

Value & Growth Investing



- Mark J. Heath, CFA, CPA
- Senior Vice President
- Metropolitan West Capital Management, LLC
- mheath@mwcm.com

Value & Growth Investing

- Value and Growth investing is a range of investments.
- Same company may at times be considered both a value investment and a growth investment.

Value & Growth Investing

- Fidelity.com says that Value investors “look for companies whose shares trade below their inherent worth...In basic terms, value investors are "shopping for bargains" in the marketplace”.
- Fidelity.com says that Growth investors “look for companies with strong potential for earnings growth, which they believe will translate into positive returns on their investments over time.”

Value & Growth Investing

- Fidelity.com says that Value investing has these characteristics
 - 1. Below average growth
 - 2. Higher dividend yields.
 - 3. Lower valuations
- Fidelity.com says that Growth investing has these characteristics:
 - 1. Strong growth
 - 2. Profit re-investment and lower dividend payouts
 - 3. Higher valuations

Value & Growth Investing

- Value Investing
LOW
EXPECTATIONS
- Growth Investing
HIGH
EXPECTATIONS

Value & Growth Investing

- Value Apartment
 - Of 8 units available, only 5 are rented out.
 - Current rents are \$600 per unit per month
 - Expected increases in rents are 4% per year.
 - COST: \$570,000
- Growth Apartment
 - Of 8 units available, all 8 are rented out.
 - Current rents are \$900 per unit per month
 - Expected increases are 7% per year
 - COST \$1,800,000