UC San Diego
RADY SCHOOL OF MANAGEMENT
The Brandes Center

VALUE EQUITY: *CHALLENGED*

WEBINAR ROUNDTABLE

In March 2026, The Brandes Center hosted a panel discussion, "Value Equity: Challenged" featuring the following experts:

- **Nolan Bean**, CFA, CAIA, CIO/Head of Portfolio Management at FEG Investment Advisors
- **John Heins**, Founder of Value Investor Media, Inc. and Director of the C.T. and Kelley Fitzpatrick Center for Value Investing at the University of Alabama
- **Bill Nygren**, CFA, Partner and CIO-U.S. at Oakmark Funds
- **David Salem**, Portfolio Manager at Hedgeye Risk Management

Moderator: **Barclay Douglas**, Founder of Criterium Advisors and Brandes Center Advisory Board member

Select Insights
by Barclay Douglas

By design and necessity, the capital markets are dynamic. Investment styles and approaches rotate in their performance leadership, and these experiences differ in their magnitude.

Given that value investing in the public equity markets has been a proud religion for a high percentage of practitioners over the past century, the dramatic underperformance of value strategies since the 2008 financial crisis has been an eye-opening setback for many industry professionals and their clients. Our panel examines the whys and hows of this experience, yielding many insights including:

- Value investing is not a homogenous activity. There are multiple translations and related variables in execution.
- The indexes that have been created to mirror value approaches provide a worthy attempt, yet they identify stocks that are cheap on a relative basis, and may not represent discounted prices for a business.
- One crucial differentiator among value investors is their desire and ability to be forward-looking in company analysis. Some value investors seek to derive returns purely from a "regression to the mean" while others look to improving fundamentals and compounding future cash flows. This difference plays a big role during periods of business disruption like we encountered during the years since 2008.
- We came up with three reasons for the dramatic leadership of growth-oriented strategies:
    - Value investors integrate a healthy level of skepticism in their forecasts. They/we simply did not appreciate that diseconomies of scale would be encountered at much higher levels and the longer-term durability of growth that some companies would achieve.
    - Legislation and consumer mindset have dramatically increased the systematic allocations to index funds, which are blind to price discovery.
    - One of the benefits of value investing is the ability to protect capital in down markets. Long-term bull markets prevent value strategies from exhibiting this valuable attribute.
- The risk levels of passive exposures change over time, with valuations and the level of index concentration being key variables.

The Conversation

Moderator Barclay Douglas opened the discussion by citing a paper and speech Jeremy Grantham gave in 2004: “Everything I Know About the Stock Market in 30 Minutes.” Among Grantham’s key points, he stated, “Investors overpay for excitement and sex appeal,” and he meant growth stocks.

Because of this dynamic, Grantham stated that “growth stocks are systematically overvalued and, as a consequence, value indices and value peer groups tended to outperform growth by roughly 2.0% annualized over the thirty years between 1987 and 2008.”

But Douglas added value’s performance advantage disappeared between 2009 (around the end of the Great Financial Crisis or GFC) and 2025. See Exhibit 1.

While Exhibit 1 shows returns for US value and growth stocks, returns for value stocks tended to trailgrowth stocks in non-US markets during this period, too.

What *is* Value Investing?

John Heins shared several tenets that he uses teach value investing “to undergraduate students at the University of Alabama.”

- Think like a business owner and assess the cash flows the business may generate over time
- Compare the business value with its current stock price
- Invest with a margin of safety—a meaningful difference when you subtract stock price from business value
- The market isn’t always right; it isn’t always efficient
- Maintain a long-term investment horizon
- There’s a contrarian aspect to being a value investor

He added that he can teach essentials like how to understand businesses, their competitive environment and the durability of a competitive edge. “But the hardest thing, quoting Warren Buffett, is to be greedy when others are fearful and fearful when others are greedy. A lot of people are not built that way. But value investors are OK with it.”

Exhibit 1 | Value Underperformed Growth for 17 Years

Annualized Index Returns from 2009 to 2025

	Full 17-Year Period	Past 10 Years
Russell 3000 Growth Index	17.7%	18.4%
Russell 3000 Value Index	11.0%	9.9%

Source: FTSE Russell, Russell U.S. Growth and Value Indexes (data from 1/1/2009 to 12/31/2025)

Next, Douglas asked about potential disparate views on value.

