



Value vs. Glamour: Updated and Expanded

revised to reflect data as of April 30, 2006

September 2006

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Introduction

In 1934's *Security Analysis*, Benjamin Graham and David Dodd argued that out-of-favor stocks are sometimes underpriced in the marketplace, and that investors cognizant of this phenomenon could capture strong returns. Conversely, the duo theorized, prices for widely popular stocks often are buttressed by high expectations and could be vulnerable if these expectations prove too enthusiastic.¹

Seven decades later, the philosophy espoused by Graham and Dodd is widely known as value investing, and the unpopular “value” stocks they advocated often are associated with companies experiencing hard times, operating in mature industries, or facing similarly adverse circumstances. Alternatively, fast-growing “glamour” firms frequently function in dynamic industries with a relatively high profile. This stark contrast in attributes leads to a natural question: which stocks perform better, value or glamour?

While this is not a simple inquiry, we believe historical analysis can shed light on the relative performance of value stocks and glamour stocks – largely because their divergent traits often manifest in their respective valuation metrics. Specifically, value shares typically feature low price-to-book, price-to-earnings, or price-to-cash flow ratios, while glamour stocks generally are characterized by valuation metrics at the opposite end of the spectrum. As a result, these metrics can be used to split a sample of equities into either the value or the glamour camp – and subsequently track each group's performance over time.

This approach to the value vs. glamour question is not novel. As early as 1977, academic studies used share price and earnings per share data to classify stocks into the value or glamour categories and compare historical performance. Through the 1980s and 1990s, additional studies broadened the analysis to include book value and cash flow metrics.²

In 1994, academics Josef Lakonishok, Andrei Shleifer, and Robert Vishny (collectively, LSV) published “Contrarian Investment, Extrapolation, and Risk,” a seminal entry in the value vs. glamour canon.³ Using data from 1968 through 1994, LSV grouped U.S. stocks into value and glamour segments based on price-to-book, price-to-cash flow, and price-to-earnings ratios, as well as sales growth. The researchers concluded that, for a broad range of definitions of “value” and “glamour,” value stocks consistently outperformed glamour stocks by wide margins. In addition, this outperformance remained robust when the stock samples under review were limited to the larger-capitalization stocks favored by large investors.⁴

¹ Graham, Benjamin and David L. Dodd. *Security Analysis*. McGraw-Hill, New York, 1934. See chapters 1 and 17.

² Lakonishok, Josef, Andrei Shleifer, and Robert Vishny. 1994. “Contrarian Investment, Extrapolation, and Risk.” *Journal of Finance* 49 (December): page 1541-1578.

³ At the time of publication, Lakonishok taught at the University of Illinois, Shleifer at Harvard University, and Vishny at the University of Chicago. Also in 1994, the trio founded LSV Asset Management, a quantitative value equity manager that uses proprietary models to manage money for institutional investors. In July 2005, the firm's website (www.lsvasset.com) listed its assets under management at over \$40.0 billion.

⁴ LSV's conclusions are summarized on pages 1543-1544 of their report.

In this paper, we investigate whether value stocks continued to outdistance glamour stocks when the study period is extended through the volatile market of the late 1990s and into 2006. In particular, was this outperformance evident among the stocks in a large investor's universe?

To answer these questions, we begin by reviewing the methodology employed in LSV's 1994 study. Next, we duplicate one of the study's primary components and extend its scope to include historical data through April 2006. Finally, we incorporate adjustments to focus more directly on the investment opportunities available to large investors. In all cases, we find that the value stocks we identify outperform their glamour counterparts substantially over the long term. The following sections explore our results in detail.

We conclude with a brief review and a discussion of issues for future consideration.

Part 1: Understanding LSV

In their study, LSV focused on companies traded on the New York Stock Exchange (NYSE) or the American Stock Exchange (AMEX) from April 1968 through April 1989. To incorporate a variety of definitions of value and glamour, the researchers classified stocks using each of the following criteria:⁵

- price-to-book (P/B)
- price-to-cash flow (P/CF)
- price-to-earnings (P/E)
- sales growth over the preceding five years
- select pairings of the variables above⁶

LSV's methodology can be condensed into three basic steps. First, the sample of companies as of April 30, 1968 was divided into deciles based on one of the criteria above. Second, the aggregate performance of each decile was tracked for each of the next five years. Finally, the first and second steps were repeated for each April 30 from 1969 through 1989.

We start with the price-to-book criterion as an example. First, all stocks traded on the NYSE and AMEX as of April 30, 1968, were sorted into deciles based on their price-to-book ratios on that date.⁷ Stocks with the highest P/B ratios were grouped in decile 1. For each consecutive decile, P/B ratios decreased; this culminated in stocks with the lowest P/B values forming decile 10.

In essence, this process created 10 separate portfolios, each with inception dates of April 30, 1968. The lower deciles, which consisted of higher-P/B stocks, represented glamour portfolios. In contrast, the higher deciles – those filled with lower-P/B stocks – represented value portfolios.

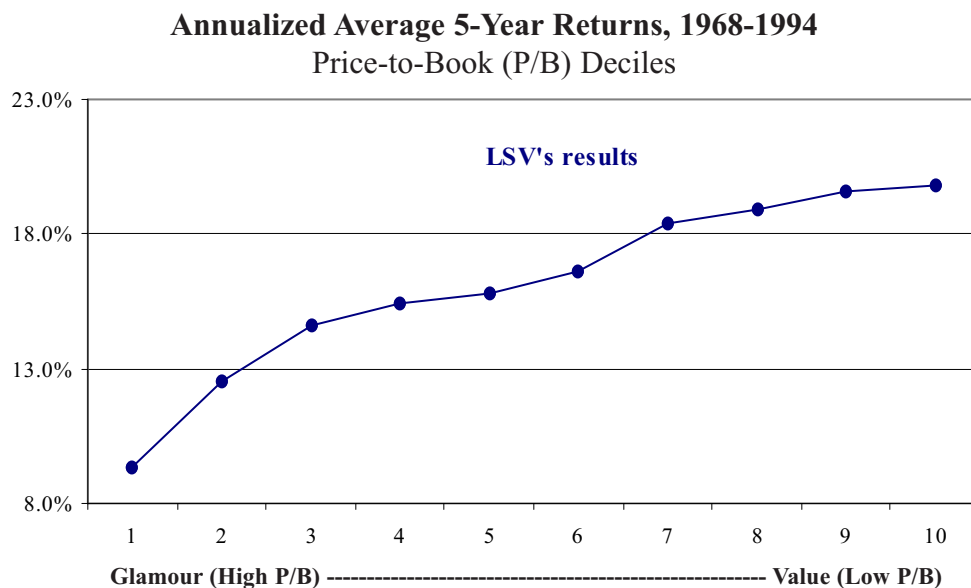
⁵ While LSV's paper connects "value" stocks with recognized value investing proponents like Benjamin Graham and David Dreman, it does not explicitly associate "glamour" stocks with growth investing, the value strategy's traditional foil. Accordingly, we note that, for the purposes of our study, "glamour" is not necessarily synonymous with "growth." While these definitions of "value" and "glamour" follow academic precedent, we recognize their limitations. The definitions are not designed to be suggestive of the way in which value or glamour managers actually pick stocks.

