



**IS IT THE END FOR
VALUE INVESTING?**

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Agenda:

- How is value performing (spoiler: bad)
- What is value
- What went wrong
- Have we got measurement error
- How I think about value

It has been a rough decade for value

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD) (OCT 2008 – OCT 2023)



Main Quant Factors:

- **Momentum:** no mean reversion
- **Low Vol:** no mean reversion
- **Growth:** no mean reversion
- **Quality:** no mean reversion
- **Value:** mean reversion

Value Religion:

- Farmers of seasonal crops, feast or famine is reliant on weather more than work.
- Value investing is the same
- Religious comparison
- Prophets
- Hard to judge value funds

It has been a wild (wild) ride:

Frequency: Annually ▾

YEARLY Q1-Q5 RETURN SPREAD %

Style	Factor	YTD ▾	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	L3Y	L5Y	L10Y
Vol	Volatility	58.52	(35.29)	18.10	7.43	12.98	(5.59)	(2.68)	10.37	(9.09)	(10.51)	1.15	(6.36)	(2.62)	(2.53)
EQ	Earnings Quality	28.74	(19.87)	9.39	11.62	4.71	13.12	0.81	(2.49)	1.08	1.45	(6.67)	(0.73)	2.99	0.87
CE	Capital Efficiency	24.87	(12.42)	12.64	7.10	(2.83)	4.74	9.01	(2.48)	0.28	0.82	(5.74)	1.85	1.46	0.86
PM	Price Momentum	8.33	4.29	(0.07)	(0.88)	(0.47)	9.77	13.83	0.94	23.02	(1.10)	6.71	1.09	2.45	5.35
AE	Analyst Expectations	5.71	(12.12)	9.42	11.21	1.69	7.72	13.49	(8.09)	16.98	4.94	1.53	2.26	3.21	4.30
HG	Historical Growth	(12.22)	(11.47)	13.53	8.92	(0.61)	(1.84)	3.53	(8.02)	(0.79)	(4.89)	(5.33)	3.06	1.32	(0.95)
Sz	Size	(21.98)	4.16	0.30	(5.73)	0.35	(3.80)	(5.45)	3.25	(4.69)	1.45	1.79	(0.51)	(1.01)	(0.90)
Val	Valuation	(30.40)	31.86	3.34	(26.50)	2.49	(8.01)	(2.98)	11.11	(17.42)	4.00	(0.19)	0.05	(1.14)	(1.36)

Sector splits are not helpful:

Time Period: Holding Period: Portfolio:

	CS	Enrgy	Mat	Ind	Dscr	Stapl	Hlth	Fin	IT	Comms	Util	RE
q1	(0.06)	(0.08)	0.12	0.05	(0.34)	0.04	0.15	0.01	(0.28)	(0.37)	0.04	0.03
q2	(0.06)	0.32	(0.12)	0.06	(0.54)	(0.42)	0.10	(0.12)	0.12	(0.60)	(0.04)	(0.15)
q3	(0.09)	(0.89)	(0.39)	0.08	0.29	0.15	(0.18)	(0.18)	(0.39)	0.24	(0.03)	0.11
q4	0.13	0.23	0.10	(0.15)	0.52	0.31	(0.00)	(0.03)	0.19	0.51	0.08	0.01
q5	0.08	0.44	0.36	(0.03)	0.08	(0.06)	(0.09)	0.35	0.33	0.36	(0.08)	0.01
Avg. Spread	(0.14)	(0.52)	(0.25)	0.08	(0.42)	0.10	0.24	(0.34)	(0.61)	(0.73)	0.12	0.02
Annualized	(1.67)	(6.06)	(2.96)	0.96	(4.93)	1.21	2.92	(4.00)	(7.08)	(8.42)	1.45	0.24



Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change



War



Human Rights



Health



Vices



Animal Rights



Religion



Asset Class



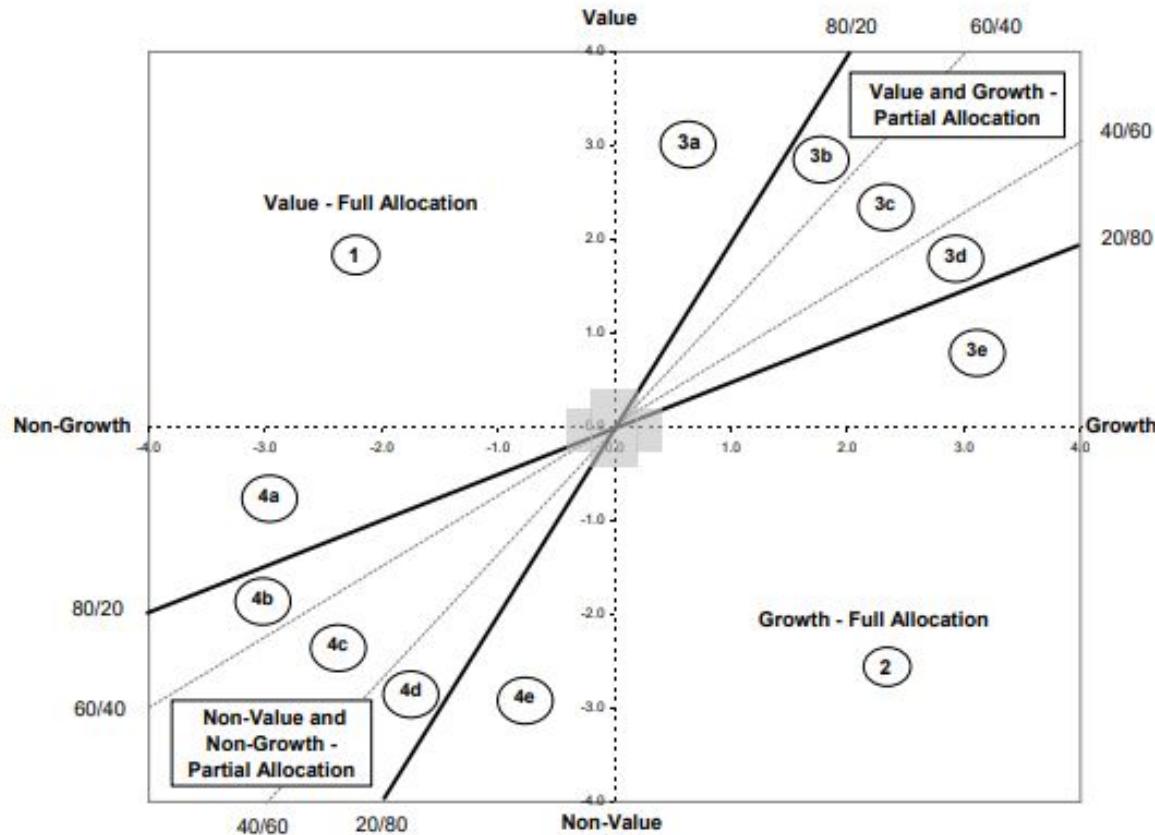
Thematic



Climate Change

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Construction:



Construction:

MSCI Indexes

- Reliance on Book Value
- No cashflow measures
- Accounting standards
- Forward Earnings
- Growth from ROE
- 5 period regressions

Nucleus

- Cashflow
- Earnings
- Deep Value
- Shareholder returns

It being more discerning has given better results:

Frequency: Annually ▾

YEARLY Q1-Q5 RETURN SPREAD %															
Style	Factor	YTD ▾	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	L3Y	L5Y	L10Y
Val	FCF / Price	(6.21)	23.36	10.09	(2.45)	4.92	(0.74)	17.31	(5.48)	4.46	11.37	1.05	9.83	6.65	6.04
Val	Book to Price	(23.34)	23.99	4.74	(32.22)	(6.86)	(17.34)	(9.42)	17.72	(18.80)	(0.44)	3.41	(4.16)	(7.49)	(4.92)
Val	Sales / EV	(27.62)	40.67	4.79	(19.42)	(10.60)	(6.46)	1.00	3.91	(10.53)	(0.78)	7.43	5.90	(0.14)	(0.06)
Val	EBITDA / EV	(29.10)	41.81	8.38	(37.88)	(0.81)	(16.15)	0.92	15.01	(15.68)	(0.11)	(0.16)	(1.53)	(4.51)	(2.52)
Val	E / P	(30.25)	31.58	7.70	(34.14)	7.98	(7.47)	3.60	11.04	(14.58)	(3.02)	(4.48)	(2.27)	(1.39)	(1.63)
Val	Valuation	(30.40)	31.86	3.34	(26.50)	2.49	(8.01)	(2.98)	11.11	(17.42)	4.00	(0.19)	0.05	(1.14)	(1.36)
Val	Div / Price	(33.70)	66.60	9.08	(33.65)	(3.64)	(12.27)	(17.63)	23.39	(14.11)	2.49	(13.51)	6.44	0.38	(2.34)

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

Climate Change	War	Human Rights	Health	Vices
Animal Rights	Religion	Asset Class	Thematic	

- No Fossil Fuels (Worst Offenders) [?](#)
- No Fossil Fuels (Any) [?](#)
- No Coal Seam Gas or Fracking [?](#)
- No Nuclear Power [?](#)
- No Old Growth Forest Logging [?](#)

Tilts

You can add the below to customise your portfolio

Investment Style Factors	Climate Change	Technology
Consumption	Commodities	Military

- Quality Stocks [?](#)
- Value Stocks [?](#)
- Growth Stocks [?](#)
- Defensives [?](#)

