

# ALGER

Inspired by Change, Driven by Growth.

Autumn 2023

## Capital Markets: Observations and Insights



# Capital Markets: Observations & Insights

A credible case can be made for a variety of economic and market outcomes. After the most aggressive monetary tightening in over 40 years, nominal economic growth is slowing. Consumers face mounting headwinds from higher borrowing rates, dwindling excess savings, and the resumption of student loan payments. At the same time, access to capital for small businesses is constricted as banks continue to toughen lending standards. If the lagged impact of restrictive monetary policy continues to work against the economy, a recession cannot be ruled out.

However, the U.S. economy has endured the Federal Reserve's harsh medicine and proven resilient. Some of the most interest-sensitive parts of the economy have already slowed markedly, such as housing, and may now be closer to stabilization. A strong labor market and services sector has offset weakness in manufacturing. If corporate profits begin to recover and monetary policy eases, a strong economy and a bull market may be in place.

At Alger, we try to position our portfolios for a range of economic outcomes by investing in companies that we believe will gain market share within the economy. For example, through our routine field research, we recently spoke with a multi-billion-dollar cloud service consultant who told us that technology solutions, such as artificial intelligence, may end up feeling like "need-to-haves" because of the vital business importance of digital transformation and the belief that companies will use these tools to reduce costs. We direct our resources to finding and populating our portfolios with leaders in these kinds of products and services that we believe will produce solid growth through various macroeconomic conditions.



A handwritten signature in black ink that reads "Daniel C. Chung".

**Daniel C. Chung, CFA**  
Chief Executive Officer  
Chief Investment Officer



A handwritten signature in black ink that reads "Brad Neuman".

**Brad Neuman, CFA**  
Senior Vice President  
Director of Market Strategy

# Key Observations and Themes

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## **Bull vs. Bear**

A credible case can be made for a variety of economic and market outcomes. We try to position our portfolios for a range of economic outcomes by investing in companies that we believe will gain market share within the economy.

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## **The Long Run**

Regardless of how the short-term macroeconomic environment evolves, the long-term future of the economy and investing is very bright, in our view.

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## **Enduring Themes**

Secular investment trends may transcend economic volatility, politics and central bank actions, producing compelling investment opportunities over the long term.

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## **International Investing in “3-D”**

We expand on our framework for achieving diversification in non-U.S. markets, not just for risk reduction but for generating alpha as well.

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## **Style Wars**

Powerful structural forces may keep the long-term trend of growth outperformance intact, in our view.

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## **Making Better Decisions**

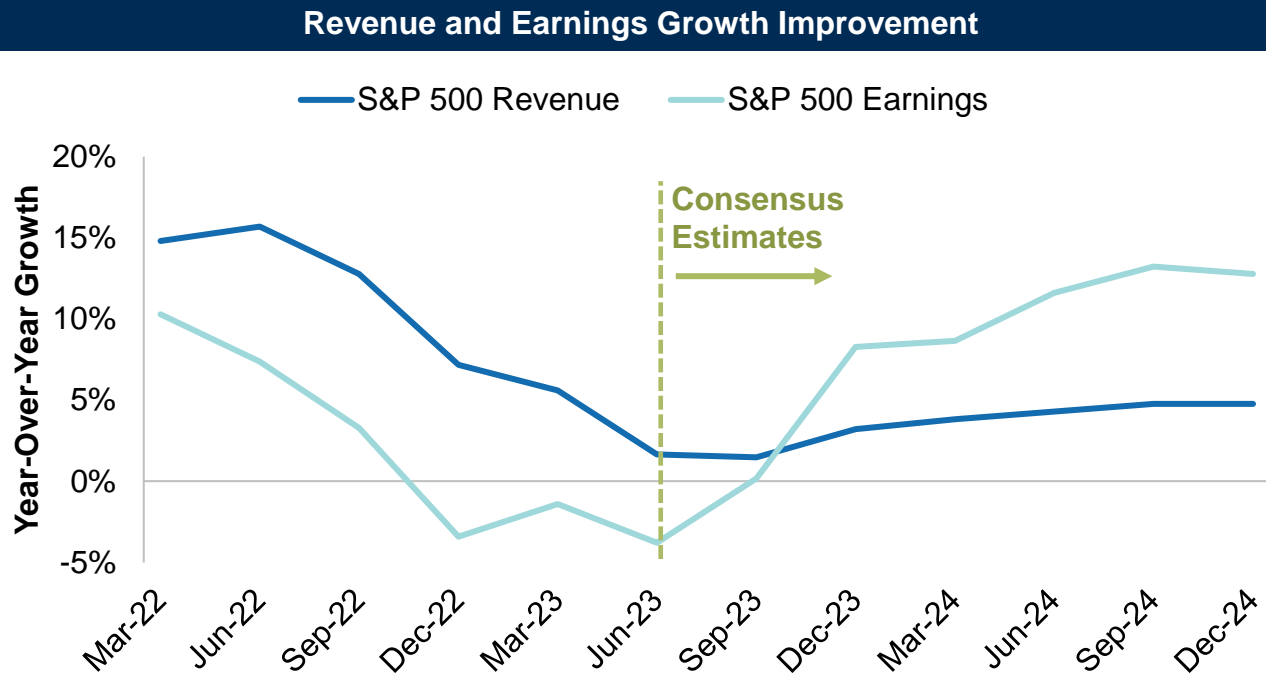
We provide tools that we believe can be used for better decision making in both investing and life.

