Value investing or growth investing; which one is better

Value investing is a strategy for long term investors to buy in undervalued stocks. Stocks at the current market price are to be compared with the intrinsic value of the stock. If the current value I lower than the intrinsic value of the stock then it is an undervalued stock and vice versa. Higher the intrinsic value betters the company it is. Value investing has different methods like price to earnings ratio, price to book value and price to cash flow. But the most popular way of investing is price to earnings ratio. This process is purely fundamental analysis. Sometimes the value investments go wrong when investors mistaken low value as wrong value.

Growth investing is completely different from value investing. Investors look into good company with better management and products. Infosys in 90's was considered ass growth company as their earnings are higher than their peers and company growth was higher than the industry and sector growth.

By studying different tables and analysis, we can say that value stocks become less negative than growth stocks when market moves towards downside. Ironically when the market moves bottom and takes a U turn, value stocks do better than the growth stocks. Growth stocks do better when market fails to show any particular trends. Usually at that time growth stocks outperform the value stocks.

If an investor looks for risk to return ration and for a long term (>10 years), growth stocks beat the value stocks by a handsome margins.

In a developed market, usually value stocks perform better than the growth stocks. But in Indian scenario, it entirely depends upon the direction and valuation of the market. In Indian scenario, we have seen that few growth stocks have outperformed the value stocks.

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