

Research reveals 'Early Expansion' phase of business cycle is a good time to invest in 'Value' stocks

New research from Sparinvest's Dr Henrik Amilon has calculated the average returns from Value and Growth stocks over more than 80 years worth of complete US business cycles since 1926. The figures reveal that Value is easily the superior investment strategy over the duration of the business cycle and suggest that early on in the expansion phase of the cycle is an attractive time to invest in Value stocks.

Luxembourg, 26.10.2009 - New research published by Sparinvest's Dr Henrik Amilon has revealed that it is during the expansion phase of the business cycle that investors have, on average, received the most substantial rewards from investments in low price-to-book 'Value' stocks. His study further reveals the extent of the average Value premium over the 15 complete business cycles that have occurred since 1926 (counting the present one).

Based on data from 15 full business cycles, Dr Amilon concludes that:

- Recessions are only a brief part (just over 20%) of the business cycle. The peak-to-trough phases from Dec 26 - Aug 09 involved only 215 months out of a total of 993.
- Only in 'Early Recession' do equities in general have a negative return
- Only in the 'Late Recession' do Value stocks underperform Growth stocks and, even then, only modestly so. In all other phases, Value has been the better investment.
- During the expansionary phases, Value stocks have an outstanding performance.

Average Annual Returns December 1926 - August 2009

Cycle Type	Growth stocks	Value stocks
Early Expansion	39.5%	57.1%
Late Expansion	32.1%	56.2%
Early Recession	-13.3%	-12.0%
Late Recession	10.9%	8.0%



Press release
26 October 2009

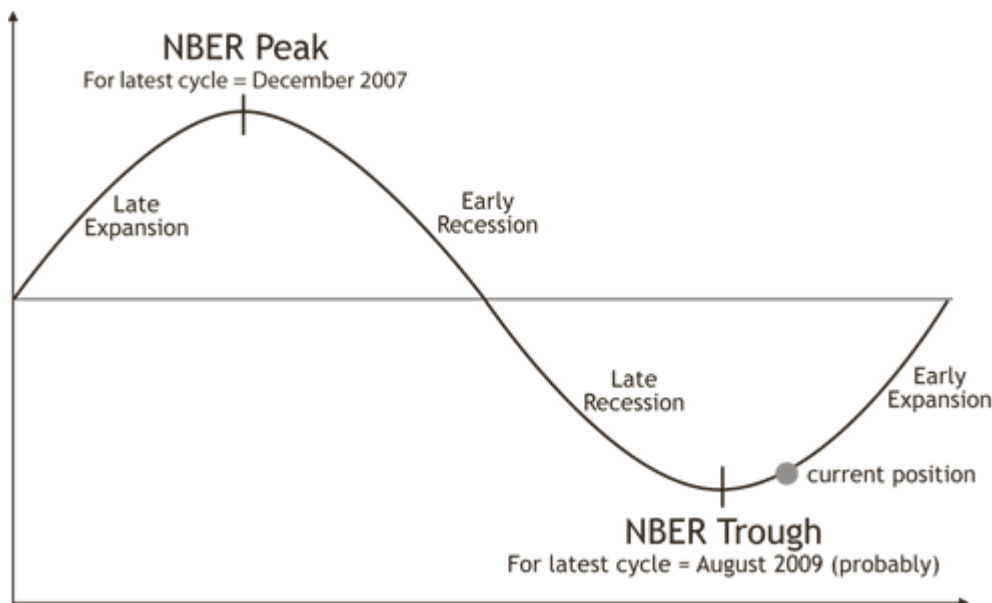
"The numbers clearly show that Value stocks have on average performed exceptionally well during periods of economic expansion," says Dr Amilon.
"This suggests that to reap the highest benefits, investors should adopt a Value investment strategy as soon as there is evidence of an economic recovery."

In April of this year, Dr Amilon published research¹ which showed that Value stocks were likely to benefit from any signs of economic recovery faster and to a larger degree than Growth stocks. This has subsequently proved to be the case. Since markets began their rally in early March, The MSCI World Value Index has outperformed the MSCI World Growth Index by 18 percentage points. (73% vs. 55% in the period from March 9 to end September)².

Asked whether Dr Amilon believes that the recovery is underway, he replied:

"The macro economic data are now catching up with what the markets perceived six months ago: we are in recovery".

Business Cycle Phases



In order to investigate the performance in different business cycle phases, the number of months between peaks and troughs defined by the NBER are divided into equal halves to indicate 'early recession' and 'late recession'. The same is done with the periods between troughs and peaks in order to capture the 'early expansion' and 'late expansion' phases

¹ Dr Amilon's study of 'Value and Growth in Recessions' discusses the possible explanations for the existence of the Value premium. This document is available from Sparinvest.eu or on request.

² US\$ return, calculated from the lowest point of the markets on March 9th to September 30th.



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Dr. Henrik Amilon is Senior Research Analyst in Sparinvest's Asset Allocation Team. Amilon holds a degree in engineering physics, and earned his doctorate in Finance from Lund University in Sweden. Amilon has also held the positions of Senior Economist at the European Central Bank and visiting Professor at the University of Sydney's School of Finance and Business.'

See also <http://www.youtube.com/watch?v=QOdmliNlrZ0>

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About Sparinvest:

Founded in 1968, Sparinvest is one of Denmark's leading independent asset management companies, managing and advising on assets valued at over €12.2 billion (as at end September 2009), including one of the largest equity funds in Denmark.

Owned today by broad range of institutional shareholders, Sparinvest has the freedom to pursue its own investment philosophy and style with a view to providing 'prudent investments' for its clients.

In 2001, Sparinvest S.A. was established in Luxembourg and a number of Luxembourg-domiciled funds were created for the purpose of pan-European distribution. The Sparinvest SICAV, a UCITS III-compliant umbrella fund is now authorised for distribution in 16 European nations.

Sparinvest has established an excellent reputation within the investment industry for the success of its strategic asset allocation approach when constructing portfolios for investment mandates and because of its outstanding track record in value investment.