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# Bull vs. Bear

## Bull Case: Accelerating Fundamentals

- After three quarters of negative growth, S&P 500 earnings are projected to begin to grow late this year



**Upward  
inflection point  
in corporate  
profits?**

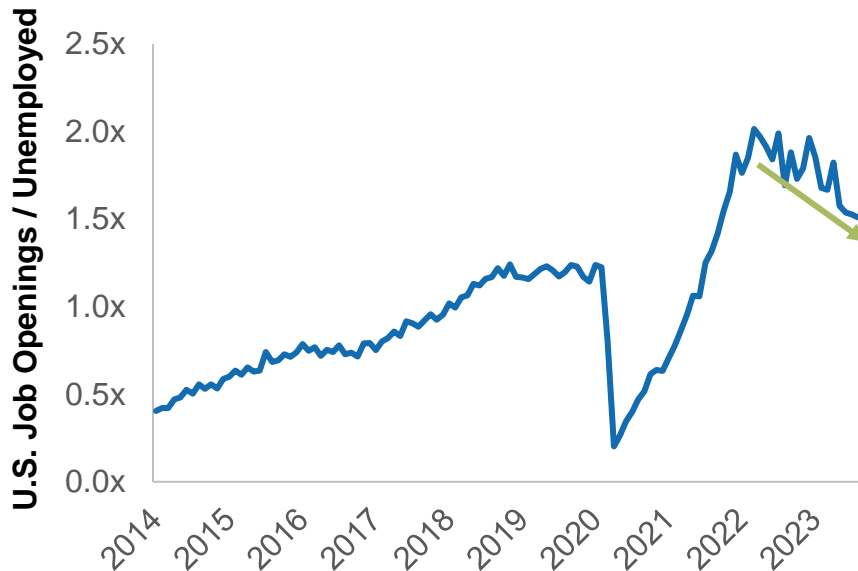
Source: FactSet as of 9/30/23. 3Q23 through 4Q24 are consensus estimates.

