

Q2 2023

Manager Research: U.S. Large Cap Value Equity Performance

By:

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U.S. large cap growth continues to outperform value, but value managers outperform benchmark as growth managers struggle to keep pace with Russell 1000 Index



Last quarter data from Investment Metrics, a Confluence company, showed that despite rising rates, growth stocks outperformed value stocks during the first quarter. That trend continued in the second quarter as the median growth manager outperformed the median value manager by more than 7%. As figure 1 highlights, the disparity between growth and value year to date is now 20%.

While Growth stocks have been performing well, active growth managers have struggled to keep pace with the Russell 1000 Growth Index. Active value managers on the other hand outperformed the Russell 1000 Value Index for the month, quarter, and year to date. Below we spotlight what drove the performance of active large cap value managers as of June 30th, 2023, based off the 10th business day preliminary data of IM Peer Groups.

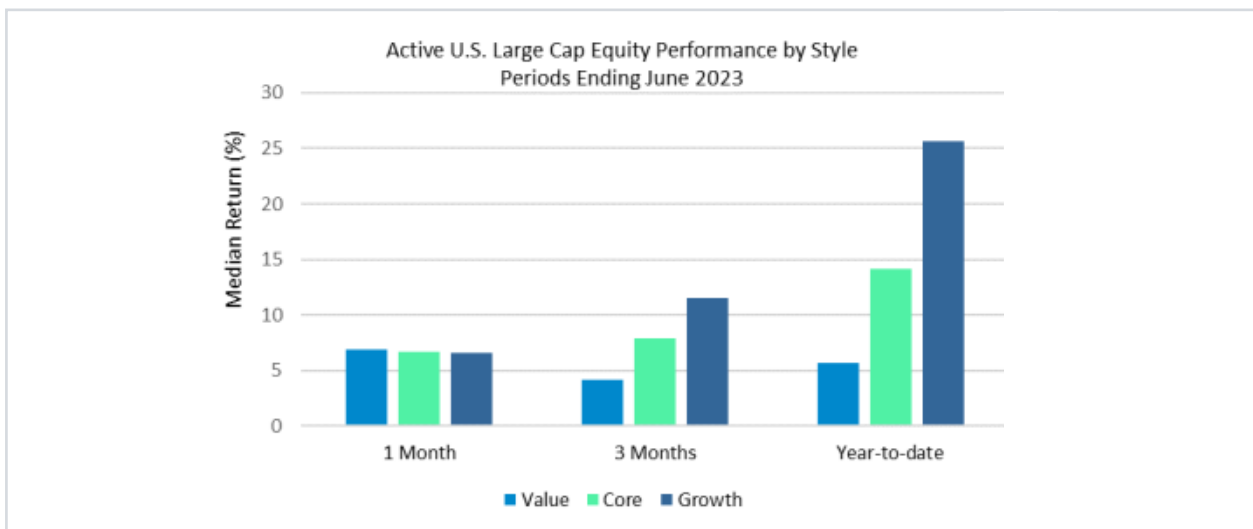


Figure 1: Active U.S. Large Cap Peer Group Median Performance by Style.
Source: Investment Metrics, a Confluence company

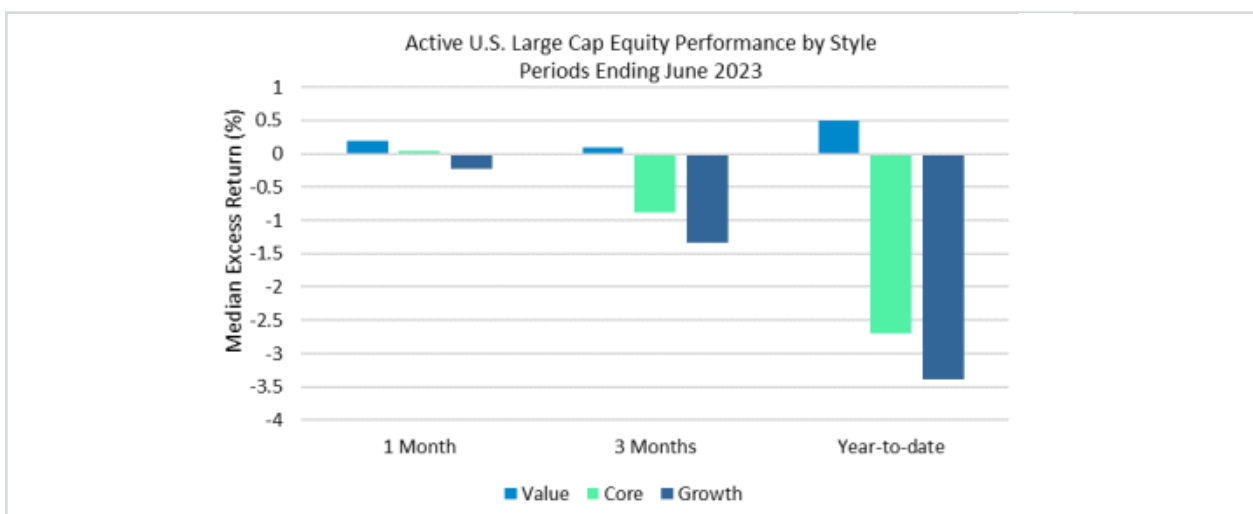


Figure 2: Active U.S. Large Cap Peer Group Median Excess Return by Style.
Source: Investment Metrics, a Confluence company