⁶ Like many researchers studying value vs. glamour, LSV actually used *reciprocals* of the P/B, P/CF, and P/E metrics to distinguish between value stocks and glamour stocks. We note that this approach yields identical results, and we focus on P/B, P/CF, and P/E for simplicity.

⁷ Price-to-book was defined as market value of equity on April 30 divided by book value of equity as of the most recent fiscal year-end.

From there, annual performance for deciles 1 through 10 was tracked over the subsequent five years.⁸ Additionally, new 10-decile sets were constructed based on the combined NYSE/AMEX sample as of April 30, 1969, and every subsequent April 30 through 1989. For each of these new sets, decile-by-decile performance was recorded for the five years after the inception date. After completing this process, the researchers had created 22 sets of P/B deciles, and tracked five years of decile-by-decile performance for each one. Next, LSV averaged the performance data across these 22 decile-sets to compare value and glamour.

As the chart below indicates, LSV found that performance for glamour stocks was outpaced by performance for their value counterparts. For instance, five-year returns for decile 1 – those stocks with the highest P/B ratios – averaged an annualized 9.3%, while returns for the low-P/B decile 10 averaged 19.8%. These annualized figures are equivalent to cumulative rates of return of 56.0% and 146.2%, respectively.



Source: Lakonishok, Shleifer, and Vishny. "Contrarian Investment, Extrapolation, and Risk." *Journal of Finance* 49 (December 1994)

Lakonishok, Shleifer, and Vishny repeated this analysis for deciles based on price-to-cash flow, price-to-earnings, and sales growth. The trio found that, for each of these value/glamour criteria, value stocks outperformed glamour stocks by wide margins. Additionally, value bested glamour in experiments with groups sorted by select pairings of P/B, P/CF, P/E, and sales growth.⁹

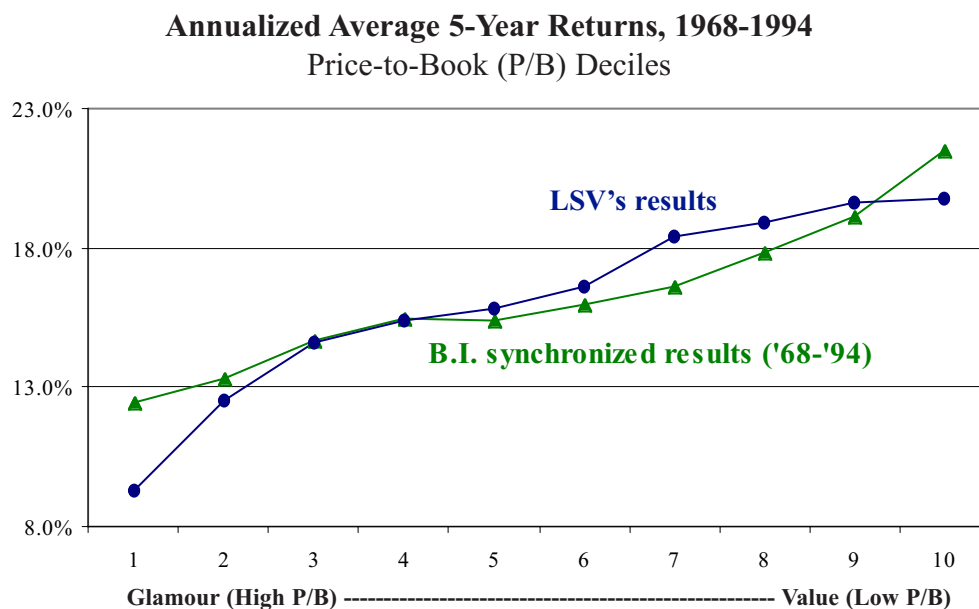
⁸ Like LSV, we reconstituted portfolios annually to form a separate decile-set for each period during the study. In other words, all decile-sets created each April 30 comprise a universe of equally weighted stocks. No new stocks were added in subsequent years, nor were decile-sets rebalanced to equally weight constituents over the subsequent five-year period of performance measurement.

⁹ Appendix Part A illustrates LSV's average annualized 5-year returns for the P/CF and P/E criteria, and Appendix Part G explores their results for all three criteria in more detail. For additional information, see "Contrarian Investment, Extrapolation, and Risk."

Part 2: Duplicating and Extending LSV

Our first step in extending LSV's study through 2006 involves duplicating the trio's methodology. We start by forming 10 decile-sets based on the combined NYSE/AMEX sample as of every April 30 beginning in 1968. We perform this process three times, for each of the P/B, P/CF, and P/E criteria. Next, we measure five years of decile-by-decile returns for each of these sets. Then we average the results across all sets to compare the performance of value stocks and glamour stocks.¹⁰

To gauge the precision of our methodology, we test it using the same time period studied by Lakonishok, Shleifer, and Vishny. The chart below compares LSV's findings for the P/B criterion with the results yielded by our synchronized methodology. The conclusions are not identical, but we believe their parity is strong enough to validate our methodology as a functional approximation of the LSV framework.¹¹



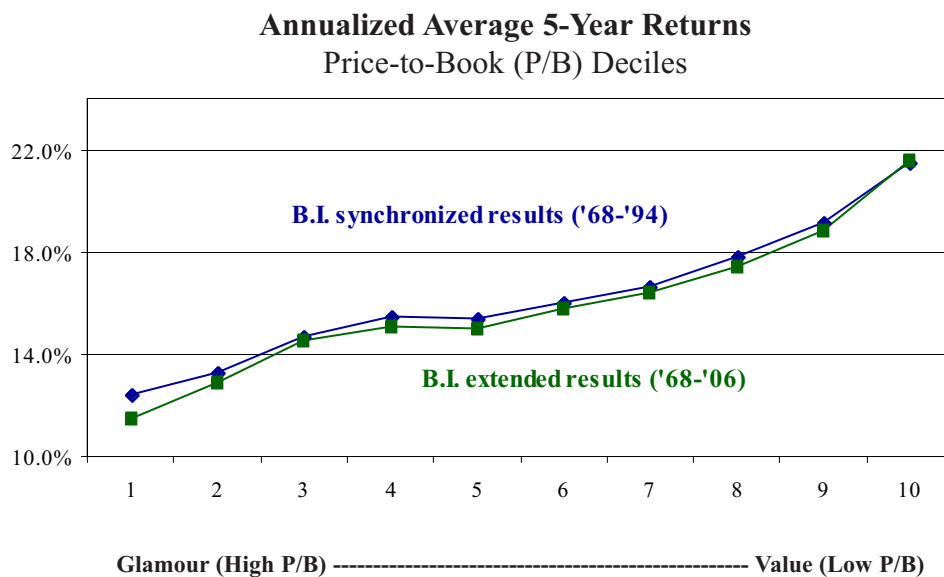
Source: Lakonishok, Shleifer, and Vishny. "Contrarian Investment, Extrapolation, and Risk."
Journal of Finance 49 (December 1994)

With the legitimacy of our methodology established, we extend our sample to include data through 2006. Specifically, we add decile-sets formed on April 30, 1990 through April 30, 2001 and incorporate their performance into our analysis. This increases our sample size from 22 sets of deciles to 33. In addition, the end of the time period covered by our performance calculations extends from April 30, 1994 to April 30, 2006.