Bill Nygren said, “Our view of value largely overlaps with what John said, but I think there's a perception out there that if you just rank-ordered all the companies based on their expected growth, the top half are growth stocks and the bottom half, the lousy companies, that's your value universe.”

He added some people invest that way and call themselves value managers. “They tend to be backward-looking. They look for unusually low PE ratios, unusually low price-to-book ratios, and they tend to say with pride that they don't do any forecasting.”

He characterized that approach as “deep value” and said, over time, it has become increasingly difficult to follow and be successful.

“Most of today's successful value investors are forward-looking,” Nygren said. “The way we execute value, we're trying to think seven years into the future. What will this company look like? And is it cheap today relative to that 7-year view?”

He added that growth managers are more comfortable extending that time frame to 10 or 15 years, while value managers would concede “their crystal ball gets cloudy faster.” He also said many value managers “needlessly constrain their universe to a much smaller one than you could define if you said value is just trying to get a lot more than you pay for.”

Nolan Bean said he sees a lot of value managers and there is no consistent definition. “You really have to peel back the onion to understand what somebody really means,” he said. “People assume they sound smart if they quote Buffett, but then what they're doing could be wildly different.

Why Have Value Approaches Tended to Underperform for More Than a Decade?

Heins said that given value investors’ focus on a margin of safety, they tend not to capture as much of the market performance on the upside, but should protect capital more on the downside. “If you look over a long enough period of time, I think this is still true. But since the financial crisis the market has largely gone up and valuation multiples have largely gone up.” As a result, he noted that while absolute returns for value investors have been good over that period, but *relative* returns have trailed growth investors.

He wondered whether elevated multiples, high operating margins and profitability, and favorable government, fiscal and monetary policies would all continue into the future as they have since the financial crisis. If so, “then maybe value investing, as I've traditionally viewed it, is in trouble. But if you don't believe that the last 15 years are the way it will always be, you can make a real argument that a value approach is not a bad place to be.” He added, “I will also freely admit that I've been saying that for a long time.”

David Salem said history has shown extraordinary outcomes reflect the confluence of extraordinary factors. He added one factor that has contributed to value strategies’ underperformance vs. growth since the GFC.

But before revealing that factor, he quoted Ghandi when asked about western civilization. Ghandi said, “I think it would be a good idea.”

Salem added, “It would be really good for capitalism, particularly democratic capitalism, if every investor, both professional and amateur, would do what John said at the outset: look at shares as a slice of an entire business—and take the longer view. There would be a much more efficient allocation of capital.” But, he said, “This is not the case.” And then he revealed the one factor to which he alluded earlier that’s been weighing on value strategies: regulation.

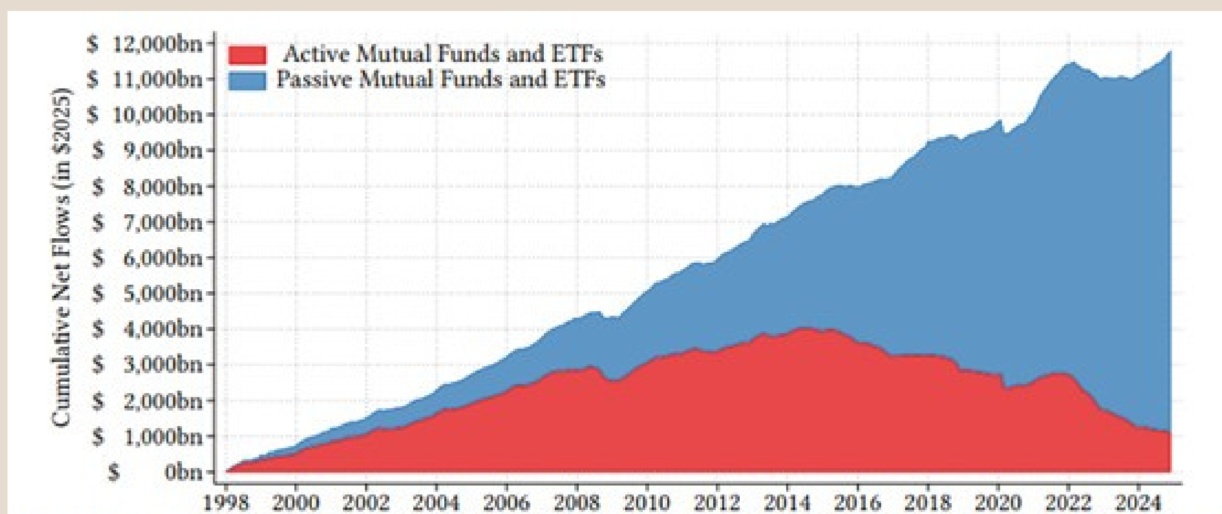
He cited U.S. laws, including the Pension Protection Act (PPA) of 2006, which triggered wider adoption of passive investment strategies, particularly in employee defined contribution plans.

