
IS THE GLAMOUR AND GROWTH TRADE FINALLY TURNING?

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Last week's "Behind the Markets" podcast featured a discussion with Nir Kaissar, founder of Unison Advisors. Unison provides portfolios to individuals and institutions that leverage academic work on the long-term performance of various investment [factors](#). Kaissar was an early advocate for focusing on [valuations](#) to rotate between the various investment factors and asset classes.

We had an extended conversation with Kaissar and Professor Jeremy Siegel on the [CAPE ratio](#). Kaissar looks at the historically wide gap between forward earnings estimates and the 10-year average earnings used in the CAPE as an ominous sign, pointing to below-average forward-looking returns for the U.S. markets.

Kaissar thinks expected returns are higher in international markets than U.S. markets because of more reasonable valuations and that international [value](#) stocks in particular are set for better-than-average forward-looking returns.

Kaissar believes much of the U.S. [large-cap](#) growth outperformance is the result of investors looking to find the "next Amazon, Facebook or Google" but he thinks this search will end up futile and disappointing. He likens this approach to looking for lottery tickets that will not live up to expectations, and he speculates that WeWork's disappointing IPO may be the first sign of a crack in exuberant growth stories in favor of a return to value investing.

Factors Nir Kaissar Believes In

Kaissar favors peer-reviewed academic literature, and he is convinced that both value and [size](#) factors should deliver long-term expected premium returns.

Kaissar also believes that [profitability](#) and some measures of [quality](#) are good factors in addition to [momentum](#).

He is more skeptical of [low volatility](#), as he wants to see more evidence before he is convinced of its long-term potential.

This was a great discussion; please listen to the full conversation below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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