¹⁰ Our source for P/B, P/CF, and P/E data as well as performance information is the Compustat database, which we accessed using FactSet.

¹¹ We noted similar parity in tests of our P/CF and P/E methodology, as Appendix Part B illustrates. For all three criteria, our results are somewhat different than LSV's results. We believe this may stem from minor differences in our methodology. For example, to calculate performance, LSV used returns series from the Center for Research in Securities Prices (CRSP) while we used price histories from Compustat; coverage differences between the two sources may have some effect on comparative results for deciles 1 and 10.

The chart below compares average performance from the 1968 to 1994 period with results from the 1968 to 2006 period for deciles based on price-to-book. Returns for deciles across the spectrum change only slightly in the extended time frame, and the overall pattern of substantial value stock outperformance persists. During the 1968 to 2006 period, performance for decile 1's glamour stocks averages an annualized 11.5% versus an average of 21.5% for the value stocks in decile 10. Respective cumulative performance equals 72.4% and 165.8%.¹²



Source: Compustat via FactSet

Part 3: Adjusting Our Extended Study

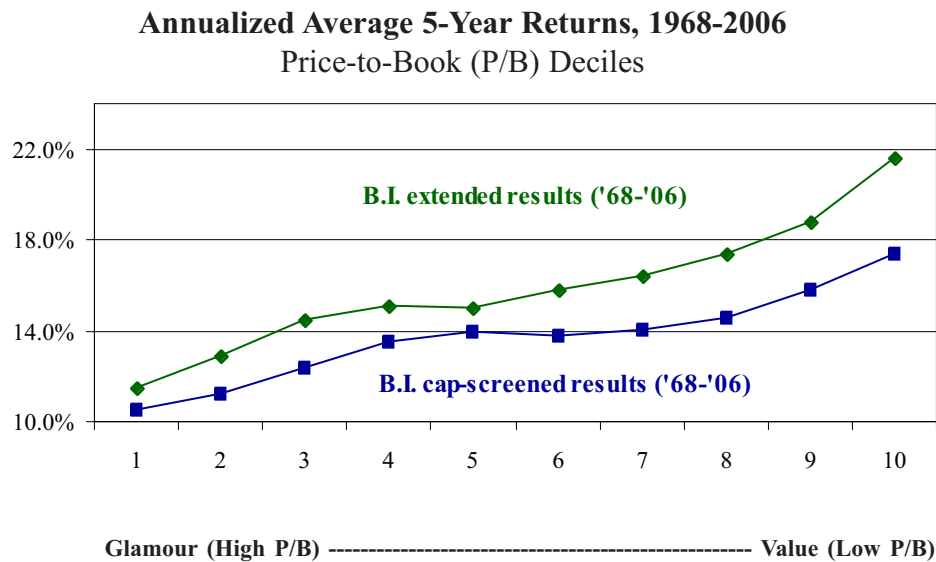
The results of our extension of LSV's study are clear: for equities traded on the NYSE and AMEX between 1968 and 2001, those exhibiting characteristics typically associated with value stocks (low P/B, P/CF, and P/E ratios) significantly outperformed those with more glamour-oriented traits (high P/B, P/CF, and P/E ratios).

However, the NYSE/AMEX sample might not accurately reflect a large investor's universe during the time period. First, the sample contains many stocks with prohibitively small market capitalizations. In addition, the sample ignores larger-cap Nasdaq firms, which inarguably represent a significant portion of the investment opportunities available to large investors. To mitigate these shortcomings, we adjust our extended study's sample in two ways.

First, we eliminate the smallest 50% of all firms in the sample before forming decile-sets each April 30. The impact of this adjustment is revealed by a review of the composition of the P/B decile-set formed using April 30, 2001 data. Before the change, that group of stocks consists of 2,241 NYSE and AMEX firms, and its smallest company has a market cap of \$400 thousand. After the change, the group's size is reduced by half, and its smallest member's market cap is \$647 million.

¹² 1968-2006 results for deciles based on P/CF and P/E were also very similar to results for the original period, as Appendix Part C illustrates. Appendix Part H and Appendix Part I break down our results for all three criteria in detail.

The chart below compares results from our extended study with average performance for stocks in our cap-screened decile-sets. Returns for the cap-screened group decrease, indicating that the stocks eliminated by our capitalization screen included a significant portion of the extended study's strongest performers. While this effect is evident across the value/glamour spectrum, it is particularly evident for value stock deciles. Annualized average decile 10 performance, for example, decreases from 21.6% for the stocks in the extended study to 17.4% for those in the cap-screened group.¹³



Source: Compustat via FactSet

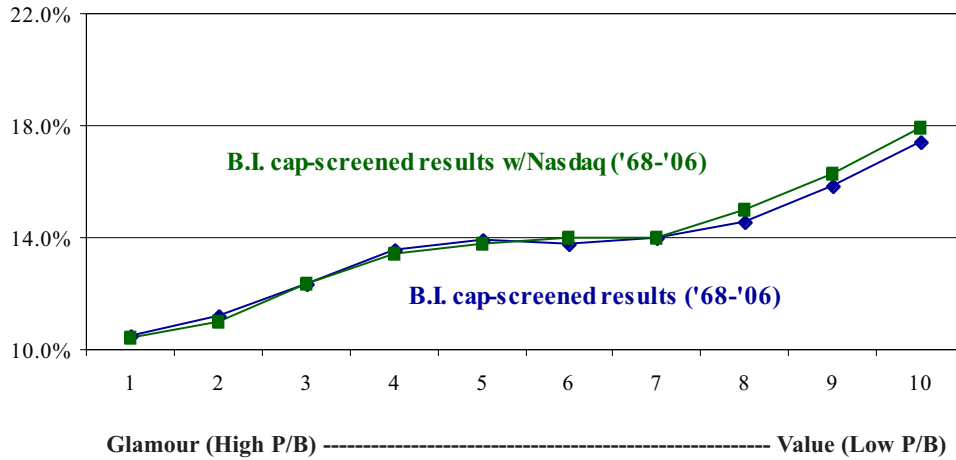
In our second adjustment, we incorporate all Nasdaq firms traded between 1968 and 2001 into our extended study – and then we eliminate the smallest 50% of all firms in the sample before forming decile-sets each April 30. This produces a sample that is both cap-screened and Nasdaq-inclusive. For example, the price-to-book decile-set formed using April 30, 2001 data consists of 2,716 firms, with a minimum market cap of \$183 million.

Interestingly, the inclusion of Nasdaq firms does not appear to have a material impact on our findings. As the chart below indicates, average returns for our cap-screened, Nasdaq-inclusive decile-sets are very similar to those for the cap-screened group that excludes Nasdaq companies across all deciles.¹⁴

¹³ Similar results were evident for P/CF and P/E deciles, as seen in Appendix Part D.

¹⁴ We noted similar results for P/CF and P/E deciles, as Appendix Part E illustrates.