“And finally,” he added, “The SECURE Act of 2019 and the SECURE Act 2.0 of 2022. Take all of those, that's both the law, PPA, and the follow-on regulations from the DOL, against the background of ERISA, which goes back to 1974, and it created, and continues to create, a massive tailwind for indexed approaches.”

He added, “Given the massive swing of the pendulum of capital toward indexation, the original premise…that if you index out of humility, based on the premise that no one really can outperform a so-called efficient market, you can be a free rider on the actions of extremely intelligent, thoughtful investors like Bill.”

Exhibit 2 shows monthly net flows into active and passive mutual funds and ETFs, deflated by the Consumer Price Index, between 1998 and 2024.

Exhibit 2 | Cumulative Net Flows Have Favored Passive Funds--Especially Since 2009



Source: Morningstar Direct. This figure shows cumulative monthly net flows into active and passive mutual funds and ETFs from 1998 to 2024, deflated by the Consumer Price Index.

Ultimately, Salem pointed out, active investors “set the prices on the margin” as others consistently pile into cap-weighted index products.

“The problem is that at some point, it flips entirely,” he warned. “And that's due to, essentially, the inelasticity of the mega-cap stocks that dominate the S&P 500.” He added that regulations (and, in turn, investors) “frown on tracking error.” But as Heins alluded to earlier, underperformance in the short term has tended to parallel the success of value investors in the long term.

Nygren revisited the notion of value’s underperformance vs. growth. “The question is less of why did value do so poorly and more, why did growth do so well?” He cited a study his firm did on business fundamentals going back seven years and noted that the Mag 7 stocks are expected to report earnings twice as high this year vs. expectations in 2019.

“Additionally,” he said, “the forward 5-year growth rate today is much higher than it was back in 2019. So, these underlying companies have performed better fundamentally—and are expected to continue performing better fundamentally. I don't think we should be surprised at all that it’s led to such incredible stock market performance. Now, it begs the question, how long will this continue?

Salem pointed out, active investors “set the prices on the margin” as others consistently pile into cap-weighted index products.

Value investing is responsible for a lot of those great sayings like, ‘Trees don't grow to the sky.’ Well, right now, they are growing to the sky. People believe that a lot of these markets are winner-take-most markets, and if they're right, we won't get the regression to the mean in earnings that we have typically had.”

He closed by saying it’s unprecedented for such large businesses to accelerate their growth rates as they’ve gotten larger rather than regress to a historical mean. He wondered whether this fundamental picture would reverse.

Bean said he chairs the investment committee for an independent school, which oversees both an endowment and a retirement plan. “I don't want to get sued. The school doesn't want to get sued, so put money in an index fund and you're covered, right? So, there's that market mechanism. I think Bill's point of the sheer growth resonates with me. It’s been a golden age of business model disruption.”

