

# Is it time to refocus on value stocks?

## Outside the two standard deviation zone



The longest bull market in U.S. history is fueling speculation that growth stocks—led by the Technology sector—have rallied too far, eclipsing their intrinsic values.

If growth stocks have become overpriced, the winner’s curse—a behavioral finance bias—may be partly to blame, convincing some investors to overpay for select stocks.<sup>1</sup>

The last time growth stocks outperformed value stocks by two standard deviations was right before the Technology bubble burst (2001), paving the way for a value stock rebound.

Sources: Charles Schwab Investment Management; Bloomberg. Data from 12/31/1997 to 09/30/2018. The dark blue line represents the rolling 12-month price return of the Russell 1000® Growth Index minus the Russell 1000® Value Index. The light blue line is the rolling 15-year average of the rolling 12-month price return, and the yellow lines represent +/- two standard deviations from the rolling 15-year average. **Past performance does not guarantee future results.**

What does this mean for investors?

Ask your advisor if now might be an opportune time to rebalance and add value stocks to your portfolio.

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Ask your advisor to download a Biagnostics toolkit to get started at [www.schwabfunds.com/biagnostics](http://www.schwabfunds.com/biagnostics).

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## Important disclosures

<sup>1</sup> A behavioral finance bias, the winner's curse refers to the tendency for the "winner" to overpay for a bid-upon item based upon the item's intrinsic value.

**Past performance is no guarantee of future results. Indexes are unmanaged, do not incur fees, and are unavailable for direct investment.**

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The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 90% of the total market capitalization of that index. The Russell 1000 Growth Index and Russell 1000 Value Index are subsets of the Russell 1000 index.

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