# Bull vs. Bear

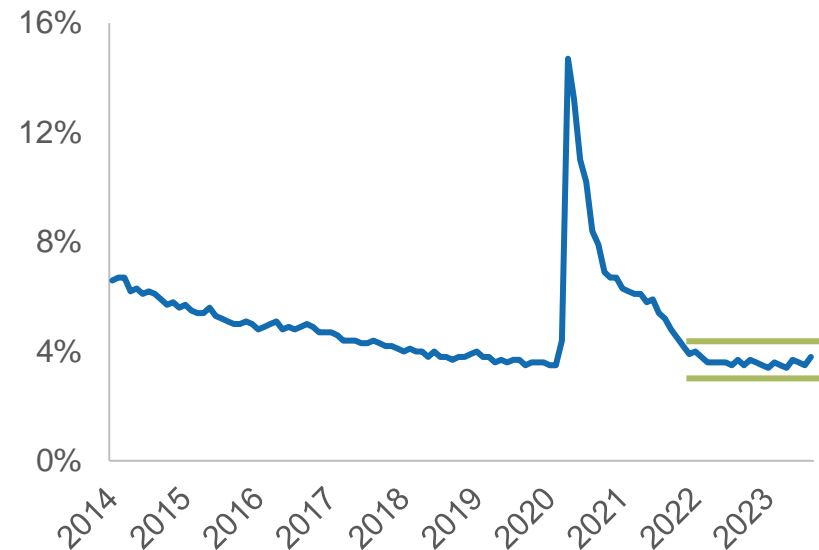
## Bull Case: Strong Labor Market

- The Fed may be executing on its plan to remove only “excess” employment demand, so job openings are more in-line with those seeking employment
- As a result, the unemployment rate remains low, which supports consumer incomes and spending

### Job Openings per Unemployed Person is Dropping



### U.S. Unemployment Rate is Stable



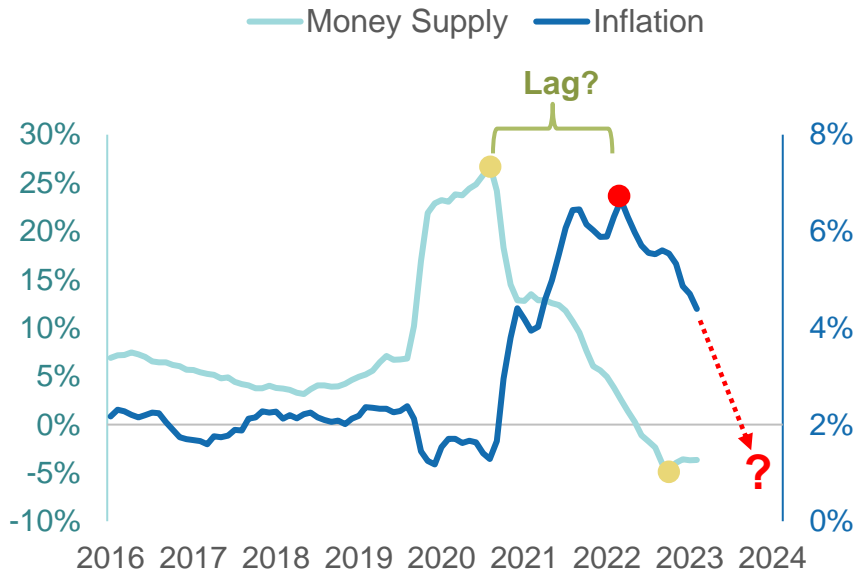
Source: Bureau of Labor Statistics. Data through August 2023.

