Growth versus value investing is shaping up to be a horse race in 2011.

Although growth stocks had maintained the lead throughout much of 2010, the performance margin between the two narrowed later in the year.

Growth stocks represent companies whose better-than-average earnings gains raise the expectation that they will continue to deliver high profit growth. You're betting that they will just keep growing.

Value stocks represent out-of-favor companies that are considered bargains based on their book or liquidation value. Investors aren't paying a lot as they cautiously hope these stocks will regain their pace toward a future payday.

"The growth investor sees blue skies forever," said Tom Jacobs, lead adviser for the Motley Fool Special Ops service that focuses on deep value, micro-caps and special situations. "The value investor sees rain right around the corner."

When an economy is exiting recession, which many experts predict the United States to do in 2011, investors pay closest attention to companies whose stock was beaten down the most, seeking more potential return for less money. But the coming year is difficult to handicap because prospects and prices are all over the board.

"We do have a strangely bipolar market right now, with a lot of really cheap stocks but others that would be considered expensive," Jacobs acknowledged. "For instance, there are a ton of really cheap large-cap companies, so you don't have to get fancy in your choices since value investing never goes out of style."

Two big-name stocks considered "really cheap" by Jacobs are Costco Wholesale Corp. (COST) and Johnson & Johnson (JNJ). Costco, the third-largest retailer in the U.S., has been effective in attracting and retaining more affluent customers than its competitors. Johnson & Johnson, the world's largest health-care company, is expected to benefit as baby-boomers age.

Similarly, growth stocks offer opportunities.
"The momentum of growth can push well on into the recovery," said Jim Collins, editor of the OTC Insight newsletter out of Walnut Creek, Calif.

Despite the price run-up of Apple Inc. (AAPL), Collins still sees "terrific upside" to its stock based on the company's potential in cloud computing, the emerging field in which hosted services are delivered on demand over the Internet. Apple also has an enormous amount of cash and financial flexibility to invest in new products and acquisitions.

Other attractive growth investments as a result of earnings and sales momentum are Priceline.com Inc. (PCLN), the online travel service, and Coherent Inc. (COHR), a maker of scientific and technical instruments.

"People who are interested in broad market investing should stick with value in 2011 because value performs well coming out of recession," said Tom Winmill, portfolio manager of the Midas Fund (MIDSX) in New York, up more than 30 percent in 2010. "But for some portions of the market, such as gold-mining companies, I suggest that they instead look at growth."

With the dramatic run-up in precious metals, one might think that the sector is tapped out. Newmont Mining Corp. (NEM), the world's second-largest gold producer, is an old-line mining company unlikely to see increases in the number of ounces of gold it produces each year. Acknowledging this, the market hasn't bid up Newmont's share price as much as that of its mining competitors.

Nonetheless, because the price of gold has indeed gone up, Newmont's revenues are moving onward and upward, and it also has a strong balance sheet to let it pursue acquisitions. Winmill considers Newmont a "stealth growth story" and a top investment choice.

"People have really thrown the baby out with the bathwater with real estate investment trusts (REITs)," Jacobs added. "Investors must distinguish between REITs with commercial buildings that have tenants bailing because they can't make payments and the new REITs that are actually taking in money."

In REITs, he recommends Retail Opportunity Investments Corp. (ROIC), which operates strip shopping centers and retail space primarily on the West Coast. It took over the loans on numerous properties at a huge discount, which he thinks will pay off in the future.

Another Jacobs favorite is natural gas firm Ultra Petroleum Corp. (UPL), a low-cost producer that navigated its way through several years of tumbling natural gas prices. Since it has been able to perform well in a difficult environment, it represents a good value investment and inflation hedge "that will let you sleep at night," he said.

So, with no clear growth or value outlook for 2011, investment strategies do fade a bit, and investor choices become somewhat eclectic.

"It does look like you can do very well next year with either a growth or value style, so it will be a good contest," Collins said. "In value, JP Morgan Chase & Co. (JPM) and Bank of America Corp. (BAC) are undervalued names with operating strength where a lot of money will be made over the next three years."

Another value choice, Nucor Corp. (NUE), is the largest U.S. steel manufacturer by production and the largest scrap processor. It has a low stock price, and Collins expects it to do really well in an economic recovery. Even though it has made some significant acquisitions, this company that is best known for its
modern and efficient mills remains in strong financial health.

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