Annualized Average 5-Year Returns, 1968-2006
Price-to-Book (P/B) Deciles



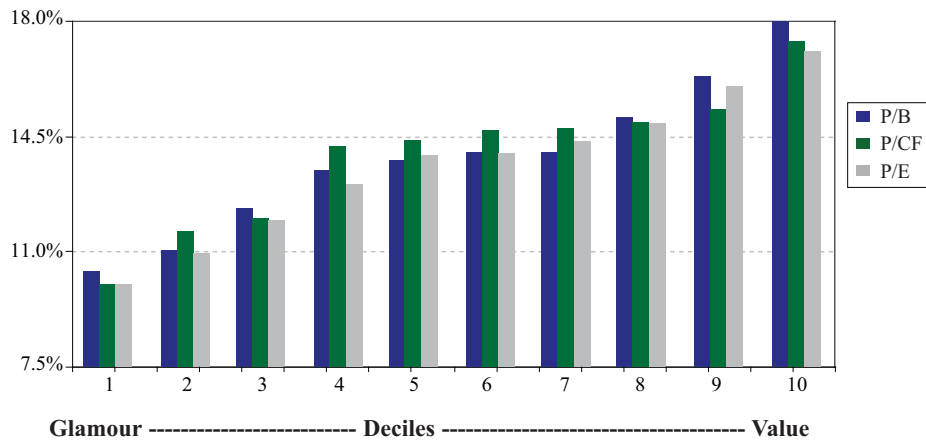
Source: Compustat via FactSet

Overall, we believe the adjustments to our extended study yield three observations. First, the elimination of the smallest 50% of companies from the sample reduces aggregate 5-year performance, particularly among value stock deciles. Second, this remains true following the inclusion of Nasdaq firms, which appear to have a negligible impact on overall results.

Finally, after both adjustments, average five-year returns for value stocks continue to outdistance those for glamour stocks over the 1968 to 2006 period – for all three value/glamour criteria we study. The chart on the next page plots average performance for our cap-screened, Nasdaq-inclusive sample by P/B, P/CF, and P/E deciles. Annualized average returns for decile 1 range from 10.0% to 10.4%. In contrast, returns for decile 10 range from 17.0% to 17.9%. On a cumulative basis, the respective ranges equal 60.8% to 64.1% and 119.6% to 128.3%.¹⁵

¹⁵ For more detailed information on our adjusted results for P/B, P/CF, and P/E, see Appendix Part J.

Annualized Average Rolling¹⁷ 5-Year Returns, 1968-2006
 Cap-screened, Nasdaq-inclusive¹⁶ P/B, P/CF, and P/E Deciles



Source: Compustat via FactSet

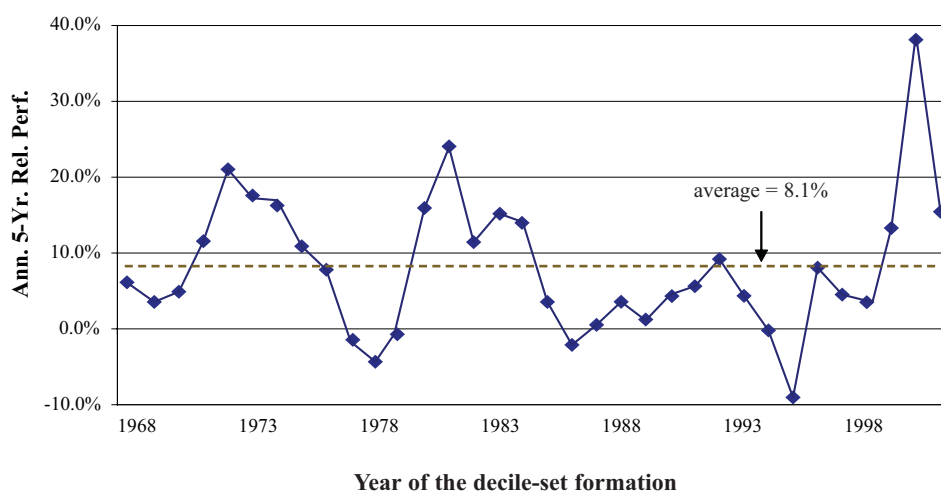
The chart above illustrates that returns for value stocks have exceeded returns for glamour stocks by a wide margin for the average decile-set formed in the years 1968 through 2001. How consistent is value stock outperformance year to year? Do value stocks beat glamour stocks fairly regularly, or does the relationship between the two exhibit more volatility?

To answer these questions, we examine our findings on a decile-set by decile-set basis. In other words, we study the relative performance of value stocks versus glamour stocks for each of the 34 decile-sets we examined, from the set formed on April 30, 1968 through the set assembled on April 30, 2001. For each decile-set, we calculate relative performance by subtracting the annualized 5-year returns of stocks in decile 1 (glamour stocks) from the annualized 5-year returns of stocks in decile 10 (value stocks). Effectively, this segments our review of the relationship of value and glamour into 34 rolling 5-year periods, starting with the 1968 through 1973 period and ending with the 2001 through 2006 span.

¹⁶ Nasdaq Composite: The Nasdaq Composite Index is an unmanaged, capitalization-weighted index of all stocks traded on the Nasdaq Stock Market and includes dividends and distributions, but does not reflect fees, brokerage commissions, or other expenses of investing.

¹⁷ Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. A hypothetical example is the 20-year time period from 12/31/82 through 12/31/02. This long-term period consists of 16 smaller five-year “rolling” segments. The first segment is the five-year period from 12/31/82 to 12/31/87. The next rolling segment is the five-year period from 12/31/83 to 12/31/88, and so on.

Annualized Rolling¹⁷ 5-Year Relative Performance of Value vs. Glamour by Price-to-Book (P/B) Decile-set



Source: Compustat via FactSet

In our opinion, this approach suggests the consistency of value stock outperformance over the 1968 to 2006 period. As the chart above shows, value stocks bested glamour stocks for 29 of the 35 price-to-book decile-sets studied. In addition, value's margin versus glamour is an annualized 10% or more in 12 of these instances. Conversely, glamour stock outperformance of more than 10% never occurred. The greatest example of glamour stock outperformance is for the decile-set formed in 1995, which happened to capture perfectly the glamour stock boom that peaked in early 2000. Even including this anomalous decile-set, value stock outperformance averages an annualized 8.1% over the 38-year period.¹⁸

The recent five-year period (2000-2005) marks the greatest discrepancy between value and glamour stock performance over the entire period of our study. We believe this five-year span reflects an extreme market environment characterized by sharp declines for glamour stocks that began with the bursting of the global technology stock bubble in 2000. During this period, renewed enthusiasm for value stocks contributed to considerable outperformance.

Overall, we believe the long-term value stock outperformance illustrated in each of the charts above is visibly robust. Accordingly, we believe our findings support the hypothesis that a long-term investment strategy based on value stocks is structurally superior to one based on glamour stocks.

Conclusion

In this paper, we examined the performance of value stocks and glamour stocks between 1968 and 2006. First, we focused on firms traded on the NYSE and AMEX exchanges using methodology similar to that employed by Josef Lakonishok, Andrei Shleifer, and Robert Vishny in their 1994 study,

¹⁸ We noted similar results for P/CF and P/E deciles, as Appendix Part F illustrates.

