

Companies Throughout the World: Low Price in Relation to Book Value

In *Ben Graham Would be Proud*, a [Morgan Stanley & Co. Inc.](#) research report dated April 8, 1991, Barton M. Biggs, a managing director of Morgan Stanley, described a study which examined the returns from investing in the stocks of non-U.S. and U.S. companies trading at low prices in relation to book value. In the study, all stocks in the Morgan Stanley Capital International database were ranked according to stock price in relation to book value and sorted into deciles each year from **1981 through 1990**, a total of ten years. Approximately 80% of the companies in the Morgan Stanley Capital International database were non-U.S. companies. The number of companies in the analysis increased from 1,178 to 2,349 over the period. The average investment return for the companies included in each price/book value group was compared to the return for the [Morgan Stanley](#) Capital International global equity index. The investment returns were equally weighted and expressed in U.S. dollars. The table shows the results by year.

Table Worldwide Low Price/Book Value Investment Returns

Price to Book Value Category	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Cumulative Compound Annual Return	Return: excess Market Index
1 (Lowest price to book value)	3.4%	11.2%	50.4%	14.8%	68.9%	39.9%	15.9%	37.1%	27.2%	(16.1)%	23.0%	5.1%
2	2.9	12.2	37.4	7.3	58.1	26.7	15.4	28.6	27.6	(13.2)	18.8	0.9
3	3.4	15.9	30.1	6.1	53.6	37.5	15.4	21.0	27.8	(11.4)	18.6	0.7
4	5.6	10.1	32.0	0.6	50.3	44.0	15.0	16.5	33.5	(9.5)	18.4	0.5
5	(5.1)	10.8	28.6	(0.4)	48.9	40.0	12.7	19.7	28.2	(7.9)	16.2	(1.8)
6	1.8	7.9	22.1	12.0	55.0	53.1	19.9	21.7	28.3	(12.3)	19.3	1.4
7	2.3	6.4	22.5	2.3	60.0	58.7	12.7	21.6	29.0	(13.1)	18.2	0.3
8	1.1	6.1	20.8	3.3	54.2	54.0	18.3	15.8	25.7	(17.2)	16.3	(1.6)
9	(4.9)	3.7	20.7	3.5	57.6	59.3	22.5	19.4	27.7	(25.5)	15.7	(2.2)
10 (Highest price to book value)	(8.5)	(3.0)	21.6	(4.2)	53.5	66.0	24.0	19.8	21.7	(23.3)	13.8	(4.1)

One million dollars invested in the lowest price to book value category starting in 1981 would have increased \$7,953,000 at the end of 1990. One million dollars invested in the highest price to book value companies would have increased to \$3,651,000 over the same period.