

A Case for Balance

Why Growth *and* Value Matter Now



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Introduction

In recent years, U.S. market performance has been dominated by growth equities, particularly since the AI-driven rally that began in late 2022. Yet history reminds us that leadership between growth and value is cyclical. Extended periods of dominance by one style often give way to long stretches of outperformance by the other. In this brief paper, we explore why this trend makes portfolio rebalancing critical, the risks of overconcentration in growth stocks, and how large cap value strategies may provide diversification, attractive fundamentals, and the potential for consistent returns.

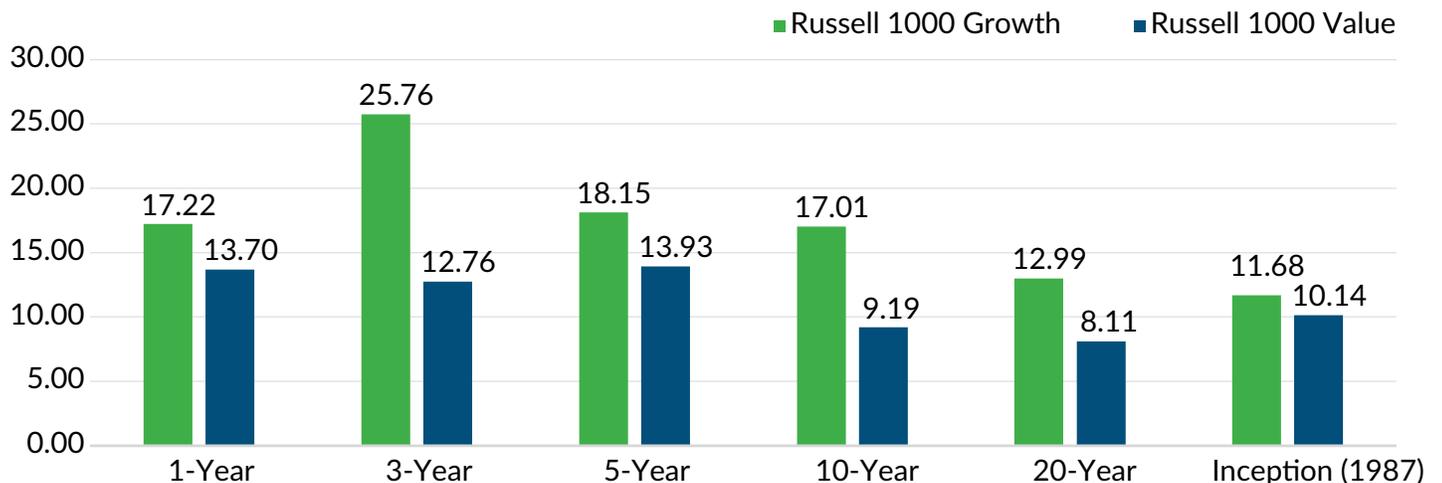
This not a case *against* growth or *for* value; it is a case for balance.

Benchmarking Growth and Value Performance

The Russell 1000 Growth Index and the Russell 1000 Value Index are two of the most widely used equity benchmarks for measuring the performance of large cap growth and value stocks. The Russell 1000 Growth includes companies with higher growth expectations and higher price-to-book ratios, while the Russell 1000 Value includes companies with lower growth expectations and lower price-to-book ratios. The chart below compares their performance across multiple time ranges. While growth has led in the periods shown, there are stretches in history when value has dominated, demonstrating that both matter for a diversified portfolio.

Growth and value performance

Historical returns (annualized) of Russell 1000 Growth vs. Russell 1000 Value Indexes (%)



Source: Morningstar, Jan. 1, 1987-June 30, 2025

The History of Growth and Value

Over the past 30 years, growth and value have alternated performance leadership. Growth outperformed in 22 calendar years; value in 18. As the chart shows, extended cycles of dominance by either investment style are common, such as the late-1990s tech bubble or the current AI-driven rally.