“Contrarian Investment, Extrapolation, and Risk.” Second, we incorporated a capitalization screen and added Nasdaq firms to reflect more accurately a large investor’s universe. In both cases, we used price-to-book, price-to-cash flow, and price-to-earnings ratios as value/glamour classification criteria.

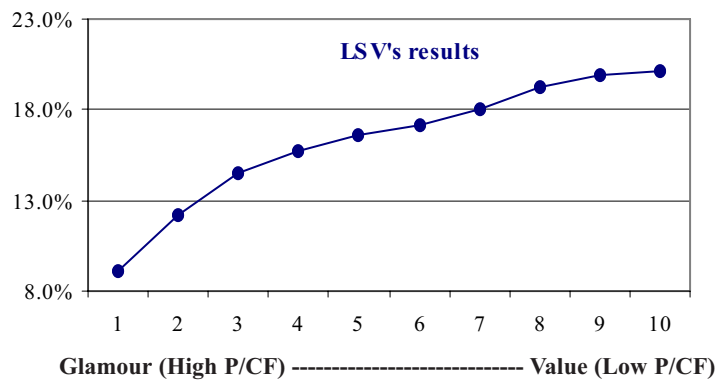
Our findings confirm that value stocks have significantly outperformed their glamour counterparts over the long term. While the average outperformance margins we observe tend to decrease when smaller-cap firms are excluded, value stocks continue to outdistance glamour stocks. In addition, this outperformance appears to be fairly consistent, based on the methodology stated above, across the time period under review. Overall, we believe long-term value stock outperformance is substantial.

APPENDIX

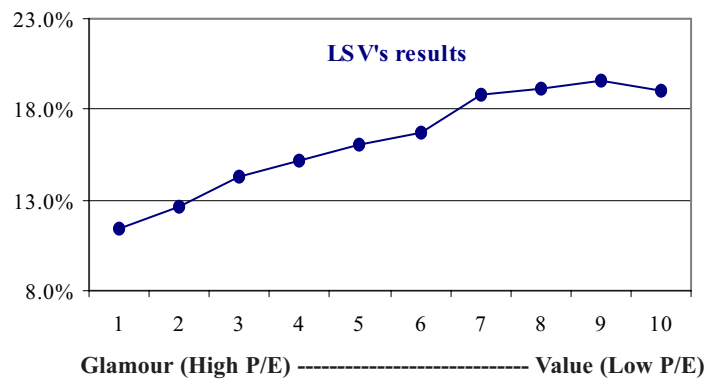
Part A: LSV's results

(from "Contrarian Investment, Extrapolation, and Risk," pages 1548-1549)

Annualized Average 5-Year Returns, 1968-1994
Price-to-Cash Flow (P/CF) Deciles



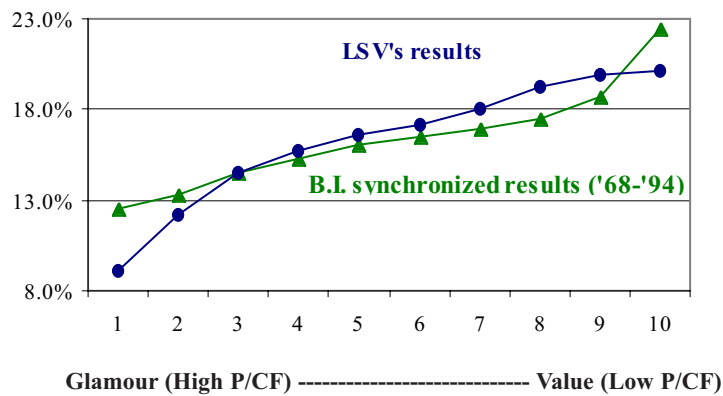
Annualized Average 5-Year Returns, 1968-1994
Price-to-Earnings (P/E) Deciles



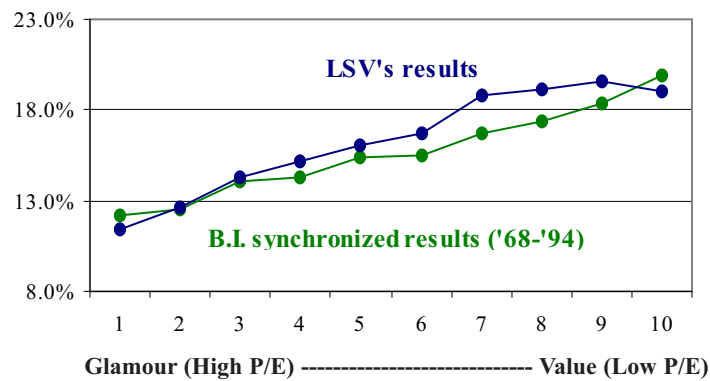
Part B: Brandes Institute 1968-1994 results versus LSV's results

(from "Contrarian Investment, Extrapolation, and Risk," pages 1548-1549, and Compustat via FactSet)

Annualized Average 5-Year Returns, 1968-1994
Price-to-Cash Flow (P/CF) Deciles



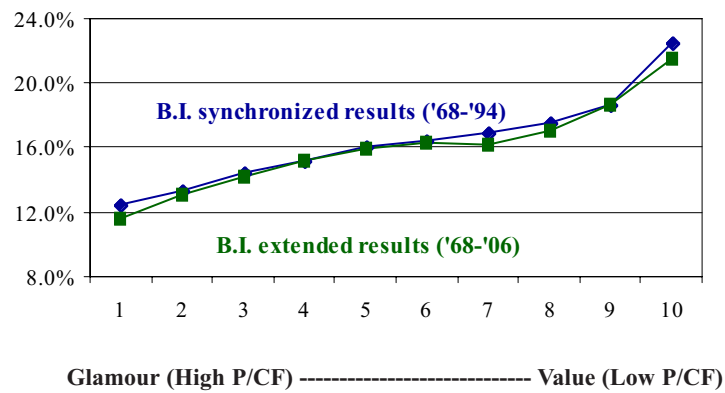
Annualized Average 5-Year Returns, 1968-1994
Price-to-Earnings (P/E) Deciles



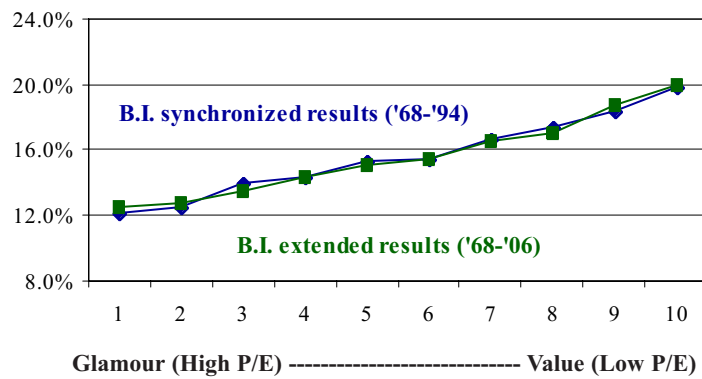
Part C: Brandes Institute 1968-2006 results versus Brandes Institute 1968-1994 results

