

THE RETAIL SPACE OFFERS BOTH GROWTH AND VALUE

Ask the PORTFOLIO MANAGER

Growth or Value Stocks: Which Offer the More Promising Opportunities?

Transcript of a video recorded on May 17, 2018.

So, this is a question that we're asked quite often and quite honestly, it's a difficult question for me to answer.

Because when people are asking about growth versus value, they're thinking about these indices that are published that are very much dependent on binary valuation metrics. And in our view, these valuation metrics do not incorporate things that are very important to us, like competitive moats, disruption that's happening in industries. And so, as a result, what ends up happening is these benchmarks are constituted by companies that end up being the winners or losers of some of the secular themes that we focus a lot of time at Calamos on trying to understand and identify and participate in.

One example of that is what's happening in the retail space right now. So, internet retail has been disrupting bricks and mortar for many years now, and as a result, many of these internet retail companies are trading at much higher multiples given the growth potential on growth opportunities that lay ahead of them. While many of the more traditional brick and mortar retail players are in the value indices, and they're trading at much lower and more depressed multiples. As we look at this opportunity set, the winners will more than likely be many of these internet retail players and while multiples are high given the growth potential that's ahead and the large addressable markets that still lie ahead for these companies, those valuations could prove to be quite attractive compared to the future opportunities.

Conversely, while retail players are trading at lower multiples than traditional brick and mortar right now, those industries are being disrupted and while there could be short periods of time where those stocks rally on key macro fundamental data, the reality is many of those businesses will ultimately go away and be disrupted by these secular changes.

So, when we think about growth or value, that's really how we're thinking about it. It's more from, what is within those benchmarks, what's within those industries and those companies that we're investing in, and the growth benchmarks tend to hold a lot more of those companies that are disrupting, that are innovating and do see that stronger future growth potential. Companies and industries like internet retail, electronic vehicles, the fintech space. While those companies do trade at higher multiples and have outperformed over the last decade, we still see significant growth potential ahead for those companies and that's why we continue to favor growth over the medium term.



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Video recorded 5/17/18.

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