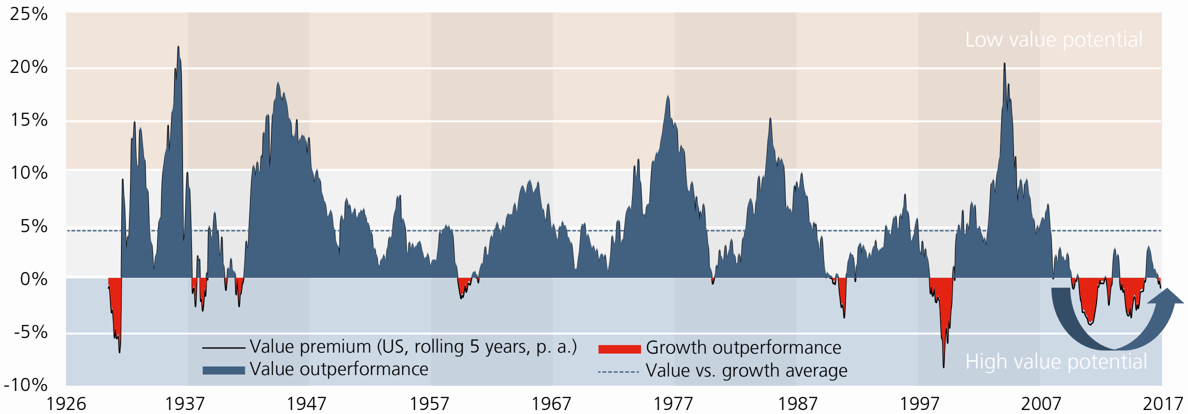
January 2018

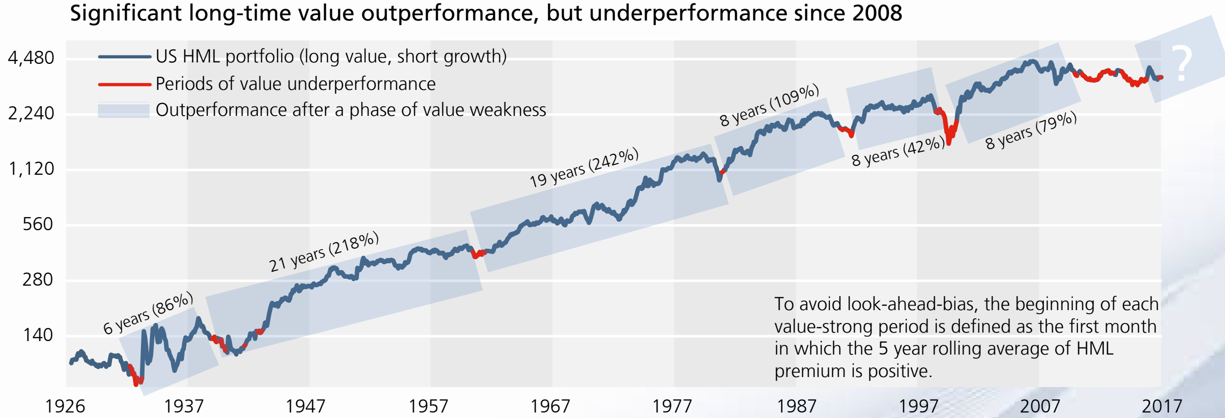
Positive five-year US value premium in 2017

Phases of value weaknesses were followed by 12 years of value outperformance on average

HML value premium subject to substantial cycles



Significant long-time value outperformance, but underperformance since 2008



Years of value underperformance followed by outperformance

Start	End date	Value outperf.	Years
07-1931	03-1937	86%	6
05-1938	07-1959	218%	21
03-1960	07-1979	242%	19
02-1981	03-1989	109%	8
10-1990	08-1998	42%	8
12-1998	03-2007	79%	8
Average		129%	12

Historically, periods in which value stocks performed weaker than growth stocks over 5 years were followed by long periods of value outperformance. These periods lasted 12 years on average and saw a 129% higher return in value stocks compared to growth stocks.

...this is also the case on a static 10-year horizon

Start	End date	Value outperf.	Years
07-1931	07-1941	54%	10
05-1938	05-1948	137%	10
03-1960	03-1970	61%	10
02-1981	02-1991	72%	10
10-1990	10-2000	2%	10
12-1998	12-2008	60%	10
Average		65%	10

The HML portfolio is based on the Fama-French HML factor, whereas the value outperformance depicts the growth rate of the HML portfolio over time (value outperf.) The HML portfolio is indexed to 07/01/1926. Data as of December 2017.
Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html, StarCapital.

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