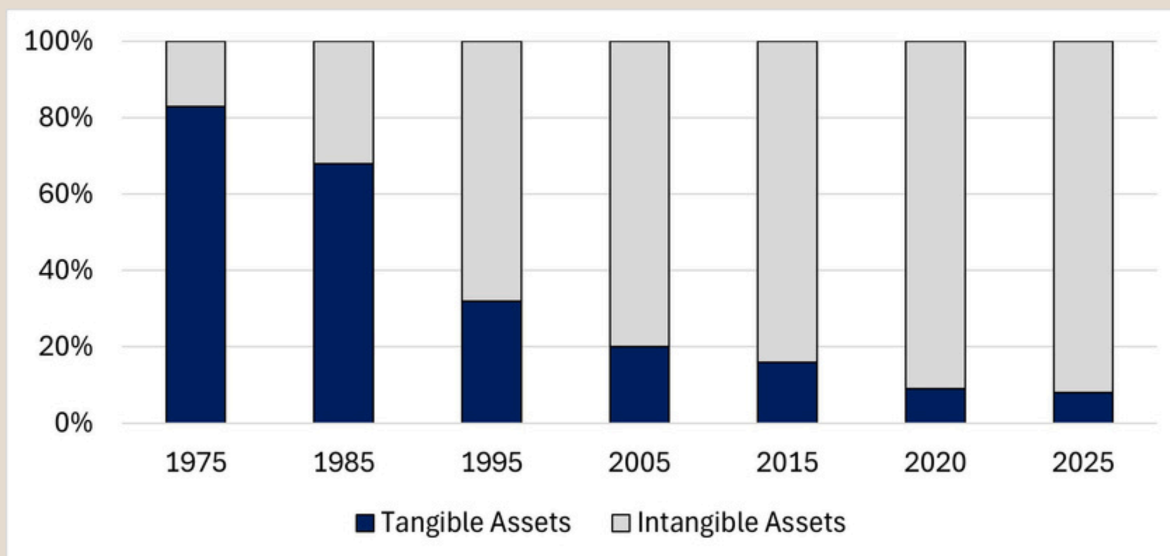
He pointed to Amazon as an example. It started out challenging books, but as it’s built network effects and executed on its “winner take most” model, he said, “It turns out that running a monopoly is a pretty good business, and you can have higher returns on invested capital for a much longer period of time than most of us thought was humanly possible.”

The Definition of Value

Douglas asked Bean if the definition of value has changed over the years.

“It's changed quite a bit,” Bean said.

Exhibit 3 | Components of S&P 500 Market Value (1975 to 2025)



Source: Source: Ocean Tomo Intangible Asset Market Value study, released 2/12/26

"If you go back to Graham and Dodd and what Buffett read and what a lot of the early practitioners did, it was largely tied to: how do we buy a business below tangible book value? And that worked in an industrial society."

But Bean said value approaches have evolved to include some aspect of quality. "Buffett was: buy cigar butts. Buy cheap stocks, below tangible book value. Munger was: buy wonderful businesses, and then sit on your you-know-what and get rich. So, I think more value investors appreciated buying a quality business at a fair price. The last time I was at the Berkshire Annual Meeting was maybe 7 or 8 years ago and 'high-quality compounders' was uttered a million times. 'Dirt cheap?' I never heard once."

He added that value investing will likely continue to evolve as investors seek to assess intangible book value and business aspects such as human capital and network effects. But, he also noted there's a fine line of, "Are you cheating and buying growth stocks or are you finding value in intangible assets that are worth paying up a bit for?" Bean offered the "secret" to whether investors are "cheating" and buying growth stocks or "being innovative and looking at intangibles to find value."

Nygren said he'd love to know.

"If it works and the stock goes up a lot, you're a genius and you're a Buffett," Bean joked. "When the stock goes down, you're definitely cheating and you were buying growth stocks."

Exhibit 3 shows how the composition of tangible vs. intangible assets for S&P 500 companies has changed between 1975 and 2025.

Douglas asked about time horizons for growth and value investors. “John, you talked about value investors having a longer time horizon. Bill, you talked about growth investors have greater visibility for a longer period of time. Is there a contradiction there?”

Heins said he was referring to value investors and hedge funds that are focused on quarter-by-quarter outperformance.

Bean jumped in and said, “It's hardwired into the system. They give traders money and say, ‘If you have a 5% drawdown, we're taking half your money. If you're down 10%, you're fired.’ So, you can't have it definitionally. If you think about capital flows, you tie David's argument on indexing, and that's now whatever it is, a $15 trillion index. And then you’ve got $600, $700 billion in those [short-term] types of trading strategies, levered 10 times. That's a lot of the incremental buyers in the marketplace.”

Heins agreed, adding, “That's the distinction that the value investors that I talk to are making. When I started *Value Investor Insight* 21 years ago, you'd have a wide variety of conversations, but every single investor didn't start out by saying, ‘I invest in quality companies.’ Now, just about every single one starts out with that. In addition, they also say, ‘I'm looking out 2, 3, 4 years. A value investor is looking at things that are not great for some reason. Something's not right—and if I'm looking at the next quarter, it's *still* probably not going to be right. But if I'm looking out 2 or 3 years, there is reason to believe that they can be better in the future. And if the market is at the margin focused more on what's happening right now, it's possible that taking a longer-term view can give you a variant perception that can allow you to buy something that you believe is mispriced.”

