

**Low Price to Book Value Stocks Compared to High Price to Book Value Stocks in France, Germany, Switzerland, the United Kingdom, Japan and the United States**

William F. Sharpe, a Nobel Prize winner in economics, and Carlo Capaul and Ian Rowley, from Union Bank of Switzerland, examined the comparative investment returns of low price to book value stocks ("value" stocks) and high price to book value stocks ("growth" stocks) in France, Germany, Switzerland, the United Kingdom, Japan and the United States in "International Value and Growth Stock Returns," *Financial Analysts Journal*, January-February 1993. Each six months the stocks which comprised a major index in each country were ranked on the ratio of price to book value. The Standard & Poor's 500 Index was used for the United States and Morgan Stanley Capital International indexes were used for the other countries. Within each country, the highest price to book value stocks whose total market capitalizations accounted for 50% of the entire market capitalization of the particular country's index were defined as the growth stock portfolio. The lower price to book value stocks which, in aggregate, accounted for the remaining 50% of the entire market capitalization of the index were defined as the value portfolio. The monthly return for each of the two portfolios was the market capitalization weighted average of the total returns on the underlying stocks. The cumulative difference between the investment returns of the value stocks and the growth stocks in each country over the 11 1/2-year period, January 1981 through June 1992 are shown below.

**The Extra Investment Returns from Value Stocks as Compared to Growth Stocks in France, Germany, Switzerland, the United Kingdom, Japan and the United States, January 1981 through June 1992.**

	<b>Cumulative Extra Investment Return from Value Stocks vs. Growth Stocks over 11 1/2-Year Period January 1981 through June 1992</b>
<b>Country</b>	
France	73.7%
Germany	17.7
Switzerland	42.7
United Kingdom	31.5
Japan	69.5
United States	15.6
Global (i.e., all of the above countries)	39.5
Europe	31.9

The study's authors concluded: "Value stocks outperformed growth stocks on average in each country during the period studied, both absolutely, and after adjustment for risk."