

EDITORIAL BOARD

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Ideas Generation



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Is a market environment emerging this year that could favour value managers?

The value style in the United States is experiencing its worst decade ever recorded. The Russell 1000 Value index has underperformed the Russell 1000 Growth index by 115% over the past decade. This underperformance has been almost uninterrupted except for two brief episodes of recovery, in 2013 and 2016. There is now too much complacency on past trends and valuation gaps are extreme. The value theme offers a unique mix of price/profitability/growth around three regions, and which are about to be realised. In the US, the Fed's dovish pivot is a positive catalyst for a style rotation. In Europe, a decrease of political risk premium should favor a value catchup, and lastly a macroeconomic/financial context stabilisation in the EM space is supporting a value tilt. Value is a pain trade post the global financial crisis, but is probably the most compelling investment approach for the next decade.