

MEMORANDUM

FROM: Ted Aronson

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RE: **VALUE *VERSUS* GROWTH**

This graph represents a unique period — the history of AJO's money management experience — August 1, 1984 to year-end 2020. During those 36 years, the market's valuation of value and growth exhibited three distinct extremes:

- TMT/Internet Bubble
- Global Financial Crisis
- NOW!

MONTHLY FORWARD EARNINGS/PRICE SPREADS RATIO

Negative Earnings Excluded
July 31, 1984 to December 31, 2020



The data represent the ratio of 25th (expensive) and 75th (cheap) percentiles of forward earnings yield, our projected EPS figures divided by stock prices. To reflect the way we value companies, an adjustment is made based on sector assignment. What remains is an indication of how out of whack valuations are on a within-sector basis and avoids both sector bias and undue influence of single stocks (think Tesla).

Jeremy Grantham's latest ("Waiting for the Last Dance," GMO) expands on this topic, as only he can. Here, we contribute more evidence to his pile of examples of the market's extreme valuation metrics.



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