Growth versus value annual returns (%)

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Russell 1000 Growth 32.90	Russell 1000 Value 20.00	Russell 1000 Growth 5.30	Russell 1000 Value 23.20	Russell 1000 Growth 35.90	Russell 1000 Growth -0.30	Russell 1000 Growth 41.30	Russell 1000 Value 13.60	Russell 1000 Value 18.10	Russell 1000 Growth 2.60
Russell 1000 Value 31.50	Russell 1000 Growth 15.40	Russell 1000 Value 0.50	Russell 1000 Growth 11.30	Russell 1000 Value 25.20	Russell 1000 Value -8.10	Russell 1000 Value 24.50	Russell 1000 Growth 5.00	Russell 1000 Growth 2.90	Russell 1000 Value -2.00
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Russell 1000 Value 38.40	Russell 1000 Growth 23.10	Russell 1000 Value 35.20	Russell 1000 Growth 38.70	Russell 1000 Growth 33.20	Russell 1000 Value 7.00	Russell 1000 Value -5.60	Russell 1000 Value -15.50	Russell 1000 Value 30.00	Russell 1000 Value 16.50
Russell 1000 Growth 37.20	Russell 1000 Value 21.60	Russell 1000 Growth 30.50	Russell 1000 Value 15.60	Russell 1000 Value 7.30	Russell 1000 Growth -22.40	Russell 1000 Growth -20.40	Russell 1000 Growth -27.90	Russell 1000 Growth 29.70	Russell 1000 Growth 6.30
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Russell 1000 Value 7.10	Russell 1000 Value 22.20	Russell 1000 Growth 11.80	Russell 1000 Value -36.80	Russell 1000 Growth 37.20	Russell 1000 Growth 16.70	Russell 1000 Growth 2.60	Russell 1000 Value 17.50	Russell 1000 Growth 33.50	Russell 1000 Value 13.50
Russell 1000 Growth 5.30	Russell 1000 Growth 9.10	Russell 1000 Value -0.20	Russell 1000 Growth -38.40	Russell 1000 Value 19.70	Russell 1000 Value 15.50	Russell 1000 Value 0.40	Russell 1000 Growth 15.30	Russell 1000 Value 32.50	Russell 1000 Growth 13.00
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Russell 1000 Growth 5.70	Russell 1000 Value 17.30	Russell 1000 Growth 30.20	Russell 1000 Growth -1.50	Russell 1000 Growth 36.40	Russell 1000 Growth 38.50	Russell 1000 Growth 27.60	Russell 1000 Value -7.50	Russell 1000 Growth 42.70	Russell 1000 Growth 33.36
Russell 1000 Value -3.80	Russell 1000 Growth 7.10	Russell 1000 Value 13.70	Russell 1000 Value -8.30	Russell 1000 Value 26.50	Russell 1000 Value 2.80	Russell 1000 Value 25.20	Russell 1000 Growth -29.10	Russell 1000 Value 11.50	Russell 1000 Value 14.37

Calendar-year outperformance

Large Cap Growth	22 times
Large Cap Value	18 times

Average annual returns since inception (%)

