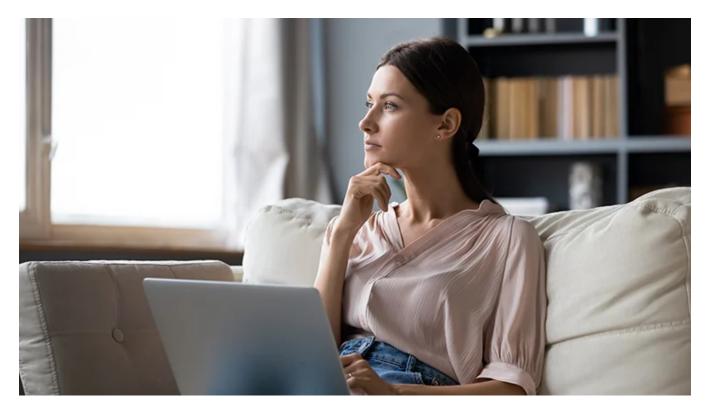


Barrow Hanley: Value stocks 'still well below normal or average discounts'

By Perpetual Asset Management

15 November 2023



There is still plenty of value in value investing, but there are important factors to take into account in a higher-rates environment. Barrow Hanley's James Carpenter explains

Value 'still has a long way to go'

Find out about Barrow Hanely's approach to global equities

DESPITE signs of moderating inflation, markets have been starting to recognise higher-ratesfor-longer as a reality, says Barrow Hanley's James Carpenter

"People have to figure out what to do in a higher interest rate environment, particularly if they weren't investing before the global financial crisis," James says.

There are a variety of factors investors should put more focus on, argues James, client portfolio manager at US-based asset manager Barrow Hanley.

Barrow Hanley – part of Perpetual Group – is long-term value investor.

"You have to take into greater consideration capital structures; when refinancing of debt occurs and how it is to be done; and the ongoing cost of that debt.

"Those things change the landscape for value investing," says James who has more than 25 years of experience in the investment industry (as do several team members at Barrow Hanley).

Value vs growth

James argues that value investing is attractive at the moment, notwithstanding the narrowing in the last two years of the discount of value stocks to growth stocks.

"We saw compression in the discount of value stocks relative to growth stocks over the last two years, but nothing close to a complete correction" James says.

"We are still well below normal or average discounts."

Using the MSCI All Country World index as a benchmark, the Value index is trading at around a 48 per cent discount to the Growth index, James says.



"At the top of the last value cycle, it was around a 10 per cent discount.

"It could be argued that the value index was probably not attractive then.

"When the discount bottomed in 2021, there was a 55 per cent discount. So we have only come up modestly from there.

"Valuations aren't indicators of timing or duration, but they are a reason to think about dislocations and what might happen if that dislocation begins to revert," James says.

"Value still has a long way to go and one of the drivers will be higher rates for longer.

"At some point we are going to come out the other side of the anaemic growth we expect to see in coming quarters and early in the economic growth cycle, value investing tends to work as well," he says.

James says that investors who feel they might have missed out in recent years – value has outperformed growth over the past three years – should consider the current outperformance of growth in 2023 as a pause in a longer-term value cycle.

"There's still value in value."

About Barrow Hanley

Barrow Hanley is a global leader in value investing, managing assets for clients for more than 40 years.

<u>Barrow Hanley Global Share Fund</u> aims to provide investors with long-term capital growth through investment in quality global shares.

Rated "Highly Recommended" by Zenith, "Recommended" by Lonsec and with a Morningstar Medallist rating of "Gold", the investment team focuses on finding value in all the right places.

Find out more here.

Barrow Hanley is distributed by Perpetual Group in Australia.

Contact a Perpetual account manager

This information has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 (PIML), the responsible entity of the Barrow Hanley Global Share Fund ARSN 601 199 035 (Fund) and issuer of units in the Barrow Hanley Global Share Fund (Managed Fund) (Active ETF). Barrow, Hanley, Mewhinney & Strauss LLC (Barrow Hanley) is a 75% owned subsidiary of Perpetual Limited and a related party of PIML. Perpetual Corporate Trust Limited (ABN 99 000 341 533, AFSL 392673) has appointed Barrow Hanley as its authorised representative (Representative number 001283250) under its Australian Financial Services Licence.

It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The product disclosure statement (PDS) for the Fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the Fund. The PDS, including for the Active ETF, issued by PIML, and each of the Active ETF's other periodic and continuous disclosure announcements lodged with the ASX, should be considered before deciding whether to acquire or hold units the ETMF. The respective PDS and Target Market Determination for the Fund and Active ETF, issued by PIML, can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.

Neither PIML, Barrow Hanley nor any company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of, or any return on an investment made in the Fund or the Active ETF or the return of an investor's capital. All investments carry risk, including loss of principal. Past performance is not indicative of future performance.