

# VALUE IS MORE RESILIENT IN A RECESSION THAN YOU THINK

## *Stop Looking For Excuses Not To Buy It*

*Ben Inker, Catherine LeGraw, John Thorndike* | June 6, 2023

### OVERVIEW

GMO's Asset Allocation team is dialing deep into Value and holds high conviction that the cheapest cohort of Value stocks is priced to outperform the market, and the most expensive Growth stocks, in particular. In this webcast, Asset Allocation team co-heads Ben Inker and John Thorndike discuss how Value is positioned in the current macro environment and share recent research on how Value may fare if we enter a recession. The team also examines how to best capitalize on the incredible cheapness of Deep Value in portfolios.

### KEY POINTS

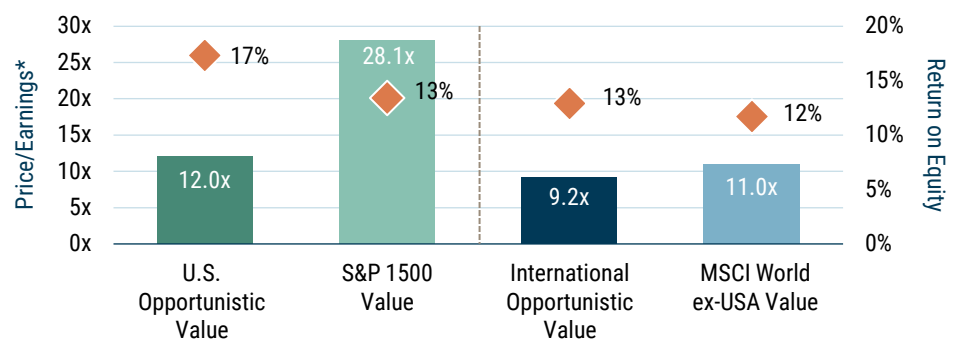
- Deep Value is extremely cheap across global equities and is truly dislocated in the U.S.
- A core concern for investors taking advantage of the incredible cheapness of Deep Value stocks today is the potential for a near-term recession, but empirical evidence shows that Value stocks actually tend to outperform in recessions.
- Value stocks have the charm of low expectations. No one expects much from them, so they have less to lose in an economic environment in which companies of all stripes wind up having a difficult time.
- Based on current valuations, Deep Value is priced to significantly outperform the rest of the market. Our analysis suggests that the prospect for deteriorating economic conditions in no way impairs this thesis.

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### DEEP VALUE: CHEAP WITH STRONG FUNDAMENTALS<sup>1</sup>



As of 5/24/2023 | Source: Vanguard, iShares, MSCI  
\*Historical 1-year weighted median



### **Ben Inker**

Mr. Inker is co-head of GMO's Asset Allocation team, a member of the GMO Board of Directors and a partner of the firm. He joined GMO in 1992

following the completion of his bachelor's degree in Economics from Yale University. In his years at GMO, Mr. Inker has served as an analyst for the Quantitative Equity and Asset Allocation teams, as a portfolio manager of several equity and asset allocation portfolios, as co-head of International Quantitative Equities, and as CIO of Quantitative Developed Equities. He is a CFA charterholder.



### **Catherine LeGraw**

Ms. LeGraw is a member of GMO's Asset Allocation team and a partner of the firm. Prior to joining GMO in 2013, she worked as a director at BlackRock.

Previously, Ms. LeGraw was an analyst at Bear, Stearns & Co. She received her BA and her BS in Economics from the University of Pennsylvania. She is a CFA charterholder.



### **John Thorndike**

Mr. Thorndike is co-head of GMO's Asset Allocation team and a partner of the firm. Mr. Thorndike currently oversees asset selection and portfolio construction decisions,

as well as team management responsibilities. Prior to joining GMO in 2015, he was a managing director and Deputy CIO at The Investment Fund for Foundations. Previously, he was an analyst with TIFF. Mr. Thorndike earned his bachelor's degree in Physics from Bowdoin College. He is a CFA charterholder.

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