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Framing the Big Picture

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In Chart 1 below, which security would you rather have invested in?

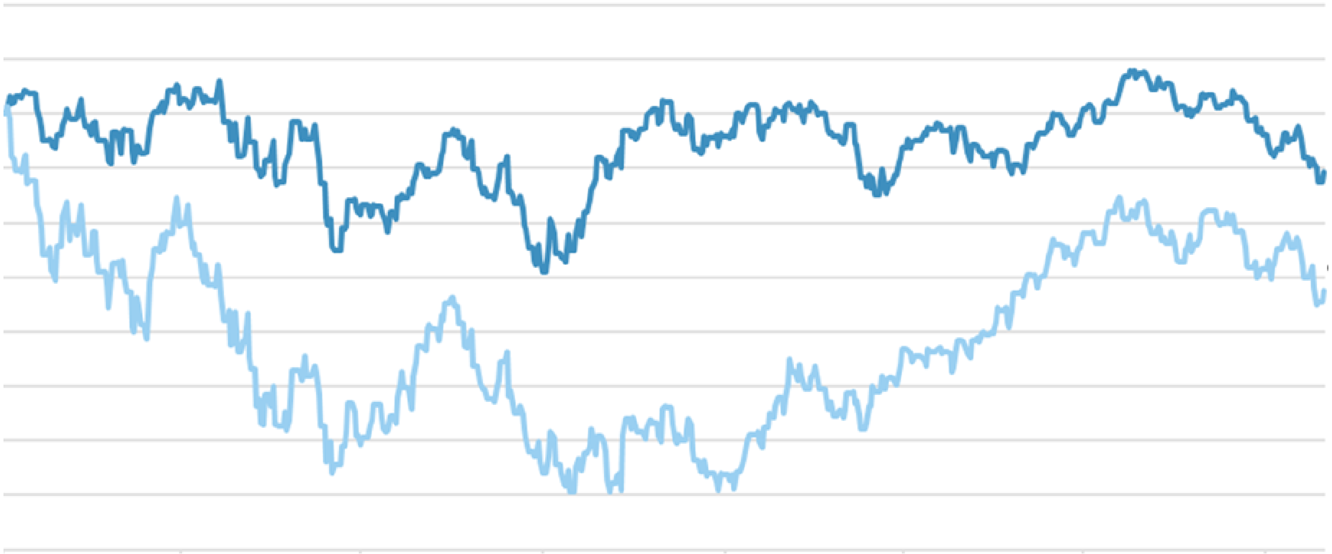

Chart 1

I cannot speak for you, but I would have chosen the Dark Blue investment. It had far less volatility and drawdown than the other choice. If I told you that the charts were only just price return, not including income, and that the Dark Blue investment had a dividend yield of 2.65% while the other yielded next to nothing, that would make the dark blue line even more attractive on a relative basis – the obvious choice.

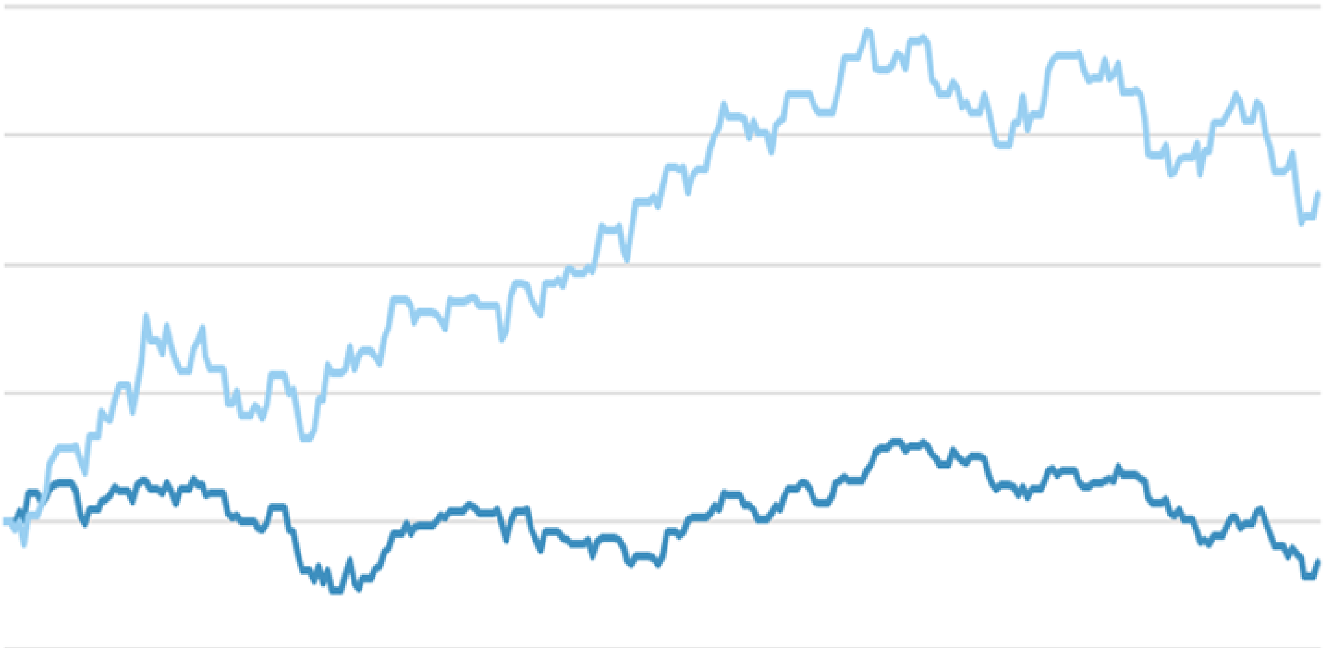

Chart 2

Chart 2 tells a very different story, and this time the Light Blue investment is the clear choice, with strong returns relative to the slightly negative results for the Dark Blue investment. Why would anyone be satisfied with the Dark Blue investment? Well, what if I told you that you were looking at the same thing?

Time for the unveiling: the dark blue line is the Vanguard Value Index, and the light blue is the Vanguard Growth Index. The difference is that Chart 1 is from the beginning of 2022 to present, and Chart 2 is year-to-date 2023. Chart two is essentially the second half of chart one, but with a new even starting point. So, which one is the better investment?

Spoiler alert – if you back this up to the beginning of 2021, then Value is still the big winner, but if you rachet it back to 2020, then Growth comes out on top. But they are BOTH very good long-term investments. They are two different but successful investment strategies that each have their time in the sun. The long-term investor that sticks with the one they believe in more (innovation and earnings growth versus income and stability) ultimately wins and reaches their financial goals. Perhaps even better, the investor that blends the two together may have an easier ride, not subject to the inevitable periods of significant under-performance of owning only one strategy.

The big loser is the investor that hops on the prior year's big winner, only to be disappointed and frustrated – again. It is very important to assess performance over various time frames, not relying only on the most recent.

IMPORTANT DISCLOSURES:

Sources include eSignal.com, Bureau of Economic Analysis, Bureau of Labor Statistics and FactSet.

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