

THE VIEW FROM PRINCETON

Market Commentary ♦ October 7, 2026

Between the Lines – Growth vs. Value: It's a Tongue Twister

For style watchers, quite an interesting year.

As growth investors, we occasionally have conversations with clients where the topic turns to value stocks and how we think about relative performance. Somewhere along the way we have all heard about this year's market performance drifting in the direction of value. We took a look and, like most things, the devil was in the details. The answer seemed like a tongue twister.

- FTSE Russell index review suggests value is beating growth soundly this year. But the popular S&P 500 Index says the opposite. Same U.S. market, same year, different characterization.
- Overall, both indexes are in the same performance ballpark YTD, but style factors are where the road forks. Russell makes it seem like a value year, because their methodology made it a value first half. S&P says, "not so fast." Growth edged value in the first half under their system and continues ahead even now.
- About half of the first-half gap inside Russell traces to technology, which looked very different in its value and growth indexes.

In short, variations in style box performance seem influenced by index holdings and by index mechanics, even though the S&P 500 Index overlaps greatly with the Russell 1000 Index. Essentially, these are the two primary index families: those sponsored by Standard & Poor's (popularly, the S&P 500 Index) and those by FTSE Russell (the Russell 1000 Index, for our purposes). Size-wise, S&P Dow Jones Indices reports roughly \$20 trillion in assets indexed or benchmarked to the S&P 500 specifically — the most-tracked index in the world by that measure. FTSE Russell, by comparison, reports about \$12 trillion tied to the Russell U.S. Indexes.¹ Yet even with less name recognition among individual investors, Russell has real brand power in institutional circles, where quant-driven, rules-based construction is often preferred to the committee-based approach by S&P.

Which brings us back to our trip down the rabbit hole of style influences. Somewhere along the line, there is often a nagging uncertainty, particularly among short term traders: should we lean in one direction or the other, growth or value? Are we missing a shift in market leadership? That uncertainty is worth evaluating, rather than risking a "bunch on a hunch." Here's what we found. The data tells the story: the table below splits the year into two.

Index	H1 (Jan 1 – Jun 26)	H2 (Jun 26 – Oct 2)	Full Year YTD
Russell 1000	+8.16%	+4.89%	+13.45%
S&P 500	+8.06%	+5.31%	+13.80%
Russell 1000 Value	+16.37%	+3.10%	+19.97%
Russell 1000 Growth	+0.95%	+6.83%	+7.85%
S&P 500 Value	+7.90%	+1.68%	+9.67%
S&P 500 Growth	+8.20%	+8.37%	+17.26%

H1 = January 1 – June 26, 2026. H2 = June 26 – October 2, 2026, split at the FTSE Russell reconstitution date. All figures total return. Source: YCharts.com

Russell and S&P each classify stocks into value and growth buckets once a year, but not at the same time, or by the same rules. That mismatch is why this year's numbers tell different stories. In the first half of 2026, before Russell's reconstitution (its annual re-sort) took effect, S&P's value stocks and growth stocks performed almost identically. Russell's value stocks and growth stocks did not perform anything alike. Value was up 16.37%, growth up less than 1%, a 15-point gap between the two styles, in six months. That gap is the source of this year's contradiction when compared to its S&P cousin.

About half of that gap comes from technology. At the start of the year, tech was about 11% of Russell 1000 Value, but it returned 76% in the first half, adding about 8.6 points to the index's performance. In Russell 1000 Growth, tech was 50% but returned only 2%, adding less than one point. That difference, about 7.8 points, is roughly half of the 15-point gap.^{2,3,4} S&P held many of the same winners, but spread them across both of its indexes, where they were a small part of a tech sector dominated by large companies whose returns were flat. As a result, tech returned 14% in its value index and 11% in its growth index, and its two styles finished the half nearly even.^{2,3,4}

State Street found the same pattern, with tech stocks in the Russell 1000 Value outpacing those in the Russell 1000 Growth by nearly 70% through July 21.⁵ FTSE Russell noted that software sold off sharply in early February on fears of AI disruption, and that the Russell 1000 Growth was the weakest of its style indexes in that sell-off.⁵

Why did the two providers divide tech so differently? Russell scores stocks once a year using data from the prior April, so its classifications reflected the market before this year's rally in parts of the technology sector.⁶ S&P re-scores each December and factors in recent price momentum. As a result, the two providers placed different technology stocks in their value indexes. These classifications were set before 2026 began. Russell's June 26 reconstitution did not cause the gap. It is what eventually corrected it.

The other half is spread across nearly every sector outside technology. From those holdings, Russell's value index added about 7.8 points to its return in the first half, while its growth index added about 0.1 points. No single sector came close to technology's contribution, so this half reflects many smaller differences in what the two indexes held.^{2,3,4}

Russell's June 26 reconstitution moved some of the surging technology out of its value index and into its growth index. It also brought large technology companies into its value index, lifting tech's weight there to roughly 18.6%, according to State Street. ⁵ S&P's classifications did not change, since it only re-sorts in December. Since June 26, growth has been ahead of value in both the Russell and S&P indexes. In both, growth's gains are concentrated in the same two stocks, Nvidia and Microsoft. Together, they account for two thirds of the gains in Russell's growth index and about 73% of the gains in S&P's growth index so far in the second half. ^{2,3,4}

Bottom Line

When two value indexes, or two growth indexes, can differ by roughly 10 percentage points, the label alone says little about what's inside. This year, about 50% of the first-half gap inside Russell traced back to technology, which looked very different in its value and growth indexes. Looking past an index's name to what it actually holds, and when that holding was decided, matters more than the label itself.

In the conversation of indices, styles, and factors generally, we have taken a consistent position throughout our history. As the saying goes, you can't retire on benchmarks or style boxes. We believe client objectives can be achieved with thematic portfolios built of companies advancing through innovative products, or the application of those products across a broad variety of businesses. That's our style box, whenever the commentators are debating growth versus value.

We continue to overweight innovation... however it may be classified by indexers.

We are always available to have a conversation about this or any other topic. Please reach out anytime.

Princeton Capital Management

¹S&P 500 indexed/benchmarked assets: S&P Dow Jones Indices, Annual Survey of Assets, as of 12/31/2024. Russell U.S. Indexes: FTSE Russell, press release, June 2026.

²Holdings and weights: iShares Russell 1000 Value (IWD), S&P 500 Value (IVE), S&P 500 Growth (IVW), and Russell 1000 Growth (IWF) ETFs, used as proxies for each index's constituents, as of 12/31/2025.

³Individual stock returns: first-half returns are price returns from daily closing prices, January 2 – June 26, 2026. Second-half returns for Nvidia and Microsoft are YCharts price returns, June 26 – October 2, 2026. Index returns are YCharts total returns.

⁴Contribution figures are December 31, 2025 weights multiplied by each holding's first-half return. Tech's share of the Russell gap is its contribution to the Russell 1000 Value minus its contribution to the Russell 1000 Growth, about 7.8 of the 15.4 points. Contributions outside tech are each index's reported first-half return less tech's contribution. Second-half weights: Russell Growth as of June 30, 2026; S&P Growth estimated for June 26 from December 31 weights and first-half returns. A simplified, static method, not a full index recalculation.

⁵State Street Global Advisors, "Why Value is outperforming in 2026 markets," July 27, 2026 (FactSet data as of July 21 and June 30, 2026). FTSE Russell, "Looking past big tech in US equities."

⁶FTSE Russell scores each stock's value/growth split using book-to-price and growth-rate measures, calculated once annually as of the April rank date. Source: FTSE Russell, Russell U.S. Indexes Construction and Methodology.

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