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INVESTMENT MANAGEMENT

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For Professional Investors only

# Value investing is growing up

The market volatility which has characterised the first quarter of this year has revived a familiar debate: the relative merits of growth versus value investing. For much of the past decade, value strategies have been widely dismissed. Ultra-low interest rates, scarcity of growth, and the relentless rise of Big Tech left value investing looking like a relic of a financial past.

Now, the narrative has become more complicated. Despite the strong performance of growth stocks following last April's tariff shocks, value has been quietly resilient. Over the course of 2025 as a whole, the MSCI World Value Index performed in line with its growth counterpart; a consequence of it holding up much better during the selloff at the start of the year.

**Graph 1: Value performed in line with Growth in 2025**

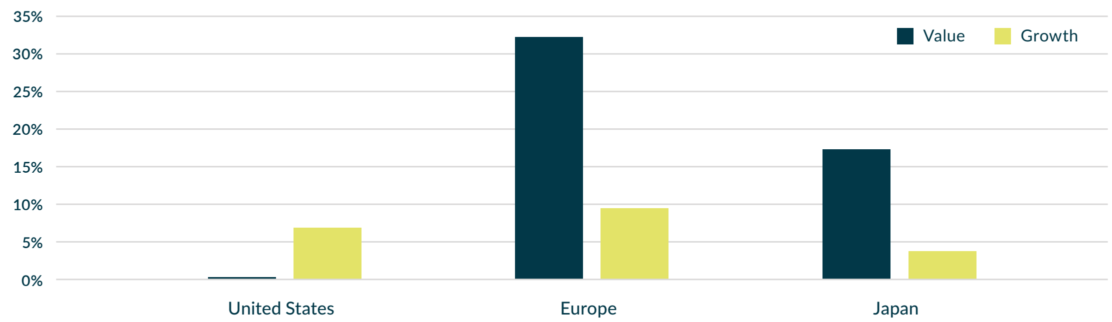

*Source: Bloomberg, Dividend Team – total net returns of MSCI regional style benchmarks, in EUR – period 31/12/2024-31/12/2025*

The question investors now face is no longer whether value has returned, but where it can still be found, and how it should be approached – particularly against an increasingly uncertain economic and geopolitical backdrop.

## Value beyond the United States

Over the past year, value investing has not merely resurfaced but thrived, challenging long-held assumptions about market leadership, particularly outside the U.S. The MSCI value and growth style indices in Europe and Japan for example – both long dismissed as structurally low-growth and low-innovation regions – have offered fertile ground for value investors willing to look beyond familiar market leaders.

**Graph 2: Total returns of regional style benchmarks in 2025**




*Source: Bloomberg, Dividend Team, in EUR – period 31/12/2024-31/12/2025*

*The value of your investment may fluctuate. Past performance does not predict future returns.*

This performance has been underpinned by a pronounced valuation gap. Up until very recently, the gap in valuations between the US and the rest of the world was striking, with almost every sector in the US trading at the top end of its historical valuation range. By contrast, most sectors outside of the US were valued much closer to their long-term averages. For investors prepared to diversify geographically, this created a clear valuation advantage.

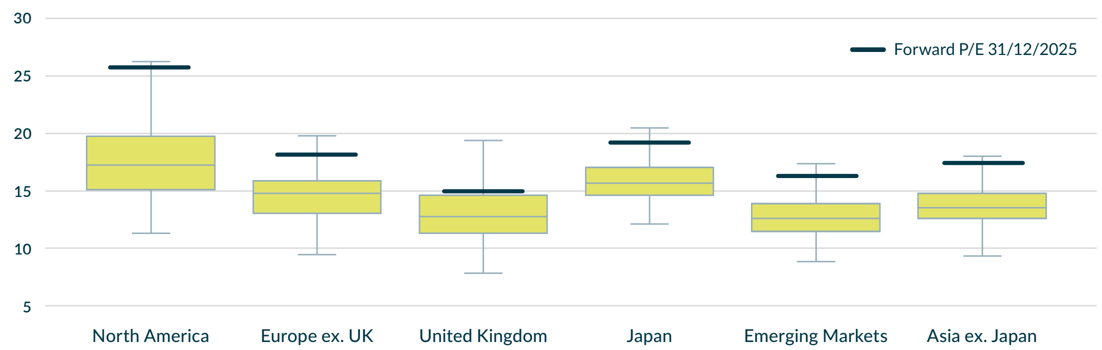
That gap, however, is no longer as wide as it once was.

## A narrowing advantage

While US equities still trade at higher price-to-earnings multiples than their international peers, Europe and Japan have begun to catch up. Strong performance from value stocks in these regions has narrowed the discount that initially attracted capital.