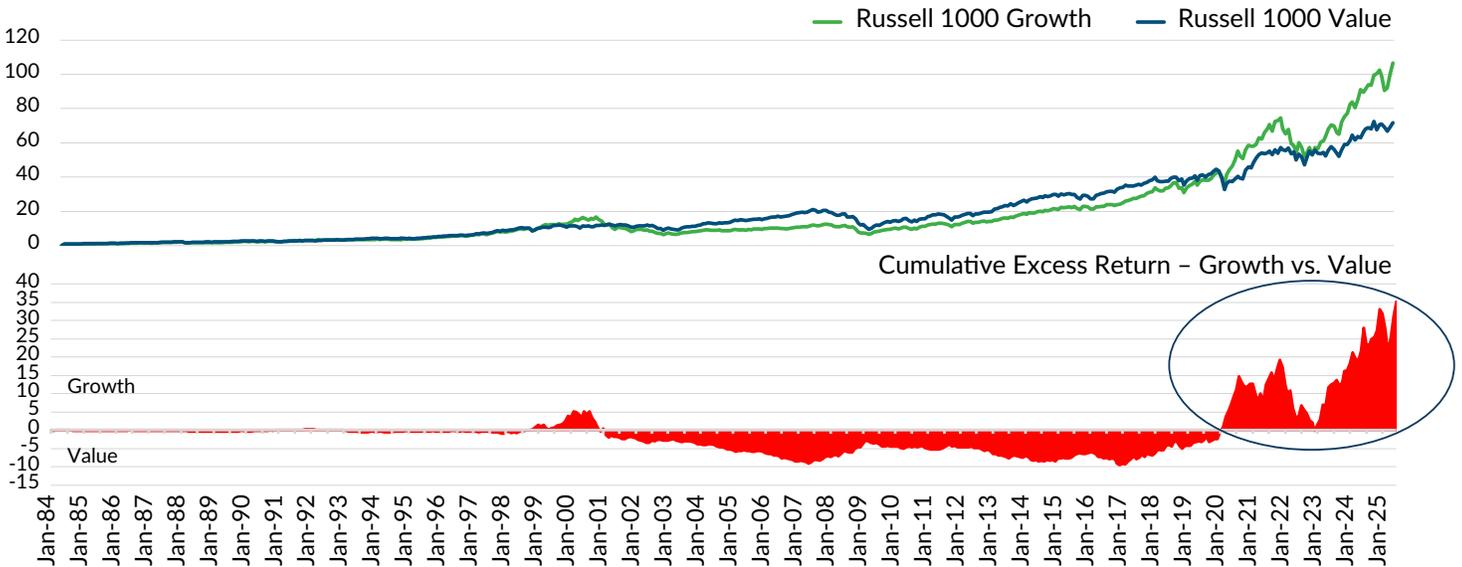
Large Cap Growth	11.67
Large Cap Value	10.11

Source: Morningstar; calendar-year returns for the Russell 1000 Growth and Value Indexes, Jan. 1, 1985-Dec. 31, 2024

Growth and Value in Today's Market

Except the brief period in the late-1990s, value historically held a competitive edge in cumulative returns over the lifetime of the Russell 1000 Growth and Value Indexes. In the early 2000s, value stocks had a seven-year stretch of outperformance. In December 2022, however, growth came roaring back, outperforming value by roughly 20% annually. But such outperformance carries with it more than just headline returns; it creates concentration risk and magnifies volatility.