# Bull vs. Bear

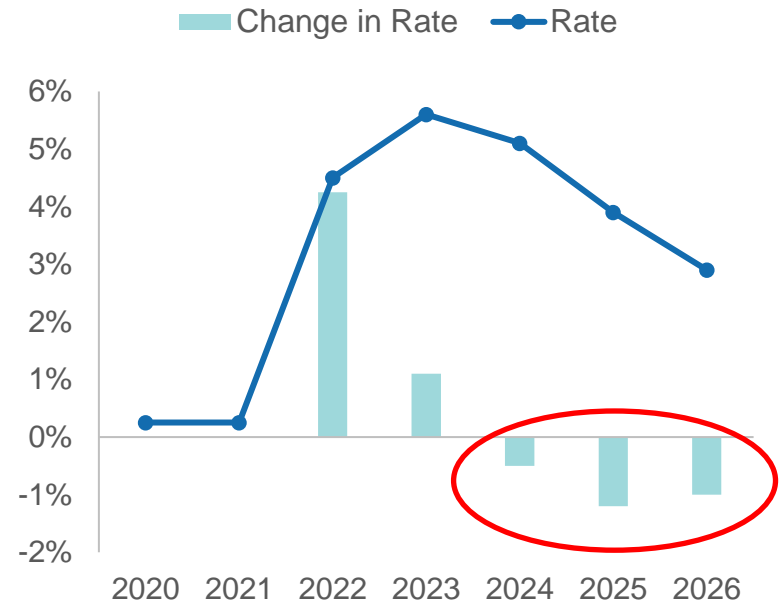
## Bull Case: Easing Monetary Policy

- Using the Fed's framework of monetary policy working with a lag, the reduction in money supply (M2) should signal ongoing disinflation
- After two years of interest rate hikes, the Federal Reserve forecasts rate cuts for the next few years

### Money Supply May Lead Inflation



### Federal Funds Target Rate Set to Decline?

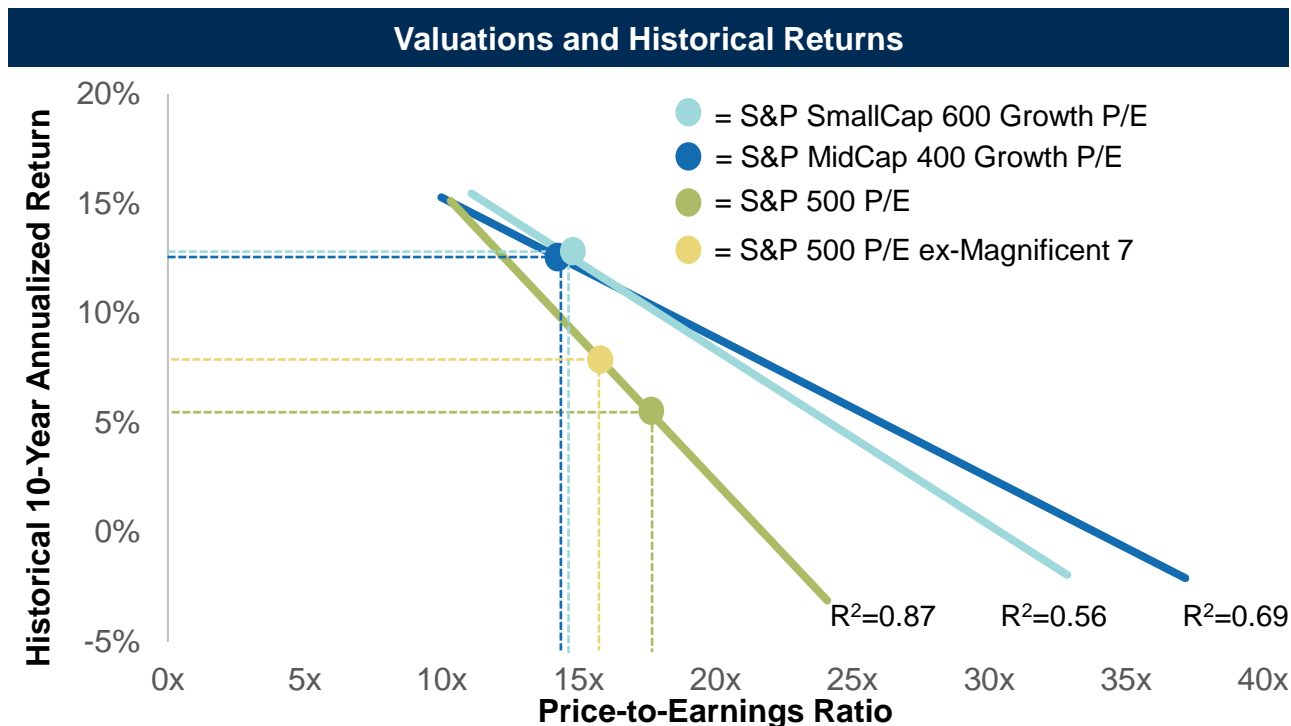


Source: U.S. Bureau of Labor Statistics and Federal Reserve. Money Supply is M2 and is the annual year-over-year change. Inflation is the Consumer Price Index (CPI) ex-food and energy, which measures the monthly change in prices paid by U.S. consumers. The dots represent the high and low points of each data set. Fed Funds rate projections for 2023-2026 from the Federal Reserve Summary of Economic Projections released on 9/30/23. Projections are for end of calendar years displayed. Disinflation is when inflation is decelerating.