(from Compustat via FactSet)

Annualized Average 5-Year Returns
Price-to-Cash Flow (P/CF) Deciles



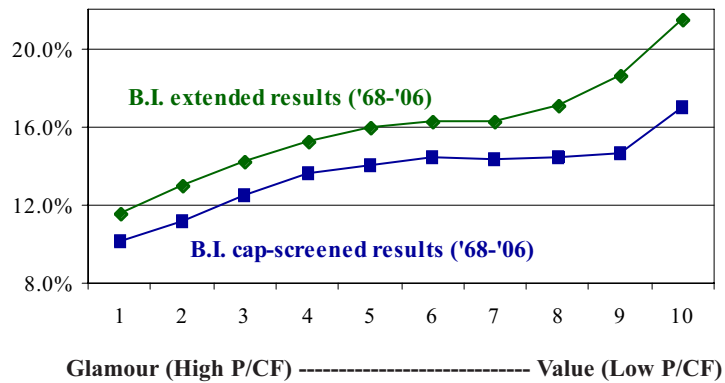
Annualized Average 5-Year Returns
Price-to-Earnings (P/E) Deciles



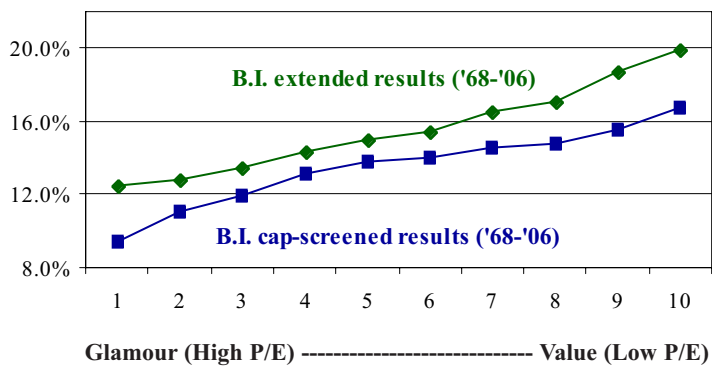
Part D: Brandes Institute cap-screened 1968-2006 results versus Brandes Institute 1968-2006 results

(from Compustat via FactSet)

Annualized Average 5-Year Returns, 1968-2006
Price-to-Cash Flow (P/CF) Deciles



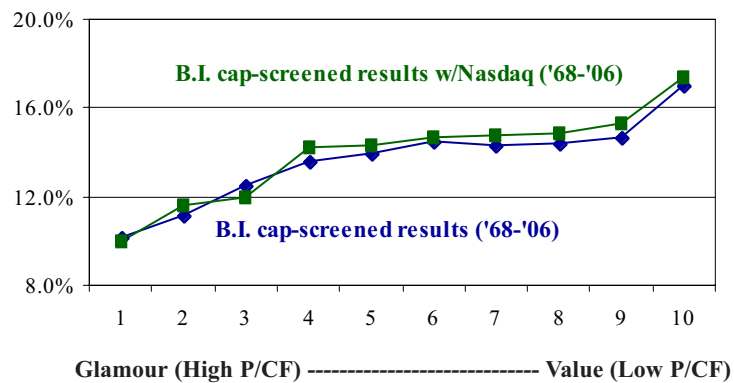
Annualized Average 5-Year Returns, 1968-2006
Price-to-Earnings (P/E) Deciles



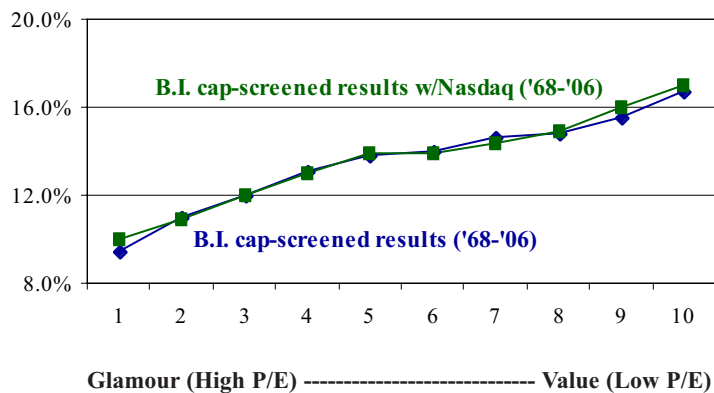
Part E: Brandes Institute cap-screened, Nasdaq-inclusive 1968-2006 results

(from Compustat via FactSet)

Annualized Average 5-Year Returns, 1968-2006
Price-to-Cash Flow (P/CF) Deciles



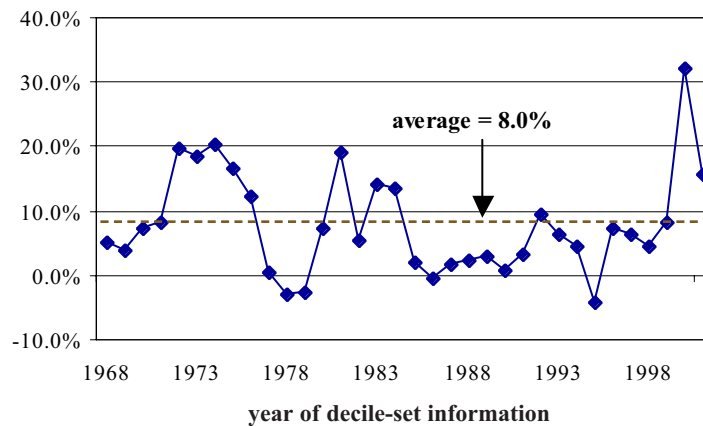
Annualized Average 5-Year Returns, 1968-2006
Price-to-Earnings (P/E) Deciles



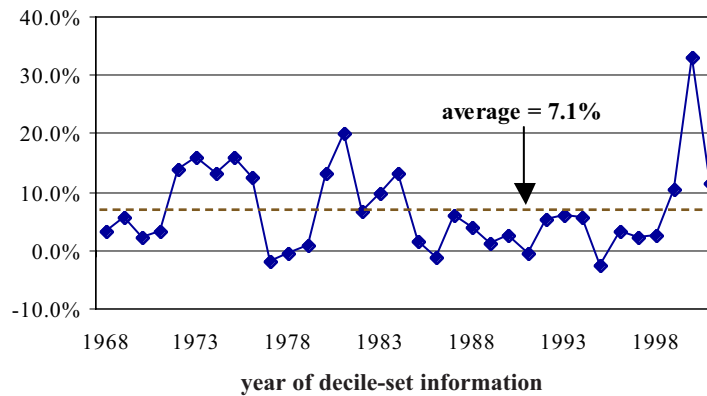
Part F: Annualized 5-year relative performance, 1968-2006

(from Compustat via FactSet)

Annualized Average 5-Year Relative Performance of Value vs. Glamour by Price-to-Cash Flow (P/CF) Decile-set



Annualized Average 5-Year Relative Performance of Value vs. Glamour by Price-to-Earnings (P/E) Decile-set