Growth vs. value cumulative returns

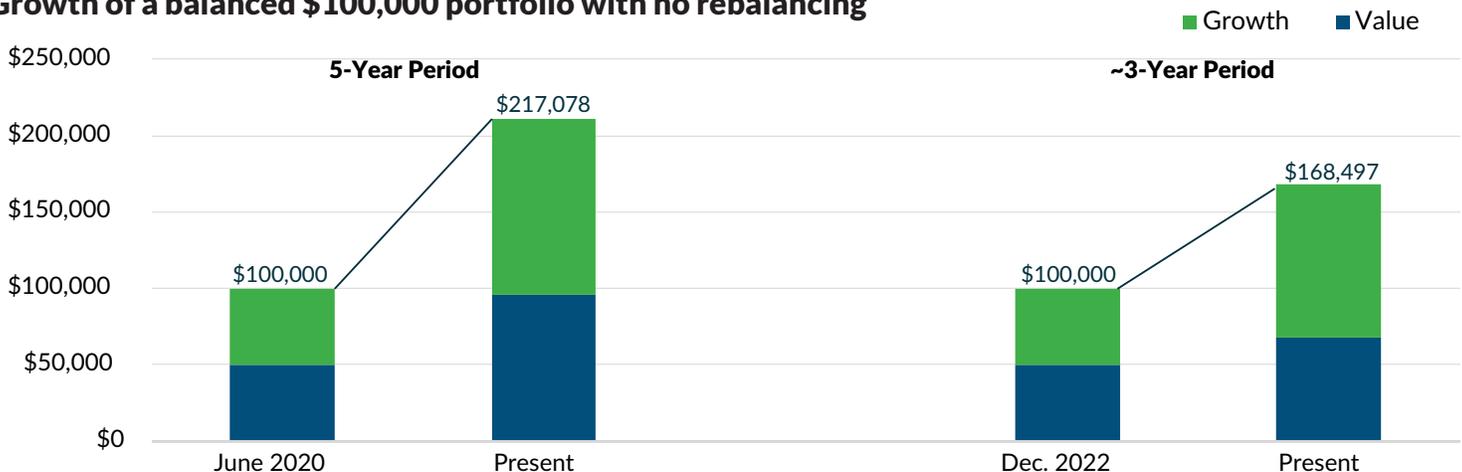


Source: Morningstar; cumulative returns for the Russell 1000 Growth and Value Indexes, Jan. 1, 1984-Aug. 29, 2025

Out of Balance

Today, with the “growth bloat” that has resulted from growth stocks’ outperformance, investors may find their portfolios far out of their desired allocations, facing more risk than they intended. Consider: A balanced \$100,000 allocation to growth and value just five years ago has now compounded into over \$217,000 in growth versus \$168,000 in value. More striking, a 50/50 allocation made as recently as December 2022, when growth had a resurgence, has already shifted to a 60/40 tilt toward growth.

Growth of a balanced \$100,000 portfolio with no rebalancing



Source: Morningstar; five-year period June 30, 2020-Aug. 29, 2025 (most recent data available); ~3-year period Dec. 31, 2022-Aug. 29, 2025. Growth is represented by the Russell 1000 Growth Index; value by the Russell 1000 Value Index.

Why Value Now

Value stocks have historically made a strong recovery following growth dominance. In today's market, they trade at relatively cheap valuations while offering solid fundamentals and competitive return on equity, a lower concentration of a handful of mega cap stocks, plus broader exposure to sectors. A closer look at growth and value stocks highlights differences between the two at a given point in time, further evidence of why they offer complementary benefits and risks to investors.

Portfolio holdings

- Concentration is more than triple in growth versus value for the top 10 holdings, and 2.5 times for the top 20.
- Top 10 holdings account for 60% of the Russell 1000 Growth but only 18% of the Russell 1000 Value.

Russell 1000 Growth Index as of Aug. 29, 2025

Top 10 portfolio (%)	
NVIDIA Corporation	13.20
Microsoft Corporation	12.17
Apple Inc.	11.08
Amazon.com, Inc.	5.16
Broadcom Inc.	4.45
Meta Platforms Inc. Class A	4.29
Tesla Inc.	3.04
Alphabet Inc. Class A	2.58
Alphabet Inc. Class C	2.11
Visa Inc. Class A	1.94
Total % of portfolio	60.02

Russell 1000 Value Index as of Aug. 29, 2025

Top 10 portfolio (%)	
Berkshire Hathaway Inc. Class B	3.23
JPMorgan Chase & Co.	2.91
Amazon.com, Inc.	2.10
Exxon Mobil Corporation	1.72
Alphabet Inc. Class A	1.53
Johnson & Johnson	1.48
Walmart Inc.	1.32
Procter & Gamble Company	1.28
Alphabet Inc. Class C	1.25
Bank of America Corp	1.12
Total % of portfolio	17.95

Source: FactSet

Sector weight observations

- Near the tech bubble peak (Dec. 31, 1999), technology was 44% of the Russell 1000 Growth; today it is 52%.
- At Dec. 31, 1999, financials represented 37% of Russell 1000 Value Index; today only 23%.