Personalise your portfolio now >



Build Your Portfolio

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Account Selection

Investment Choice

Risk Profile

Build Your Portfolio

Ethical Overlay

Review

Applicants

Bank Details

Compliance

Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

Global Energy

Global Financials

Global Health Care

Global Industrials

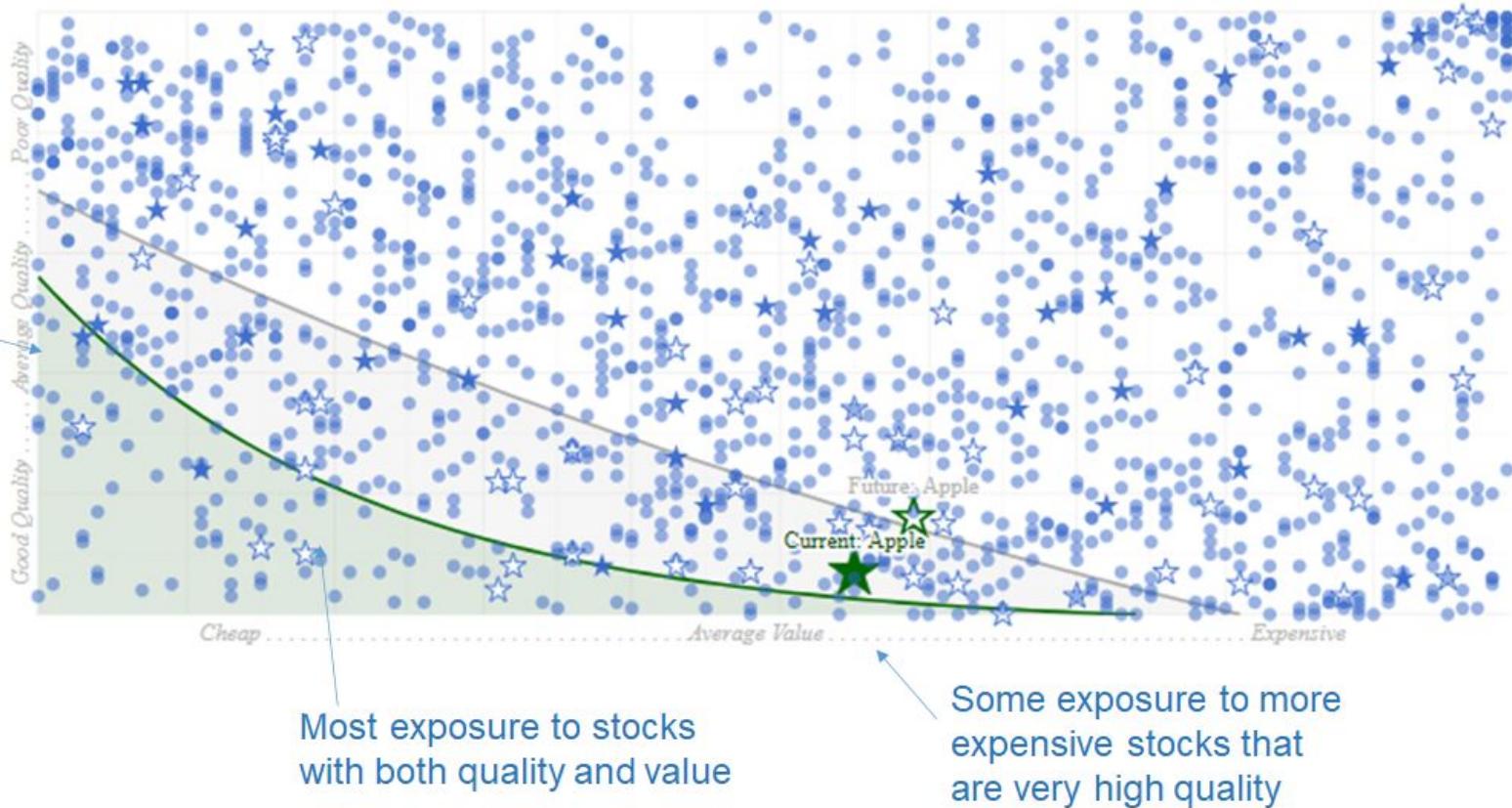
Global Information Technology

Value: What should you do

- It is a tool – not a religion
- Needs to change with accounting standards
- Value is always a trade-off. You need another “axis”
- Value is a bet on mean reversion
- There are no bad assets, only bad prices
- Superficial value is not the same as value

Value: Nucleus trade off between quality and value

Some exposure to average quality stocks that are very cheap



Vale Charlie Munger: Investing

- The world is full of foolish gamblers and they will not do as well as the patient investors.
- It takes character to sit with all that cash and to do nothing. I didn't get to be where I am by going after mediocre opportunities.
- Understanding both the power of compound interest and the difficulty of getting it is the heart and soul of understanding a lot of things.
- I think the reason why we got into such idiocy in investment management is best illustrated by a story that I tell about the guy who sold fishing tackle. I asked him, 'My God, they're purple and green. Do fish really take these lures?' And he said, 'Mister, I don't sell to fish.'

Vale Charlie Munger: Learning

- I constantly see people rise in life who are not the smartest, sometimes not even the most diligent, but they are learning machines. They go to bed every night a little wiser than when they got up and boy does that help — particularly when you have a long run ahead of you.
- You have to keep learning if you want to become a great investor. When the world changes, you must change.
- If you don't care whether you are rational or not, you won't work on it. Then you will stay irrational and get lousy results.

Viewer question of the week:

Will value investing make a comeback?

Drop your answers in the comments

Investment Outlook: When to own value

When to buy

- Growth catch-up
- Inflation rising
- Start/middle of inventory cycle
- More fiscal expenditure

When to sell

- Growth slowing
- Inflation moderating
- End of Inventory cycle
- Less fiscal expenditure

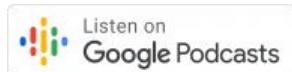
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