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Investing for a
world of change



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Redefining value investing: Ninety One Value

Key takeaways

- A low multiple is not necessarily a sign of value. Genuine value arises when there is a gap between the market value of a company and its true intrinsic worth.
- Share prices can become dislocated from intrinsic values because of investors' behavioural biases, which create market inefficiencies.
- Value investing can form part of a strategic asset allocation – provided the focus is on identifying real value, rather than simplistically investing in stocks with low multiples.

Most active equity investors will agree that their job description is to buy securities for less than they are worth. Value investors try to do this by exploiting the over-reactions of other market participants.

Traditionally, an expeditious way to find 'over-sold' stocks has been to focus on the companies trading at the lowest share prices relative to their historical earnings (P/E) or the book value of their assets (P/B). This narrow way of screening for value performed strongly for much of the late 1990s and early 2000s. Since the Global Financial Crisis (GFC) in 2008/2009, however, it has disappointed, leading investors to question whether value investing works at all, and, if it does, whether it should be treated as a tactical rather than a strategic allocation.

We suspect that value's recent underperformance may have more to do with the narrow way in which it has been defined, rather than the basic premise of using periods of uncertainty to buy good assets when they are available cheaply. We also think that an allocation to a more nuanced implementation of value investing can form part of the long-term structure of an equity portfolio, as we discuss here.

What is value investing?

In our view, value investing is about using times of uncertainty to construct a portfolio of attractive long-term assets at prices that are cheap relative to the assets' underlying intrinsic values. Instances of uncertainty are by their nature unpredictable. But when they occur, they can cause market participants to overreact and discount securities relative to their long-term value. Overreactions are caused by human cognitive biases, of which there are many. However, we believe that most stock market sell-offs can be explained by loss aversion, social proof and intolerance of uncertainty.

Common cognitive biases

Loss aversion

People tend to feel losses more keenly than gains, leading to overly negative reactions to bad news.

Social proof

Individuals often copy each other, amplifying market moves.

Intolerance of uncertainty

Discomfort with the unknown causes investors to 'over-discount' uncertain outcomes.

For the patient investor, the gap between share price and intrinsic worth can be an attractive source of return. However, we would caution that intrinsic values are highly idiosyncratic, and care must be taken to use the right framework to value each business.

Why traditional value has disappointed

From a long-term perspective, value investing has worked: over the past 50 years, the 'value factor' has clearly outperformed the 'growth factor'. By 'factor', we mean a systematic source of return associated with a particular group of stocks – in this case, those on low multiples versus those expected to deliver higher future growth.

The early 2000s, in particular, were fantastic for value investors. Valuation discipline led most of them to sit out the dot-com mania, which paid off when the bubble imploded. During this period, the reputations of many of today's large, institutional value investors were forged.

However, since the GFC, value has significantly underperformed other equity investment styles (Figure 1). Various reasons have been put forward for this, including:

- One of the largest value-creation events in modern history, the emergence of scaled technology platforms, benefited a small group of companies that became large weights in broad market benchmarks.
- The simplicity of the mathematical approach to value investing made it susceptible to being arbitrated away.
- The 'value effect' was spurious to begin with.

Figure 1: The value factor has underperformed since the Global Financial Crisis

Relative performance of the MSCI ACWI Value and the MSCI ACWI¹



Source: Ninety One, Bloomberg, January 2026. MSCI ACWI Value vs. MSCI ACWI.

1. For further information on indices, please see the Important information.

We think that the third bullet point above – that the value-effect was spurious to begin with – is unlikely. There are sound philosophical and theoretical reasons, backed up by empirical studies on human behaviour, to explain why the value premium existed. However, the first two bullet points cannot so easily be dismissed. It is entirely possible that the institutional conflation of value with low multiples was simply too easy a definition for the market not to compete any excess returns away. The emergence over the last two decades of a few large and incredibly profitable technology platforms might have exacerbated this effect.

Our approach to value investing

Our own approach to value investing reflects the above thinking. Our starting point is the belief that markets are largely efficient. Most of the time investors are rational, have the time to judge the worth of a business, and correctly ascribe a value to it. Yet in certain moments, particularly during periods of stress at a macro or company level, investors become irrational. They sell first and ask questions later.

Our preferred approach is therefore to focus on areas where behavioural inefficiencies might exist, and to identify gaps between share prices and the intrinsic value of the underlying businesses². Our objective is to maximise potential returns by buying good businesses at heavily discounted multiples or, more accurately, buying growing cashflow streams at a significant discount to their intrinsic value (see Figure 2).

We prefer low multiples (e.g., P/E and P/B ratios): not only are they initial indicators of potential value, but they are also a clear signal that the market has low expectations for that company. However, much of our work is aimed at discovering when a low multiple might be hiding a company that is worth even less than its share price (and thus should be avoided), and when a high(er) multiple might be obscuring a stock is in fact attractive compared to its intrinsic worth. The deep fundamental research that we do is primarily aimed at estimating (conservatively) the gap between price and intrinsic value and identifying where that gap is widest.

Figure 2: Ninety One's approach to value investing



2. For further information on investment processes, please see the Important information section.

A bigger opportunity set

We have observed that because uncertainty strikes different areas of the equity market at different times, the value opportunity set changes over time across industries and regions. Our approach to value investing therefore requires a broad approach to idea generation. While we use screens to identify stocks that may be priced too low, as many value investors do, they are not our only source of ideas. We are agnostic as to the type of price dislocation we look to take advantage of. We will consider ideas that are contrarian in nature but may not fit a simplistic, mathematical definition of value.

We categorise our ideas into four buckets, as follows. Over time, our portfolios' exposure to these buckets evolves as the underlying value opportunity set changes.

Types of value opportunity

Fallen angels

High-quality businesses that have suffered a large but non-fatal blow. The market has lost confidence, but the business may still be strong.

Cyclical leaders

Good businesses in cyclical industries that are bought when conditions are tough and sentiment is weak.

Special situations

Idiosyncratic opportunities such as spin-offs, turnarounds, restructurings or temporary business-specific disruptions.

Deep value

Very low-multiple businesses, often capital-intensive and slower-growing, where valuation discipline and cash support is especially important.

A structural allocation to value

We believe our approach leads to a more durable role for value in portfolios. Our aim is not simply to capture a short-lived rally in the cheapest or lowest-quality stocks and then try to time an exit. Instead, we want to buy businesses at attractive prices when there is scope both for sentiment to normalise and for intrinsic value to build over time.

At times, this may lead us into areas of the market that do not appear 'value' in the traditional sense. The common thread across our portfolios is not whether a stock carries a value label, but whether our conservative analysis suggests a meaningful gap between its share price and its underlying worth.

In our view, this is the true definition of value today: not the pursuit of low multiples for their own sake, but a disciplined search for mispriced businesses where uncertainty has created opportunity.

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