# Bull vs. Bear

## Bull Case: Areas of Attractive Valuations

- While some mega cap stocks with exceptionally strong fundamentals are trading at elevated valuation multiples, many other stocks such as smaller cap growth stocks look inexpensive, in our view



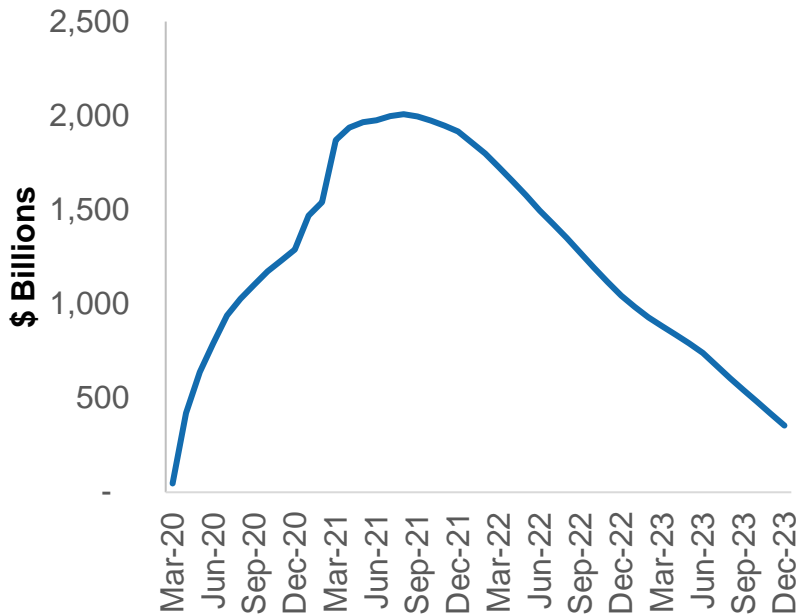
Source: FactSet. Each line is the result of regressing historical index P/E vs. historical 10-year annualized returns from September 1998 through September 2023. R-squared is a statistical measure used to analyze how differences in one variable can be explained by the difference in a second variable. In the context of the chart, it measures the proportion of the variability of the dependent variable (10-year annualized return) that can be explained by the independent variable (price-to-earnings). The “Magnificent 7” are Apple Inc., Alphabet Inc., Amazon.com Inc., Meta Platforms Inc., Microsoft Corp., Nvidia Corp., and Tesla Inc. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

