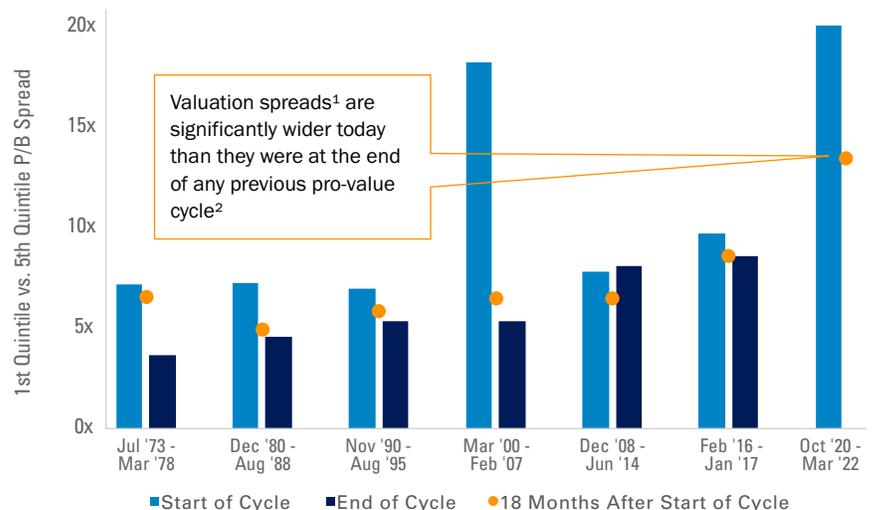
## THE VALUE CYCLE BEGAN 18 MONTHS AGO – IS IT OVER?

Will geopolitical risks, persistent supply chain issues, or rising inflation (some say possibly stagflation) bring this value cycle to an end? Despite the wider range of outcomes, we believe history and market fundamentals support a strong case for value now.

Despite narrowing, valuation spreads remain wide, suggesting further opportunity for value stocks.

Source: Sanford C. Bernstein & Co., Pzena analysis  
1. Price to book spread between the cheapest and most expensive quintile within the ~1,000 largest US stock universe (equal-weighted data). 2. We define a cycle as when the relative performance of value vs. the market from the last peak or trough is at least +/-1500 basis points and has persisted for a minimum of 12 months. Here we define value as the equal-weighted returns of the cheapest quintile price to book within the ~1,000 largest US stock universe. The market represents the cap-weighted returns of the universe. Analysis does not represent any specific Pzena product or service. Data in US dollars through March 31, 2022. Past performance is not indicative of future returns.

### Narrowing of Spreads Through a Value Cycle



### Relative Annualized Returns of Value vs. the Market (October 1973-1982)



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Stagflation (economic stagnation combined with inflation) ruled the 1970s / early '80s. Inflation averaged 8.5% and real GDP grew at only about 2% per year. Yet, even with three recessions in this period, the stock market held up well, driven by value stocks.

We believe the lesson from history is clear: In the face of geopolitical fears, investors should stay the course in value. Our [1022 Commentary](#) discusses all these points in greater detail.

[Read our full Q1 2022 Commentary](#)

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