



**ODDO BHF**  
ASSET MANAGEMENT



## LONG-TERM REASONS TO INVEST IN *value equity funds*

INVESTMENT EXPERTISE - SEPTEMBER 2022

Value management consists of selecting stocks at a discount, i.e. stocks whose price is lower than it should be in relation to the intrinsic value of the company. This management style relies on the correction of this market anomaly which will revalue the stock at its fair value over the medium to long term.

### WHAT ARE THE REASONS FOR A LONG-TERM INTEREST IN THIS STRATEGY?

- Any company can go through difficulties whether they are economic, strategic, competitive or managerial. This often leads to a lack of interest from investors and therefore to undervaluation. Any company, whatever its sector of activity, its level of growth and its level of margin, may find itself at a loss.
- In the short term, markets tend to overreact. Value management allows for the implementation of rigorous analysis methods in order to avoid following these movements and to focus on the real value of the company. Indeed, value management is a long-term investment approach that focuses on the valuation of a company in relation to its normative profitability. This management style follows a rigorous process with the objective of participating in market excesses, while relying on an in-depth knowledge of a company's business, from a valuation, balance sheet quality and extra-financial analysis point of view.
- „Growth“ management has particularly benefited since 2014 from the various accommodating monetary policies as well as the sharp drop-in interest rates. Indeed, the constant revision of the value of future cash flows due to lower discount rates has benefited this management style. The recent return of investor interest in value management is primarily due to the sudden reversal of inflation expectations and interest rate movements.
- Investors often confine value management to certain iconic sectors such as banking or energy. In reality this management approach can and should be applied to any type of company and should not be limited to certain sectors in order to take advantage of discounted opportunities.
- Value management is not to be opposed to growth management because it offers **complementary exposure** to those obtained by the growth management style. Value tends to outperform in **different cycle periods** than growth management, which argues for a diversification of styles in the context of long-term management where cycle changes are very difficult to predict. The combination of the two styles would therefore allow for **portfolio diversification**, favoring a reduction in volatility and an optimization of returns over the long term.



**ODDO BHF**  
ASSET MANAGEMENT



In conclusion, investors have tended in recent years to forget this cyclical nature of equity markets, which favor one style over another at different times. The ongoing withdrawal of extraordinary

monetary policies should bring equity markets back to more „**normal**“ **alternating cycles**, forcing investors to combine both styles in their portfolios.

ODDO BHF AM is the asset management division of the ODDO BHF Group. It is the common brand of five legally separate asset management companies: ODDO BHF AM SAS (France), ODDO BHF PRIVATE EQUITY (France), ODDO BHF AM GmbH (Germany), ODDO BHF AM Lux (Luxembourg) and METROPOLE GESTION (France). This document, for market communication, has been drawn up by ODDO BHF ASSET MANAGEMENT SAS and is exclusively dedicated to clients categorized as professional (MIFID). It may not be circulated among the public. The investor is informed that the strategy presents a risk of capital loss, but also many risks linked to the financial instruments/strategies in the portfolio. The value of the investment through this strategy may vary both upwards and downwards and may not be returned in full. The investment must be made in accordance with investors' investment objectives, their investment horizon and their capacity to deal with the risk arising from the transaction. ODDO BHF ASSET MANAGEMENT SAS cannot be held responsible for any direct or indirect damages resulting from the use of this document or the information contained in it. This information is provided for indicative purposes and may be modified at any moment without prior notice. Any opinions presented in this document result from our market forecasts on the publication date. They are subject to change according to market conditions and ODDO BHF ASSET MANAGEMENT SAS shall not in any case be held contractually liable for them.