# Bull vs. Bear

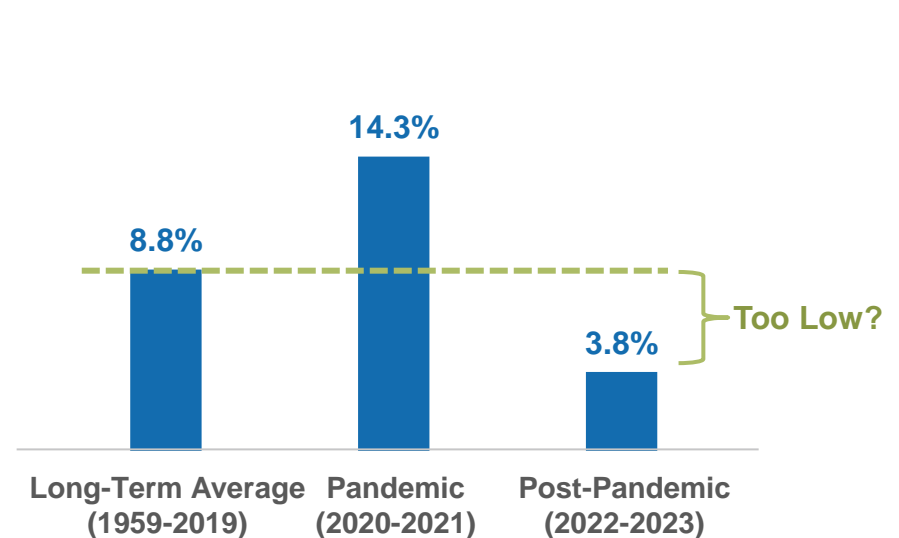
## Bear Case: Piggy Bank Running Low

- The U.S. personal savings rate surged during the pandemic, driven in part by trillions of dollars of fiscal stimulus
- However, we believe that excess savings is nearly exhausted, which may cause consumers to increase their savings rate, potentially at the expense of spending

Cumulative “Excess” Savings Depleted?



Current Savings Rate Too Low?



Source: Excess savings are Alger estimates based on data from the U.S. Bureau of Economic Analysis (BEA). Savings rate data from BEA.

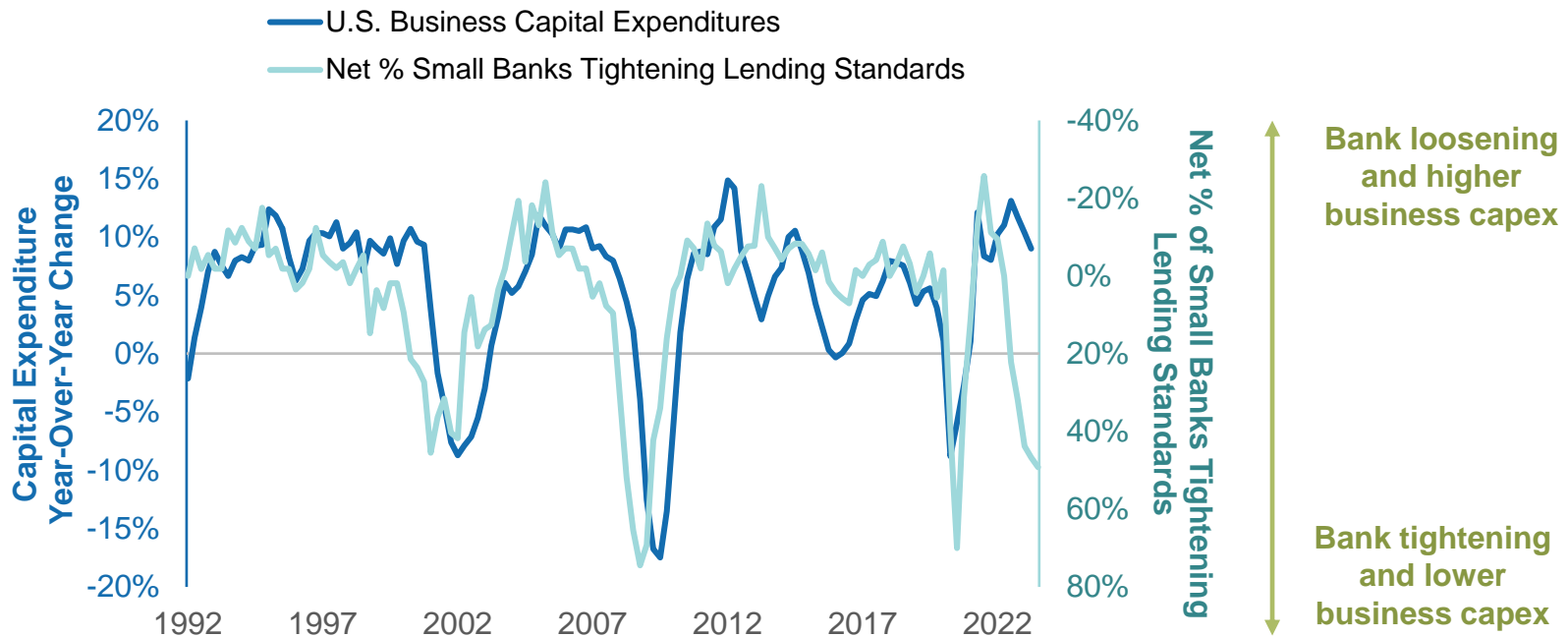


# Bull vs. Bear

## Bear Case: Lower Lending

- There is a strong relationship between small bank lending standards and U.S. business spending (-73% correlation with two quarter lead)
- The issues within the small bank industry may serve to further constrict lending and therefore capital expenditures

