



## 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>.

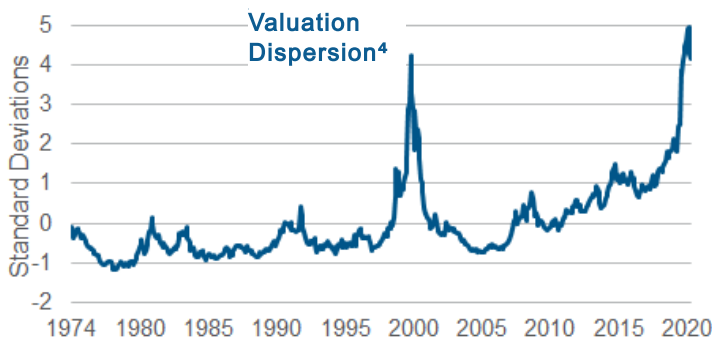
After plenty of false starts, value is finally starting to outperform, and **Deep Value<sup>3</sup> is leading the way.**

	4Q2020	Value Advantage
Russell 1000 Index	13.7%	
Russell 1000 Value Index	16.3%	+2.6%
<b>Pzena Large Cap Value*</b>	<b>30.4%</b>	<b>+16.7%</b>

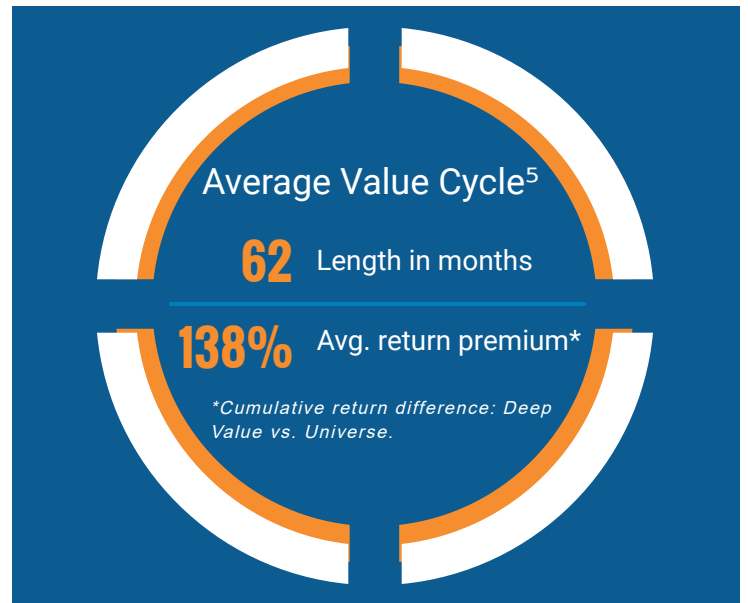
Source: FTSE Russell, Sanford C. Bernstein & Co., Pzena Analysis  
\*Composite gross of fees. Past performance is not indicative of future results.

## 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.\*](#)

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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 1,000 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.

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Composite returns are benchmarked to the Russell 1000® Index and the Russell 1000® Value Index (the "Indices"). The benchmarks are used for comparative purposes only. 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 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 Indices cannot be invested in directly.

The performance of the Indices reflects the reinvestment of dividends. Gross Composite performance does not reflect the deduction of management fees, but reflects deductions for brokerage commissions and transaction costs, and reflects reinvested dividends. Net Composite performance reflects the deduction of investment management fees, brokerage commissions and transaction costs, and reflects reinvested dividends. The Pzena Large Cap Value strategy is significantly more concentrated in its holdings and has different sector weights than the Indices. Accordingly, the performance of the Composite will be different from, and at times more volatile, than that of the Index.

Large Cap Value Composite:	Annualized Returns					
	4Q 2020	YTD	One Year	Three Year	Five Year	Since Inception 7/1/12
Pzena Large Cap Value Composite — Gross	30.4%	-1.4%	-1.4%	2.5%	8.9%	11.4%
Pzena Large Cap Value Composite — Net	30.4%	-1.5%	-1.5%	2.3%	8.8%	11.3%
Russell 1000® Value Index	16.3%	2.8%	2.8%	6.1%	9.7%	11.3%

Returns through December 31, 2020

Past performance is not indicative of future results.