Douglas circled back with Nygren and asked if value investors are more skeptical or cautious.

Nygren agreed. “We tend to be very careful estimating our own ability to predict long into the future. And we're no good at trying to find companies that are going to be heavily investing for something that you might not see for a decade. That’s not our business. We leave that to growth investors.”

GAAP Accounting

Douglas asked about changes in measuring value over the years and pointed toward GAAP accounting practices. Nygren said perceptions shifted in the 1980s when Buffett bought Coca-Cola. Many investors were puzzled as it wasn’t a high price-to-book or low PE stock. Buffett said the company’s “most valuable asset isn't even on the balance sheet; it was the brand name.”

Nygren said that opened a lot of eyes to some of the shortcomings in GAAP accounting. “GAAP accounting prides itself in conservatism,” he said. “If you can't touch or feel an asset, you value it at zero. And as the world has evolved to capital-light models, and worlds where brand names are more important, global networks are important and customer acquisition costs, we find that we have to adjust GAAP accounting for most companies we look at to get to a number that's a better reflection of how value is changing year to year than net income gives you.”

He shared the example of buying shares of Netflix when it was trading at 200 times earnings. But Nygren said, “HBO was valued at about $800 a subscriber and Netflix was valued at about $200 a subscriber. If you looked at Netflix adding 25 million subscribers in a year and valued them the same as the HBO subscribers, you'd look at Netflix and say it was selling at about four times earnings.”

He added that GAAP accounting measures pointed toward the company spending too much on customer acquisition. “The accounting isn't willing to assume that when you get a new customer, they'll probably last for 7 to 10 years. Therefore, you should amortize the acquisition cost over that time period. So, we basically changed from GAAP accounting to *Oakmark* accounting.

“And on our numbers,” he said, “We were buying Netflix at a big discount to value. So, I think it would be extremely helpful to the equity investor if GAAP would move away from its pride in conservatism and start to prize accuracy rather than conservatism.”

He added, ”Valuing intangibles has become extremely important, and it's why you see almost no correlation at all anymore to a company's PE ratio and its price-to-book ratio. When I started in the business, those were tied very strongly to each other. Today, it's all over the map because the fixed assets aren't what companies are earning the money on.”

Benchmarks and Indices

Douglas touched on tracking error and said that implies “there’s something sacred about benchmarks.” He asked if value indices reflect what value investors do today.

“No,” Bean said flatly.

As he smiled, Douglas laughed and said, “OK.”

“They're what Bill described,” Bean elaborated. “It’s rank order on low growth and low price to book. I don't know a single value investor left on this planet that hasn't already gone out of business that would ever build a portfolio that way.” He added, “You're also correct that tracking error is something to be mindful of. You have to be aware of what it is, but it doesn't reflect anything remotely close to value investing.”

“Why do you need to be aware?” Douglas asked. ”Because you've got to keep clients happy?

“As David's former employer, Jeremy Grantham says, ‘You get 3 years and then you get fired.’”

Nygren added that concentration within the S&P 500 Index has made it less useful for benchmarking. “An index like the Russell [1000] Value has become a better comparison for value managers because it’s more diversified. But even that index today, a company like Walmart at 40 times earnings, is in the Russell Value Index.

“And that’s because the MAG 7 have sucked all the oxygen out of the room. There isn't enough space in the growth indices for these higher multiple, faster-growing companies that we generally think are too expensive for us, so they've found their way into the Russell Value. So even the Russell value today, I think, is a growthier index than most value managers' portfolios.”

He added that, as a result, there's an inherent problem with trying to track such benchmarks.

Douglas turned to Salem and asked how asset owners should assess performance.

"In managing portfolios, particularly multi-asset portfolios on behalf of long-horizon investors, or even permanent pools of capital, I have always favored using more rather than fewer metrics," Salem said. "And being crystal clear about both the time horizon over which they should be applied and their rank ordering."