Part G: LSV's results, 1968-1994

Average returns for decile-sets formed each April 30 from 1968 through 1989
(from "Contrarian Investment, Extrapolation, and Risk," pages 1548-1549)

Price-to-Book (P/B)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	13.8%	13.2%	14.0%	13.9%	14.4%	14.7%	15.5%	16.9%	18.2%	20.7%
<i>Year 2</i>	9.5%	11.4%	13.5%	14.4%	13.7%	14.4%	15.9%	15.5%	17.2%	19.8%
<i>Year 3</i>	11.8%	14.2%	15.5%	15.4%	15.5%	17.2%	16.9%	18.7%	20.1%	22.4%
<i>Year 4</i>	11.0%	12.3%	14.3%	15.3%	15.4%	15.7%	16.6%	17.3%	19.4%	23.2%
<i>Year 5</i>	11.4%	13.3%	15.4%	16.4%	16.1%	17.0%	17.1%	18.7%	19.2%	21.8%
<i>5-Yr Cumulative</i>	72.4%	83.3%	97.1%	101.7%	101.5%	108.1%	113.8%	123.0%	136.8%	165.8%
<i>5-Yr Annualized</i>	11.5%	12.9%	14.5%	15.1%	15.0%	15.8%	16.4%	17.4%	18.8%	21.6%

Price-to-Cash Flow (P/CF)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	11.9%	14.1%	14.0%	13.9%	16.7%	16.4%	16.0%	16.6%	18.7%	21.9%
<i>Year 2</i>	9.3%	11.8%	12.2%	14.3%	15.3%	15.5%	16.2%	16.7%	16.9%	19.3%
<i>Year 3</i>	11.8%	13.2%	15.8%	16.4%	16.9%	17.6%	16.7%	17.3%	18.9%	22.8%
<i>Year 4</i>	11.8%	12.9%	14.2%	15.3%	15.3%	15.5%	15.8%	16.9%	19.5%	22.5%
<i>Year 5</i>	13.4%	13.3%	14.9%	16.4%	15.5%	16.5%	16.4%	17.8%	19.2%	21.0%
<i>5-Yr Cumulative</i>	73.3%	84.6%	94.5%	103.4%	109.6%	112.9%	112.3%	120.0%	135.0%	164.7%
<i>5-Yr Annualized</i>	11.6%	13.0%	14.2%	15.3%	16.0%	16.3%	16.2%	17.1%	18.6%	21.5%

Price-to-Earnings (P/E)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	12.9%	13.5%	13.9%	13.9%	14.5%	14.6%	16.9%	17.2%	19.4%	19.4%
<i>Year 2</i>	9.7%	12.1%	11.5%	13.5%	14.4%	15.3%	16.3%	15.9%	17.6%	18.5%
<i>Year 3</i>	12.5%	13.1%	14.7%	15.6%	15.2%	16.9%	16.9%	18.0%	19.4%	20.2%
<i>Year 4</i>	12.8%	12.3%	13.5%	13.7%	15.1%	15.0%	15.8%	16.9%	18.9%	20.8%
<i>Year 5</i>	14.7%	12.9%	13.9%	14.9%	16.0%	15.6%	16.9%	17.2%	18.4%	20.7%
<i>5-Yr Cumulative</i>	80.4%	82.5%	88.4%	95.4%	101.5%	105.4%	115.1%	119.5%	136.2%	148.0%
<i>5-Yr Annualized</i>	12.5%	12.8%	13.5%	14.3%	15.0%	15.5%	16.6%	17.0%	18.8%	19.9%

Part H: Brandes Institute results, 1968-2006

Average returns for decile-sets formed each April 30 from 1968 through 2006, from Compustat via FactSet

Price-to-Book (P/B)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	11.3%	10.5%	11.4%	12.0%	11.9%	12.5%	13.0%	14.8%	17.1%	17.9%
<i>Year 2</i>	7.3%	9.0%	10.1%	12.4%	12.4%	13.2%	12.3%	14.0%	15.1%	16.2%
<i>Year 3</i>	10.7%	12.5%	13.6%	14.5%	14.5%	14.6%	15.6%	15.6%	16.5%	17.9%
<i>Year 4</i>	10.6%	11.9%	12.9%	14.2%	14.1%	14.7%	14.0%	14.9%	15.8%	18.5%
<i>Year 5</i>	12.2%	11.2%	13.7%	14.1%	16.1%	15.0%	15.3%	15.9%	17.0%	19.3%
<i>5-Yr Cumulative</i>	64.1%	68.7%	78.9%	88.0%	90.6%	92.6%	92.7%	101.3%	112.6%	128.3%
<i>5-Yr Annualized</i>	10.4%	11.0%	12.3%	13.5%	13.8%	14.0%	14.0%	15.0%	16.3%	17.9%

Price-to-Cash Flow (P/CF)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	9.7%	11.6%	12.6%	12.6%	13.7%	14.3%	14.8%	14.7%	15.2%	18.9%
<i>Year 2</i>	6.7%	10.4%	9.4%	12.9%	13.7%	13.5%	14.2%	14.9%	14.3%	15.6%
<i>Year 3</i>	10.3%	11.7%	13.6%	15.4%	15.3%	16.1%	15.9%	14.8%	15.6%	16.5%
<i>Year 4</i>	10.9%	12.4%	11.8%	14.5%	14.1%	14.4%	13.8%	14.7%	15.2%	18.0%
<i>Year 5</i>	12.4%	11.9%	12.6%	15.6%	14.8%	15.1%	15.0%	15.4%	16.1%	17.8%
<i>5-Yr Cumulative</i>	60.8%	73.3%	76.3%	94.2%	95.5%	98.2%	98.8%	100.2%	103.6%	122.6%
<i>5-Yr Annualized</i>	10.0%	11.6%	12.0%	14.2%	14.3%	14.7%	14.7%	14.9%	15.3%	17.4%

Price-to-Earnings (P/E)

Decile	<i>Glamour</i>					<i>Value</i>				
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	10.4%	10.4%	11.8%	11.8%	12.3%	12.7%	13.7%	16.1%	16.8%	17.2%
<i>Year 2</i>	6.2%	9.7%	9.7%	11.4%	13.3%	14.2%	14.1%	13.4%	15.1%	15.6%
<i>Year 3</i>	9.5%	11.8%	12.4%	14.9%	15.2%	14.5%	15.3%	15.3%	15.7%	16.7%
<i>Year 4</i>	11.3%	10.7%	12.2%	12.9%	13.8%	14.0%	14.2%	14.7%	15.7%	18.1%
<i>Year 5</i>	12.5%	12.2%	13.6%	14.1%	14.9%	14.4%	14.5%	15.2%	16.8%	17.6%
<i>5-Yr Cumulative</i>	60.8%	68.1%	75.9%	84.5%	91.8%	92.1%	95.4%	100.6%	110.0%	119.6%
<i>5-Yr Annualized</i>	10.0%	11.0%	12.0%	13.0%	13.9%	14.0%	14.3%	14.9%	16.0%	17.0%

Part I: Brandes Institute results, 1968-2006

Average returns for decile-sets formed each April 30 from 1968 through 2006, from Compustat via FactSet

