Welcome back to The Paper Trail! As mentioned in the inaugural edition, I will be compiling and sharing the most interesting, thought-provoking and informative investment research I come across each month. Each piece will be introduced with the primary question the authors aim to explore and/or answer. I’ll also include the best visual or chart from each one. Lastly, they are bucketed into two categories, sorted by estimated reading time – “bps” for the shorter ones and “pieces” for the longer ones. Enjoy!

“bps” (reading time < 10 minutes)

Are today’s stock market valuations justified or absurd?

Source: Global Financial Data

Reasons (NOT) To Be Cheerful (GMO)

How reliable are the diversification properties of bonds relative to stocks?
Is volatility investing still viable?

Source: Acardian. For illustrative purposes only.
Does the “Disruption” metanarrative explain the Value factor’s recent struggles?

![Graph showing cumulative returns for Disruption-Neutral Value and Value over time.](source: Sparkline, MSCI, S&P (as of 7/31/2020))

Value Investing Is Short Tech Disruption (Sparkline Capital)

Is a collection of value metrics better than any one individual measure?
Re-identifying the Value Factor (StyleAnalytics)

Are investors better off targeting value and profitability jointly, rather than side-by-side?

Table 1

Average market capitalization weights of value and profitability portfolios, 1940-2019

Value portfolios are formed based on book-to-market ratios in June of each year following the procedures in Fama and French (2015). Profitability portfolios are similarly formed based on operating profitability. Both portfolio series are supplemented with data from Wahal (2019). The table shows the average market capitalization weights in the 4x4 grid of value and profitability. The diagonal elements (in yellow) represent “neutral” portfolios. Portfolios in the northwest quadrant (in blue) are referred to as low expected return portfolios. Portfolios in the southeast quadrant (in green) are referred to as high expected return portfolios.

<table>
<thead>
<tr>
<th>Value</th>
<th>Growth</th>
<th>2</th>
<th>3</th>
<th>High Prof.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.3</td>
<td>5.3</td>
<td>13.7</td>
<td>26.0</td>
</tr>
<tr>
<td>2</td>
<td>2.7</td>
<td>7.7</td>
<td>9.4</td>
<td>5.6</td>
</tr>
<tr>
<td>3</td>
<td>3.8</td>
<td>6.4</td>
<td>4.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Value</td>
<td>4.4</td>
<td>3.7</td>
<td>1.6</td>
<td>0.8</td>
</tr>
</tbody>
</table>

On the Conjoint Nature of Value and Profitability (Eduardo Repetto & Sunil Wahal)

Even if you could identify the best performing stocks ahead of time, would you have the courage to stick with them?
Conviction, Confidence, and Courage (S&P Dow Jones Indices)

“pieces” (reading time > 10 minutes)

How does the financialization of gold ownership impact its prospective returns?

Gold, the Golden Constant, COVID-19, ‘Massive Passives’ and Dëjà Vu (Claude Erb, Campbell Harvey & Tadas Viskanta)
What are the long-term implications of historically low interest rates across the globe?

Source: Bridgewater Associates

Grappling with the New Reality of Zero Bond Yields Virtually Everywhere (Bridgewater Associates)

How should allocators think about forward-looking expected investment returns in this phase of the recovery?
Will student housing survive the post-COVID real estate market?

Student Housing in a Post-COVID World (Virtus Real Estate Capital)

Why have value stocks, as traditionally measured, underperformed since the global financial crisis of 2008?
Diagnosing the Recent Decade of Drawdown in Value (Two Sigma)

What have been the driving factors behind the long-term trend of companies shifting away from public markets in the U.S.?

Source: Two Sigma

Public to Private Equity in the United States: A Long-Term Look (Morgan Stanley)
About Phil Huber, CFA, CFP®

Philip Huber is Chief Investment Officer for Savant Wealth Management. He has been involved in the financial services industry since 2007. Prior to joining Savant, Phil was employed at a global asset management company where he worked closely with financial advisors to develop investment strategies for their clients. He earned a bachelor’s degree in finance from the Kelley School of Business at Indiana University. He is a member of the CFA Society of Chicago. More about me here. Twitter: @bpsandpieces

View all posts by Phil Huber, CFA, CFP® →