He added, "When I left GMO in the early '90s to take the MacArthur money to start TIFF, that was the last day in my whole career that I ever used the terms growth and value. I had to do it as a partner at GMO because we had to be hypersensitive to the fact that our clients were using that terminology and putting us into buckets."

He added that more investors are also abandoning such broad definitions and adopting "a much more holistic approach that's often called a total portfolio approach. I think in the longer term, the abandonment of these generally unhelpful and counterproductive labels and terms will produce a more efficient allocation of capital."

[For more insight on the Total Portfolio Approach, read this Brandes Center summary of a webinar we hosted on the topic.]

He added adopting such an approach would help reduce or eliminate penalties for tracking error and "really sensible money managers like John and Bill will come back into favor. I just hope that's the case."

Douglas asked, "Do time horizons differ from one manager to another? For example, I might suspect that managers with higher tracking error should have longer time horizons for assessment than those with very tight tracking error."

Salem said, "Not quite. The ultimate owner of the capital should use a time horizon that's commensurate with the time horizon the manager itself is employing in deploying capital. And that requires a lot of interaction up front in the hiring process and ongoing conversation. Get those in sync. I think almost all of the hiring and firing mistakes that I've witnessed in now a very long career have been rooted in dissonance
or inconsistency in the time horizon used by the manager and the time horizon used by the client."

Just Put Your Money in the S&P 500 Index?

Douglas opened this segment of the discussion with the notion that "a generation of investors" believe investing in the S&P 500 Index is the lowest risk path to achieving their goals. "Do you think that remains true today?"

> **"When I left GMO in the early '90s to take the MacArthur money to start TIFF, that was the last day in my whole career that I ever used the terms growth and value."**
>
> **--David Salem**

"We need to be really precise," Salem said. "Risk is in the eyes of the beholder. It's already been alluded to as this webinar has unfolded. Are we talking about absolute return risk? Or relative return risk? We need to be really crystal clear in rank ordering."

Salem mentioned that when creating investment policy statements from scratch for an organization, family or individual, he has tried to explore various facets of risk by asking, "What is the tolerance for absolute return risk?" And then explore the question, "Do we need to add on a supplementary or a second risk parameter that codifies tolerance for *relative* return risk?"

He shared an example of working with college endowments that initially focus on absolute returns. But Salem noted the organization may be competing in markets for faculty, staff, coaches, grants, athletes and students. "If you have too prolonged a period where your endowment underperforms that of peer institutions, that could put you in a very unwelcome place. So maybe we need to also codify, in writing, some tolerance for *relative* return risk." He suggested not underperforming a specified peer group of other college endowments by more than X percent annualized over Y years.

He added that a reluctance or inability to think specifically and articulate clearly—and rank order—various risks "frankly caused a lot of endowed charities, and we were managing money for many of them at TIFF, to abandon otherwise sound strategies and chase the S&P and the NASDAQ in 1999. We saw it again in 2006, 2007, and most conspicuously, going into and moving through calendar 2022."

Salem summed it up by saying, "What this really comes down to in practice is take every guardrail and ask, 'Why do we have this?'"

Douglas wondered if the S&P 500 would be the best place to invest for the lifetime of his grandson, who is 2½ years old.

Nygren said, "For most of my career, that's been pretty solid advice. The S&P 500 has been less volatile than the average mutual fund. It has reflected broadly what the U.S. economy has done, and as Warren Buffett has said, at the risk of quoting him too much, if you hitch your star to the U.S. economy and don't think about it, and don't pay much in fees, you're likely to get a pretty good result."

He added that the index has done a good job —and has helped make the discussion around tracking error more relevant. But he cautioned that the index has "radically changed in the past few years and has effectively become a concentrated technology growth fund."

He added, "I don't think the strong tethering of the S&P to an individual's financial goals continues today."

Assessing Intrinsic Value

Douglas asked is estimating a company's underlying value a viable approach or just a loose approximation that's "hard or even impossible to use effectively?"

Nygren quickly replied, "Well, first, I think it is a loose approximation. One of my pet peeves is when analysts will write something that the intrinsic value of XYZ is $80.42. There's no way we can get that level of precision."

He noted that's why he seeks "decent-sized discounts to our estimate of intrinsic value.... At Oakmark, we use something like two-thirds. So, if we think a business is worth 90, we get interested if it's selling under 60."