As of Aug. 29, 2025

	Large Cap Growth	Large Cap Value
Communication Services	11.63	7.77
Consumer Discretionary	13.47	7.97
Consumer Staples	2.49	7.80
Energy	0.29	6.04
Financials	6.45	22.78
Health Care	6.66	11.72
Industrials	5.82	13.11
Information Technology	52.10	9.93
Materials	0.34	4.25
Real Estate	0.46	4.22
Utilities	0.30	4.42

As of Dec. 31, 1999

	Large Cap Growth	Large Cap Value
Communication Services	1.86	10.53
Consumer Discretionary	7.07	4.51
Consumer Staples	12.46	4.74
Energy	0.02	4.79
Financials	2.33	37.43
Health Care	21.62	7.17
Industrials	6.17	10.11
Information Technology	44.48	10.24
Materials	0.56	2.70
Real Estate	2.05	1.88
Utilities	-	3.75
Unassigned	1.38	2.15

Source: FactSet

Index characteristics

The following tables include increasing evidence that growth stocks are expensive, making value a potentially better bargain:

- The P/E ratio for the Russell 1000 Growth Index is nearly double that of Russell 1000 Value.
- Price/sales for growth is triple that of value, while growth's price/book is five times that of value.
- Price/free cash flow for growth is double that of value; return on equity is triple; and dividend yield is quadruple.

As of June 30, 2025

Russell 1000 Growth	
Price/earnings	39.15
Price/earnings (x) (excl. negatives)	37.78
Price/sales (x)	6.08
Price/book value (x)	14.74
Price/cash flow (x)	29.34
Price/cash flow (x) (excl. negatives)	28.88
Price/free cash flow (x)	42.46
Enterprise value/EBIT (x)	32.78
Enterprise value/EBITDA (x)	26.25
Enterprise value/sales (x)	6.38
Return on equity (%)	37.65
Dividend yield (%)	0.50

As of June 30, 2025

Russell 1000 Value	
Price/earnings	20.76
Price/earnings (x) (excl. negatives)	19.37
Price/sales (x)	1.93
Price/book value (x)	2.87
Price/cash flow (x)	13.00
Price/cash flow (x) (excl. negatives)	12.61
Price/free cash flow (x)	21.51
Enterprise value/EBIT (x)	19.40
Enterprise value/EBITDA (x)	12.99
Enterprise value/sales (x)	2.48
Return on equity (%)	13.82
Dividend yield (%)	1.90

Source: FactSet

Next Steps

For financial advisors, today's growth rally offers a pivotal opportunity to remind clients that balance matters. Reframing value as a complement to growth, one that seeks to strengthen portfolios and manage concentration risk versus creating a drag on returns, is key to maintaining realistic client expectations.

Investment Vehicles for Every Client

At Crossmark, we offer actively managed value strategies in a variety of vehicles: mutual funds, SMAs, and, as of July 2025, ETFs (patterned after our SMAs) – all intended to help advisors meet diverse client needs.

Product	Profile	Inception	Ticker	No. of holdings as of 6-30-25	Benchmark
Crossmark Large Cap Value SMA	Seeks to provide long-term capital appreciation	7/1/2021	N/A	54	Russell 1000 Value Index
Crossmark Large Cap Value ETF	Seeks to provide long-term capital appreciation	7/23/2025	CLCV	40-60	Russell 1000 Value Index
Steward Large Cap Value Fund	Seeks to provide long-term capital appreciation	11/15/2021	SJVIX (Institutional class)	99	Russell 1000 Value Index

Conclusion

History is clear: Growth and value have consistently rotated over time. With growth currently extended, investors risk overexposure at precisely the wrong time. Value strategies grounded in attractive fundamentals and a disciplined process may provide a powerful complement. By rebalancing now, advisors can help clients mitigate concentration risk, capture potential upside from a rotation to value, and maintain healthier portfolio diversification – all of which can help position portfolios for the next (inevitable) market rotation.