Price-to-Book (P/B)

<i>Decile</i>	<i>Glamour</i>								<i>Value</i>	
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	14.1%	13.4%	14.1%	13.9%	14.2%	14.5%	15.2%	16.4%	17.6%	19.9%
<i>Year 2</i>	10.2%	12.3%	14.2%	15.1%	14.5%	15.2%	16.8%	16.3%	17.9%	20.6%
<i>Year 3</i>	10.8%	13.4%	14.8%	14.6%	14.7%	16.3%	16.0%	17.5%	18.8%	20.4%
<i>Year 4</i>	11.2%	12.4%	14.4%	15.3%	15.5%	15.6%	16.5%	17.3%	19.5%	23.4%
<i>Year 5</i>	11.1%	12.8%	14.8%	15.9%	15.7%	16.7%	16.7%	18.2%	18.8%	21.3%
<i>5 Year Cumulative</i>	72.0%	83.0%	96.3%	100.9%	100.4%	106.9%	112.0%	120.7%	133.8%	160.7%
<i>5 Year Annualized</i>	11.5%	12.8%	14.4%	15.0%	14.9%	15.7%	16.2%	17.2%	18.5%	21.1%

Price-to-Cash Flow (P/CF)

<i>Decile</i>	<i>Glamour</i>								<i>Value</i>	
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	12.0%	14.1%	13.9%	13.8%	16.6%	16.2%	15.7%	16.3%	18.4%	21.2%
<i>Year 2</i>	10.0%	12.6%	13.0%	15.0%	15.9%	16.2%	17.0%	17.5%	17.7%	20.1%
<i>Year 3</i>	11.0%	12.3%	15.1%	15.8%	16.3%	17.0%	15.8%	16.4%	17.7%	20.9%
<i>Year 4</i>	11.9%	12.9%	14.3%	15.4%	15.2%	15.4%	15.7%	16.7%	19.5%	22.6%
<i>Year 5</i>	12.8%	12.8%	14.6%	16.2%	15.1%	16.3%	16.1%	17.5%	18.8%	20.6%
<i>5 Year Cumulative</i>	72.5%	83.7%	94.3%	103.0%	108.4%	111.8%	110.7%	117.9%	132.9%	160.3%
<i>5 Year Annualized</i>	11.5%	12.9%	14.2%	15.2%	15.8%	16.2%	16.1%	16.9%	18.4%	21.1%

Price-to-Earnings (P/E)

<i>Decile</i>	<i>Glamour</i>								<i>Value</i>	
	1	2	3	4	5	6	7	8	9	10
<i>Year 1</i>	13.1%	13.6%	14.1%	13.7%	14.3%	14.3%	16.6%	16.9%	19.0%	18.9%
<i>Year 2</i>	10.5%	12.9%	12.4%	14.2%	15.1%	16.1%	17.0%	16.6%	18.5%	19.2%
<i>Year 3</i>	11.5%	12.4%	13.9%	15.1%	14.5%	16.3%	16.2%	17.1%	18.1%	18.7%
<i>Year 4</i>	12.9%	12.3%	13.5%	13.6%	15.2%	15.0%	15.7%	16.8%	19.0%	21.0%
<i>Year 5</i>	14.0%	12.4%	13.5%	14.8%	15.7%	15.4%	16.7%	16.9%	18.1%	20.3%
<i>5 Year Cumulative</i>	79.3%	81.9%	88.1%	94.9%	100.5%	104.8%	114.0%	118.0%	133.9%	144.8%
<i>5 Year Annualized</i>	12.4%	12.7%	13.5%	14.3%	14.9%	15.4%	16.4%	16.9%	18.5%	19.6%

Part J: Brandes Institute adjusted results, 1968-2006

Average returns for Nasdaq-inclusive, market cap-screened decile-sets formed each April 30 from 1968 through 2006, from Compustat via FactSet

Price-to-Book (P/B)

Decile	Glamour					Value				
	1	2	3	4	5	6	7	8	9	10
Year 1	12.1%	11.0%	11.9%	12.5%	12.0%	12.5%	12.9%	14.6%	16.8%	17.6%
Year 2	8.1%	9.8%	11.1%	13.3%	13.3%	14.1%	13.2%	14.8%	16.0%	17.4%
Year 3	9.8%	11.6%	12.7%	13.5%	13.6%	13.7%	14.8%	14.8%	15.5%	16.6%
Year 4	10.9%	12.3%	13.0%	14.4%	14.4%	14.9%	14.1%	15.0%	15.8%	18.7%
Year 5	11.7%	10.5%	13.0%	13.5%	15.5%	14.5%	14.9%	15.4%	16.5%	18.7%
5 Year Cumulative	64.9%	68.8%	79.0%	87.9%	90.4%	91.9%	92.1%	100.5%	111.3%	126.7%
5 Year Annualized	10.5%	11.0%	12.3%	13.4%	13.7%	13.9%	14.0%	14.9%	16.1%	17.8%

Price-to-Cash Flow (P/CF)

Decile	Glamour					Value				
	1	2	3	4	5	6	7	8	9	10
Year 1	10.5%	12.0%	12.9%	12.7%	13.7%	14.2%	14.6%	14.7%	14.9%	18.7%
Year 2	7.6%	11.3%	10.2%	13.7%	14.6%	14.2%	15.0%	15.7%	15.1%	16.7%
Year 3	9.2%	11.0%	12.8%	14.8%	14.6%	15.5%	15.2%	13.9%	14.8%	15.2%
Year 4	11.2%	12.8%	12.0%	14.7%	14.2%	14.4%	13.7%	14.6%	15.0%	17.9%
Year 5	11.6%	11.3%	12.1%	15.3%	14.6%	14.7%	14.6%	15.0%	15.7%	17.3%
5 Year Cumulative	61.1%	73.8%	76.2%	94.4%	95.4%	97.8%	97.8%	99.3%	102.0%	120.7%
5 Year Annualized	10.0%	11.7%	12.0%	14.2%	14.3%	14.6%	14.6%	14.8%	15.1%	17.2%

Price-to-Earnings (P/E)

Decile	Glamour					Value				
	1	2	3	4	5	6	7	8	9	10
Year 1	11.1%	10.7%	12.1%	11.9%	12.2%	12.6%	13.5%	15.9%	16.5%	17.2%
Year 2	7.0%	10.5%	10.6%	12.3%	14.0%	14.9%	14.9%	14.2%	16.1%	16.7%
Year 3	8.5%	11.1%	11.6%	14.1%	14.6%	14.0%	14.7%	14.6%	14.8%	15.3%
Year 4	11.4%	10.9%	12.3%	13.1%	13.8%	14.2%	14.2%	14.6%	15.8%	18.2%
Year 5	11.8%	11.7%	13.1%	13.6%	14.6%	14.1%	14.2%	14.9%	16.3%	17.1%
5 Year Cumulative	60.7%	68.4%	75.8%	84.3%	91.4%	92.0%	95.0%	99.5%	109.2%	118.1%
5 Year Annualized	10.0%	11.0%	11.9%	13.0%	13.9%	13.9%	14.3%	14.8%	15.9%	16.9%