Heins agreed. "For the typical value investor, investing in any other way than trying to determine what the intrinsic value is doesn't make sense." He acknowledged that estimating intrinsic value is difficult, but said "that's what fundamental active equity investors with a value orientation do."

Nygren added, "If you're indicting value investing because you can't estimate intrinsic value, you'd also have to indict PE [private equity] investing. It's exactly what they do."

He said PE investors often look at companies with a longer time horizon vs. the typical public market investor, acquire them, then seek to bolster that value and take them public again.

Salem added, "I'm glad Bill mentioned private equity. That's actually where I was going to go. I said earlier that risk is in the eyes of the beholder. In this context, intrinsic value is in the eyes of the beholder."

He also said any estimate of intrinsic value depends on time horizon. He used the example of selling a car he owned. He likely would be able to command a higher price if he had weeks to sell it vs. being forced to sell it later this afternoon.

Douglas asked the panelists if it's harder to estimate intrinsic value for companies with higher projected growth rates. He noted, "Maybe because high growth rates bring lots of competition, lots of uncertainty in the future."

Nygren agreed. "It's just like a bond's duration. The farther out the cash flows are, the more volatile they're going to be. A company that's going to earn $10 a share forever starting from today, you get a lot of that money back relatively soon. You can be relatively sure of those numbers, much more so than you can be for what the cash flow in year 15 is going to look like."

Value Investing Outside the United States

Douglas said that while growth strategies have outperformed value for quite some time in the United States, that hasn't been true around the world. He asked, "What are your thoughts on the evolving attractiveness of value strategies in non-U.S. markets?"

Salem said, "You don't see nearly the degree of pro-indexation regulation outside the U.S. that you do inside the U.S. So, that would logically cause you to think, well, maybe the biggest cap stocks, which in the U.S. happen to be growthy, haven't outperformed other stocks *outside* the United States."

Nygren added, "If you're indicting value investing because you can't estimate intrinsic value, you'd also have to indict PE [private equity] investing.

"It's exactly what they do."

He acknowledged there have been cycles in growth and value stock outperformance, but from the end of the GFC, he said those swings largely have been driven by “whether banks have underperformed or outperformed.” Looking ahead, he said, “I don't have any clarity on the extent to which value will out- or underperform growth over any future time horizon.

“And as a corollary to that, as I already suggested earlier, I wouldn't even use those terms in deploying capital. I would use other, analytical methods to decide where to put money and where *not* to put it.”

Value Traps/Mistakes

Bean introduced the topic of mistakes in value investing. He acknowledged he was making a generalization, but said there was a cohort of value investors who bought boring businesses they could understand. They didn’t *try* to understand innovation, entrepreneurship, what's going on in biotechnology, for example, because they perceived such firms as high flyers they put in the “too hard to understand” bucket.

“I think most of those investors died,” he said. He added such companies might become “value” stocks at some point, but these investors weren’t prepared to analyze them.

“And it's who actually understands the business model and disruption and the evolution—and what's going on with AI and the like. And if you're starting from a standstill, you're just way behind the eight ball. So who's intellectually curious, understanding business models, evolution in the economy, evolution of technology, even if they're not going to invest in it for 20 years? I think that was a mistake that we saw a lot of value investors make 10 or 15 years ago.”

Bean’s comments *preceded* Douglas asking about potential changes value managers might want to embrace going forward to avoid underperformance.

Bean smiled, “Yeah, I just jumped the gun. I was so excited. I just answered it one question early.”

“I've known you long enough,” Douglas quipped. “I could have predicted that. But let's turn it over to John. Do you have any views on this?”

Heins reiterated the importance of the fundamental tenets he laid out at the start of the discussion. “There are a lot of things that go into valuing a business and understanding a business. As people have said, you have to adapt. Bill Nygren has been a great example of someone who has evolved. He's still very much a value investor, but he can find value in—he mentioned Netflix. About seven or eight years ago in *Value Investor Insight*, he talked about Alphabet.

“There are a lot of things that go into valuing a business and understanding a business. As people have said, you have to adapt.”

--John Heins

And it was a very clear value understanding and description. Maybe that's different than what Ben Graham espoused, but it's still a value orientation."

