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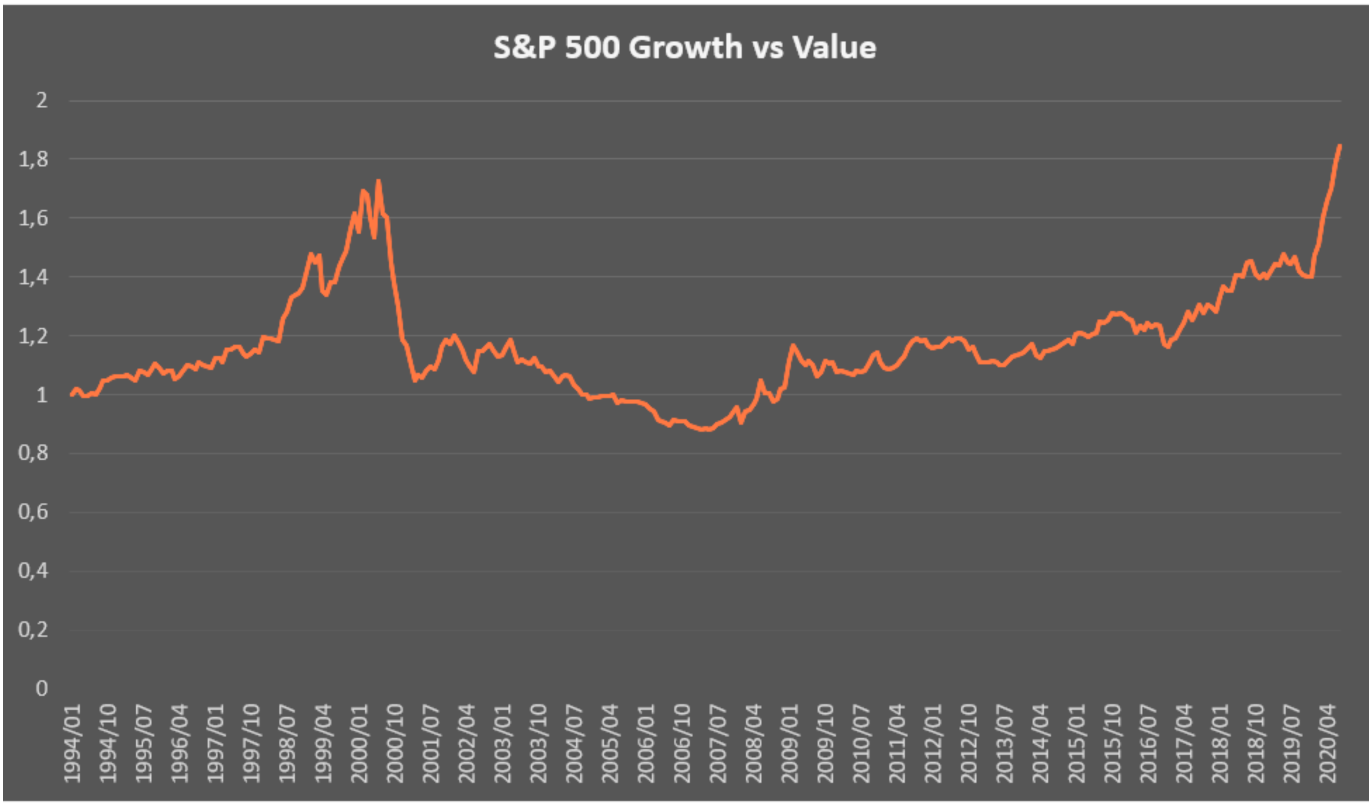
THE WEEKLY CHART



SOURCE: NEWROAD CAPITAL, MORNINGSTAR DIRECT

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The above chart compares the relative performance of the S&P 500 Growth Index vs the S&P 500 Value Index. The chart is based to start at 1.

The growth index is characterised as the top half of companies in the S&P 500 in terms of revenue growth, earnings growth and momentum. Technology stocks like Apple and consumer discretionary stocks like Amazon are widely represented as they currently benefit from large business growth due to the ongoing evolution in consumer trends.

The value index is comprised of the companies with the lower price to book, price to earnings, and price to sales ratios, and has a wide representation amongst the more traditional industrial, financial, consumer staples and healthcare stocks. Examples are Berkshire Hathaway, Walmart and Johnson & Johnson. These companies don't grow as quickly as the tech stocks; however, they are priced at lower valuations to their growth counterparts.

Over time investor's appetites ebb and flow between the 2 different types of companies. Sometimes value stocks offer so much value that they cannot be ignored by the market and they start to do better.

Other times growth stocks outperform as investors are attracted to their more exciting prospects. However, growth stocks can become expensive if investors start to push their valuations to a point where even their exciting opportunities don't justify their price.
The graph slopes upward when growth stocks are outperforming value stocks and slopes downward when value starts to perform better. Over time each of the 2 have enjoyed multi year periods of relative domination, however the latest trend of growth outperformance has lasted almost a decade and a half and has been incredibly strong recently.

The last time growth stocks behaved in a similar fashion was during the dot.com bubble at the turn of the century. This bubble ultimately unwound and led to a prolonged period of value outperformance. While the current period of outperformance by growth is backed by much more robust economic fundamentals when compared to the dot.com bubble, value stocks have lagged severely and are comparatively attractive.

Maybe the revolution in consumer behaviour will keep growth on its current trajectory, or perhaps the largely ignored value stocks will have their day once again.

Time will tell...