Size, Value and Momentum in Stock Returns: an Empirical Analysis, 2010-2014

Matthew Peter Fazio
*University of Dayton, stander@udayton.edu*

Erik Jameson Kurcz
*University of Dayton, stander@udayton.edu*

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

By: Matt Fazio and Erik Kurcz 
Advisor: Dr. Robert Dean and Dr. Trevor Collier

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

<table>
<thead>
<tr>
<th>Investment Style</th>
<th>Buy &amp; Hold</th>
<th>Rebalanced</th>
<th>Alpha Buy &amp; Hold</th>
<th>Alpha Rebalanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (P/B 1-2)</td>
<td>107.61%</td>
<td>78.04%</td>
<td>23.78%</td>
<td>-5.79%</td>
</tr>
<tr>
<td>Growth (P/B 6-7)</td>
<td>72.27%</td>
<td>136.40%</td>
<td>-11.56%</td>
<td>52.57%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>83.83%</td>
<td>83.83%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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</tr>
</thead>
<tbody>
<tr>
<td>Large Cap ($100B+)</td>
<td>39.22%</td>
<td>38.26%</td>
<td>-44.61%</td>
<td>-45.57%</td>
</tr>
<tr>
<td>Small Cap ($1B-$2B)</td>
<td>167.42%</td>
<td>105.16%</td>
<td>83.59%</td>
<td>21.33%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>83.83%</td>
<td>83.83%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data Analysis Table 1: 
Results mixed period on a buy/hold basis value outperforms growth. When rebalanced, growth outperforms value.

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.