**Graph 3: Valuations are high, and extreme in the US**

**(Current forward P/E versus historic distribution, per region)**




*Source: Bloomberg, Dividend team – Forward P/E of MSCI regional indices, based on Bloomberg estimates. Historical distribution based on monthly data ranging from December 2004 until December 2025*

This shift is significant because it means that the ‘easy’ phase of the value opportunity, driven primarily by value normalisation, may be behind us. Looking ahead, returns are likely to be driven less by broad style exposure and more by careful stock selection.

At the same time, there are growing signs that the U.S. could face similar dynamics. With valuation multiples elevated and expectations for growth stocks demanding near-perfection, the room for error has become increasingly small.

## Downside protection

As valuations converge, another feature of value investing has come back into focus: downside protection. Investors are growing increasingly cautious of concentration risk in US equity markets, where a relatively small number of stocks drive the majority of index performance. This is not a repudiation of US innovation, which we expect will remain resilient, but rather a reflection of the challenges associated with sustaining leadership from ever-towering valuation multiples.

When growth investors assume near-perfection, the bar becomes exceptionally high. Conversely, when value investors are able to buy strong companies at modest valuations and are prepared to be patient with a longer-term horizon, the hurdle can be much lower, leaving some margin of safety.

In a macro environment marked by volatile inflation, geopolitical uncertainty, and shifting interest-rate trajectories, the relative safety of price discipline could become more attractive, where value investing could benefit from its simple truth: valuations matter more when uncertainty rises.

## More focus on fundamentals

The current macro environment calls for nuance. We see no wholesale rotation from growth to value, nor from the US to international markets. Instead, investors are being forced to focus more closely on fundamentals, including balance-sheet strength, earnings resilience, and capital discipline.

This places a premium on active management. Geographic exposure is no longer sufficient. Sector dynamics, company size, and financial structure all matter, as does the ability to distinguish the companies benefiting from genuine improvement from those riding broader market trends.

The ongoing conflict in Iran highlights just how rapidly market conditions can shift. The market disruptions resulting from the war will affect companies in various ways, leading to both gains for some and setbacks for others. In this environment, investors will need a granular grasp of how companies are impacted in order to make informed portfolio choices while managing volatility effectively.

## What lies ahead

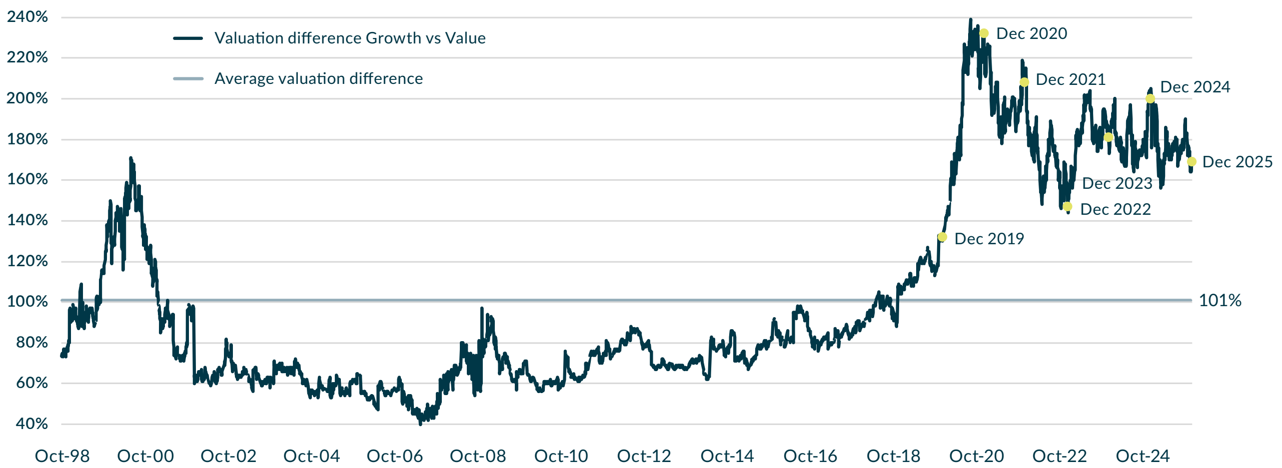
After a prolonged period in which growth dominated and the US market had set the pace, conditions now appear more balanced. Value has already started to outperform growth in Europe and Japan, and looking ahead, it begs the question whether we will see a similar dynamic play out in the US.

Despite strong performance in 2025, international markets continue to trade at more attractive valuations than the US. Within those markets, however, the gap between value and growth has narrowed, making selectivity increasingly important.

The implication for investors is clear. Value investing is evolving, and in 2026, success is less likely to depend on broad style bets and more on disciplined stock selection.

**Graph 4: Growth premium still at a high level, large differences per region**

**Average valuation difference based on PE, PC, PB and Div. Yield of MSCI World Growth vs. MSCI World Value**




*Source: Bloomberg, Dividend Team. Period March 1998 – December 2025*

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