

“Want to Invest in a True ‘Value’ Fund? Good Luck Finding One”, *Wall Street Journal* February 3, 2018
by Mark Hulbert

<https://www.wsj.com/articles/want-to-invest-in-a-true-value-fund-good-luck-finding-one-11549249860?mod=searchresults&page=1&pos=1>

Summary: Recent Research by University of Chicago Finance Professor Eugene Fama and Dartmouth Professor Ken French has shown that value stocks with the lowest price to book values have outperformed growth stocks significantly over the long-term. They reached the same conclusion when using a number of other criteria for value, such as price-to-earnings ratios, price to cash flow ratios and dividend yield. Today, there are barely any mutual funds or ETFs that consistently invest in that far-value quintile of stocks. In fact, the average fund that self describes its investment focus as “value” invests in stocks that are two quintiles away from the most value oriented 20%-closer to the “growth” end of the spectrum. Researchers suggest there may be a behavioral cause: Investors and advisers alike may find it distasteful to purchase stocks that most satisfy the criteria of value, no matter how strong value’s historical performance over growth.

Lesia’s Comment: *Investing in out of favor, unloved loved stocks that have often lagged behind the market for an extended period of time is psychologically very hard to do. It takes courage and patience.*