Nygren added that, often, people still define value stocks as underperforming or bad businesses. "With a broader definition that's more focused on business value than GAAP accounting value, discounted cash flow, assuming growth over the next few years, a value manager's universe can be quite broad—and can include *good* businesses."

Douglas then shifted by posing the same question—but for asset owners rather than managers. He asked, "Should we change the selection criteria that we use for value managers going forward?"

Salem said, "Get rid of the physics envy—the idea that we can map out, like the laws of physics, principles that apply sensibly to a complex adaptive system that's rooted in human behavior with all of its features and bugs or foibles." He added that AI today offers a similar tool to computers and software advances decades ago. "I cut my teeth in this business working with Jeremy Grantham. And we just tried to automate and computerize everything that we could that made sense to automate and computerize—and not attempt to do that with phenomena that were not amenable to that form of analysis."

Bean suggested asset owners structure their public equity portfolio broadly. "If you don't go the total portfolio approach way that David has suggested, which has a lot of merits, asset class buckets are easier, so they are going to be with us for a while. So I'd have a broad range of buckets." He added, "At the end of the day, this is a people business—even if they're creating quantitative approaches. Then build guardrails, so you don't blow yourself up. And hire the best managers that are practicing the art of investing to buy businesses below their intrinsic value, whether they're growing fast, slow, or otherwise."

Nygren noted that when Oakmark started in 1991, the typical advisor would use the nine, style boxes. "They'd pick their favorite manager in each of the nine boxes and, I think, over time, realized that methodology ended up largely being a high-fee index fund. You had a lot of managers 30 years ago that were index huggers, focused on minimizing tracking error. And we've seen that evolve to where the core of most of our advisors' portfolios today are S&P-centric. And then they have a couple, satellite managers that are very active managers.

"As you look forward, as the S&P has moved farther and farther to the growth category, you need to think about do you really want to have balance in the amount you allocate to growth and value in *addition* to the S&P 500? I would argue, since the S&P has become so growthy, maybe you don't need those growth satellite managers, or at least not as many of them." He added asset owners may "need to allocate more capital to the value managers to balance out the portfolio better—and have it more in tune with what ties to your client's growth in capital expectations."

Panelist and Moderator Spotlight

Nolan Bean, CFA, CAIA, *FEG Investment Advisors*

Bean serves as FEG's chief investment officer and head of portfolio management, developing strategies designed to help clients receive a consistent investment experience. He is a member of the firm's investment committee and portfolio management team. He has advised more than a dozen chief investment officers at various endowments/foundations and healthcare systems. In addition to his position on the FEG Leadership Team, he is part of the FEG Board of Directors.

Barclay Douglas, *Criterium Advisors*

Douglas founded Criterium Advisors, a consulting firm providing investment and strategic counsel to both institutional fund sponsors and money managers. Previously, he was President and CEO of Baring Asset Management. In addition, he has been an active member of The Brandes Center's Advisory Board for nearly 20 years.

John Heins, *Value Investor Media, University of Alabama*

Heins is the President and Editor-in-Chief of Value Investor Media, Inc., which he co-founded in 2005 and which publishes the investment newsletter *Value Investor Insight*. He also is the Director of the C.T. and Kelley Fitzpatrick Center for Value Investing at the University of Alabama. He teaches three value investing courses and also serves as Faculty Advisor for the Culverhouse Investment Management Group, Faculty Advisor for the Investment Banking Academy, and as Chairman of the Capstone Student Investment Conference.

Bill Nygren, CFA, *Oakmark Funds*

Nygren has been a manager of Oakmark funds for more than 30 years. He also is the chief investment officer-U.S. at Harris Associates, which he joined in 1983, and a vice president of the Oakmark Funds. He served as the firm's director of U.S. research from 1990 to 1998. Nygren was named Morningstar's Domestic Stock Manager of the Year in 2001.

David Salem, *Hedgeye Asset Management*

A portfolio manager with Hedgeye, Salem brings decades of expertise in designing and managing large-scale investment programs for mission-driven institutions. As a partner at GMO, he worked closely with founder Jeremy Grantham to create and oversee commingled funds for many of America's largest foundations. He went on to become the founding president and chief investment officer of The Investment Fund for Foundations (TIFF), launched with $2.5 million in seed grants led by the MacArthur Foundation. Over nearly two decades, David directed investment programs that deployed more than $8 billion on behalf of 800+ endowed charities.

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