Summary of Active U.S. Large Cap Value Equity Manager Performance:

- Year to date, the median active U.S. large cap value manager outperformed their benchmark by 50 basis points compared to the median U.S. large cap growth manager which underperformed by more than 3%.
- The top quartile value performers were mainly fundamental products, which averaged less than 40 holdings and active shares over 85%.
- As noted in our recent Factor Performance Analysis for June 2023 Growth, Volatility and Size clearly outperform in U.S. equities over the second quarter and year to date.
- Top quartile U.S. large cap value performers benefited from exposure to Growth, specifically Sales Growth & Forecast Growth, as well as Volatility & Momentum factors. (Figure 3)
- From a sector perspective, the top performers benefited from being overweight the benchmark and peers within Information Technology and Consumer Discretionary stocks, and underweight Energy. (Figure 4).

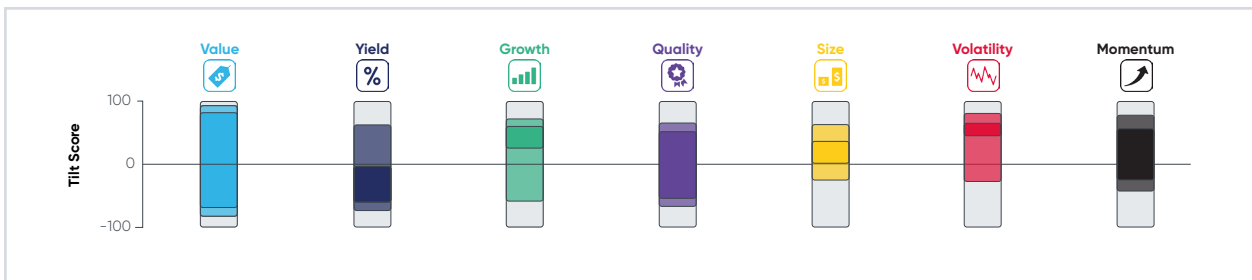


Figure 3: U.S. Large Cap Value Top Quartile Performers Skyline.
Source: Investment Metrics, a Confluence company

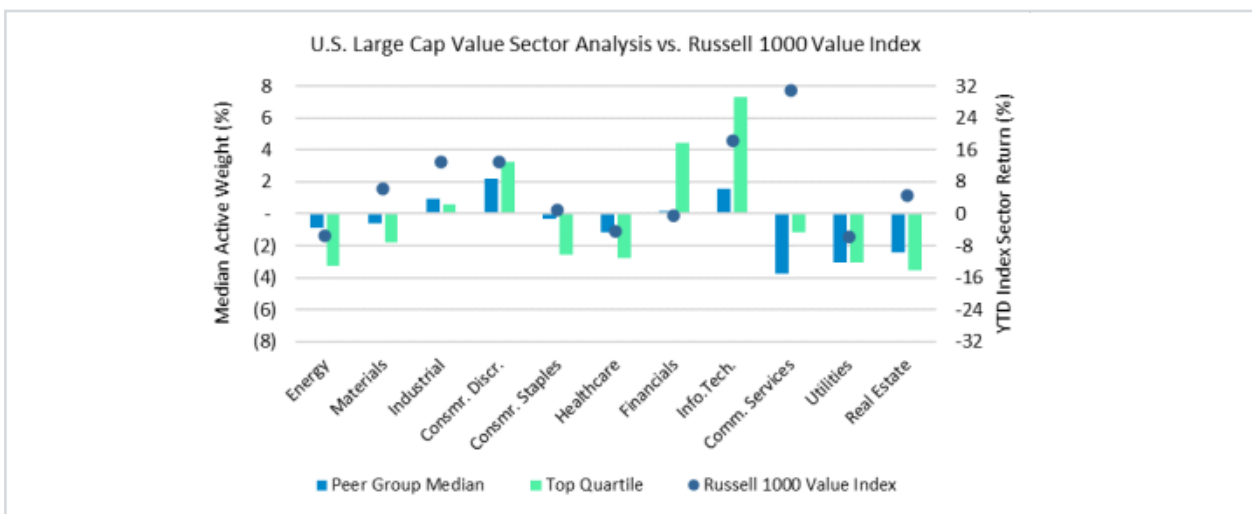


Figure 4: U.S. Large Cap Value Top Quartile Performers vs Median Active Sector Weights.
Source: Investment Metrics, a Confluence company

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