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The Impact of Size and Value on Stock Returns: An Empirical Analysis 2010-2015

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Study Purpose:

Determine the returns to portfolios of (1) value and growth stocks and (2) large and small cap stocks.

Research Design:

Sort S&P 500 stocks by price to book (P/B) and by market cap (MC).

Value=P/B 1-2

Growth=P/B 6-7

Large Cap=MC 100B+

Small Cap=MC 1B-2B

Investment Strategies:

(1) Buy and Hold

(2) Rebalance

Hypotheses:

(1) Value outperforms Growth

(2) Small Cap outperforms Large Cap

Period of Analysis: 2010-2015

Data Analysis Table 1:

Results mixed period on a buy/hold basis value outperforms growth. When rebalanced, growth outperforms value.

Table 1				
Value and Growth Cumulative Returns, 2010-2015				
Investment Style	Buy & Hold	Rebalanced	Alpha Buy & Hold	Alpha Rebalanced
Value (P/B 1-2)	107.61%	78.04%	23.78%	-5.79%
Growth (P/B 6-7)	72.27%	136.40%	-11.56%	52.57%
S&P 500	83.83%	83.83%		

Table 2				
Large Cap and Small Cap Cumulative Returns, 2010-2015				
Investment Style	Buy & Hold	Rebalanced	Alpha Buy & Hold	Alpha Rebalanced
Large Cap (\$100B+)	39.22%	38.26%	-44.61%	-45.57%
Small Cap (\$1B-\$2B)	167.42%	105.16%	83.59%	21.33%
S&P 500	83.83%	83.83%		

Data Analysis Table 2:

Small cap outperforms large cap for both buy/hold and rebalance strategies.

Conclusion:

Highest alpha generated with small cap buy/hold strategy. Second highest alpha with rebalanced growth strategy.