Advisors, to learn more about Crossmark's value solutions, contact a member of our Advisor Solutions Team today:

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Financial Terms

Balanced Portfolio: A balanced portfolio is an investment strategy that involves diversification across different asset classes, such as stocks, bonds, commodities, and cash equivalents.

Growth: A growth stock is defined as a stock from a company that is expected to grow its sales and earnings at a faster rate than the market average.

Value: A value stock is defined as a stock that is typically priced below its intrinsic value, often characterized by appealing fundamentals such as high dividend yields and low price-to-earnings (P/E) ratios.

P/E Ratio: The P/E ratio, or Price-to-Earnings ratio, is defined as the ratio of a company's current share price to its earnings per share (EPS).

Price/Sales: The price-to-sales (P/S) ratio is a financial metric that compares a company's stock price to its revenues.

Price/Book: The price-to-book (P/B) ratio is a financial metric that evaluates a company's market value relative to its book value.

Price/free cash: A valuation metric that compares a stock price of a company to its free cash flow.

Concentration Risk: Concentration risk refers to the potential for financial loss that occurs when a significant portion of an investment portfolio is tied to a single asset, sector, or market segment, increasing vulnerability to market fluctuations.

Past performance does not guarantee future results. Indexes are unmanaged and not available for direct investment.

An investor should consider the investment objectives, risks, charges, and expenses of the funds carefully before investing. The prospectus and, if available, the summary prospectus contain this and other information about the funds. You may obtain a prospectus and, if available, a summary prospectus by downloading the prospectus at crossmarkglobal.com and crossmarkglobalETF.com or calling Crossmark toll-free at 888-845-6910. Please read the prospectus or summary prospectus carefully before investing.

All investments are subject to risks, including the possible loss of principal.

The funds/strategy may not achieve their objectives if the managers' expectations regarding particular securities or markets are not met.

The funds'/strategy's values-based screening policies exclude certain securities from the universe of otherwise available investments. As a result, the funds/strategy may not achieve the same performance they otherwise may have in the absence of the screening process. If the funds/strategy have invested in a company that is later discovered to be in violation of one or more screening criteria and liquidation of an investment in that company is required, selling the securities at issue could result in a loss for the funds/strategy. Further, the funds'/strategy's values-based screening policies may prevent the funds/strategy from participating in an otherwise suitable investment opportunity.

The funds'/strategy's investment adviser considers positive value characteristics when making investment decisions. There is a risk that the funds/strategy may forgo otherwise attractive investment opportunities or increase or decrease exposure to certain types of issuers and, therefore, may underperform strategies that do not consider the same or any positive value characteristics. A company's positive value characteristics are determined based on data and rankings generated by one or more third-party providers unaffiliated with the adviser, and such information may be unavailable or unreliable. Additionally, investors can differ in their views of what constitutes positive value characteristics. As a result, the funds/strategy may invest in issuers that do not reflect or support, or that act contrary to, the values of any particular investor.

Equity investments generally involve two principal risks – market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Other risks specifically associated with Crossmark Exchange-Traded Funds (ETFs):

The fund is classified as non-diversified under the Investment Company Act of 1940, as amended. This means that the fund may invest in securities of relatively few issuers.

Investments in large cap companies are subject to the risks of equity securities. Large cap companies may underperform other segments of the market because such companies may be less responsive to competitive challenges and opportunities and may be unable to attain high growth rates during periods of economic expansion.

An investment in Crossmark ETFs involves risk, including possible loss of principal. ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value (NAV), and are not individually redeemable directly with the ETFs. Brokerage commissions and ETF expenses will reduce returns. ETFs are subject to specific risks, depending on the nature of the underlying strategy of the funds, which should be considered carefully when making investment decisions. **For a complete description of the ETFs' principal investment risks, please refer to the prospectus.**

The Russell 1000® Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2-year) growth, and higher sales per share historical growth (5 years). Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly.

The Russell 1000® Value Index measures the performance of the large cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2-year) growth, and lower sales per share historical growth (5 years).

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