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# Capturing the Value Premium – Global Evidence from a Fair Value-Based Investment Strategy

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## Abstract

This paper examines the risk premium of value stocks within a global investment strategy framework. We test whether absolute or relative mispricing is better suited to capturing the global value premium by using fair value-based net asset values (NAVs) as our proxies for fundamental value. We find that investing in the most underpriced stocks relative to the average ratio of price to fundamental value in a country is the key to achieving superior risk-adjusted returns. The annualized excess return of the global value portfolio sorted according to relative mispricing is 10.0%, and remains significant after controlling for common risk factors.

*Keywords:* Value Premium, Global Diversification, Net Asset Value, Investment Strategy

*JEL:* G11, G12, G14, G15

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