### Lending Standards Have Historically Impacted Capital Expenditures



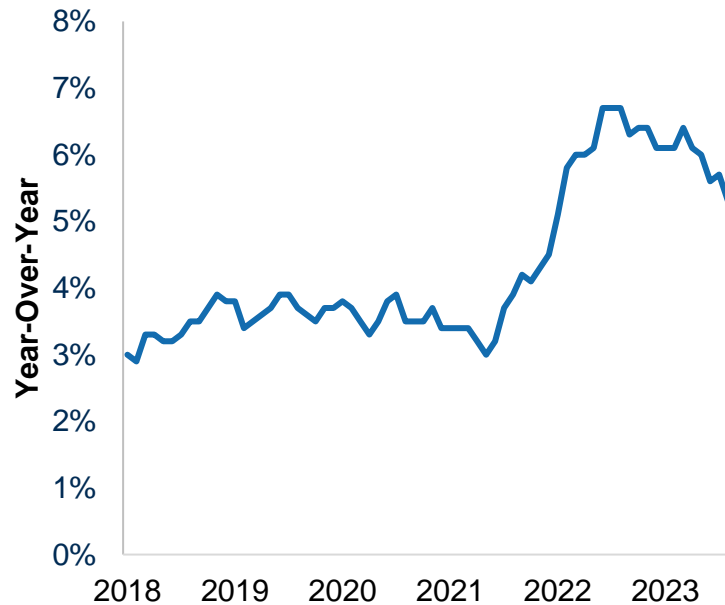
Source: Net percentage of small banks tightening lending standards from the Federal Reserve. U.S. business capital expenditures ("capex") is nonresidential gross domestic fixed investment from the U.S. Bureau of Economic Analysis. Correlation is a statistical measure that shows how two variables are related to each other. Chart data through September 2023.

# Bull vs. Bear

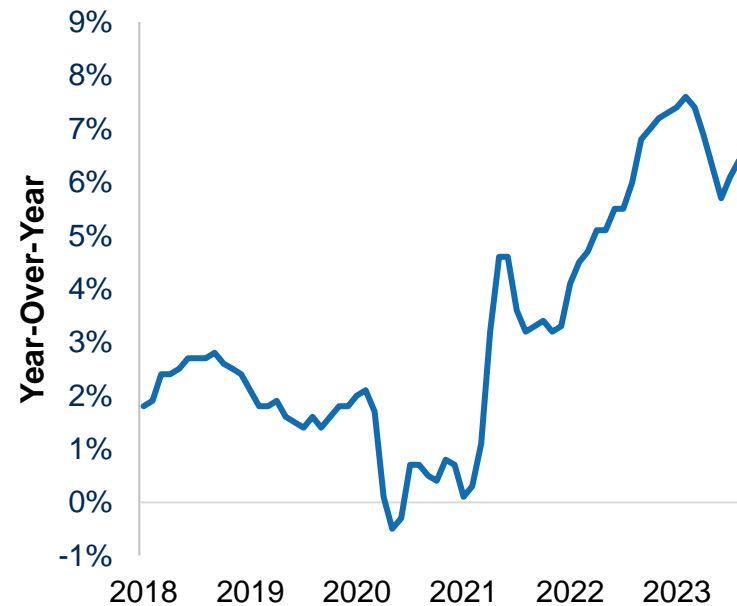
## Bear Case: High Rates For Longer?

- Despite recent deceleration, elevated wage growth may continue to drive...
- ...stubbornly strong services inflation, which remains higher than the Fed would like to see

### U.S. Wage Growth



### Services CPI Ex-Energy, Shelter & Medical

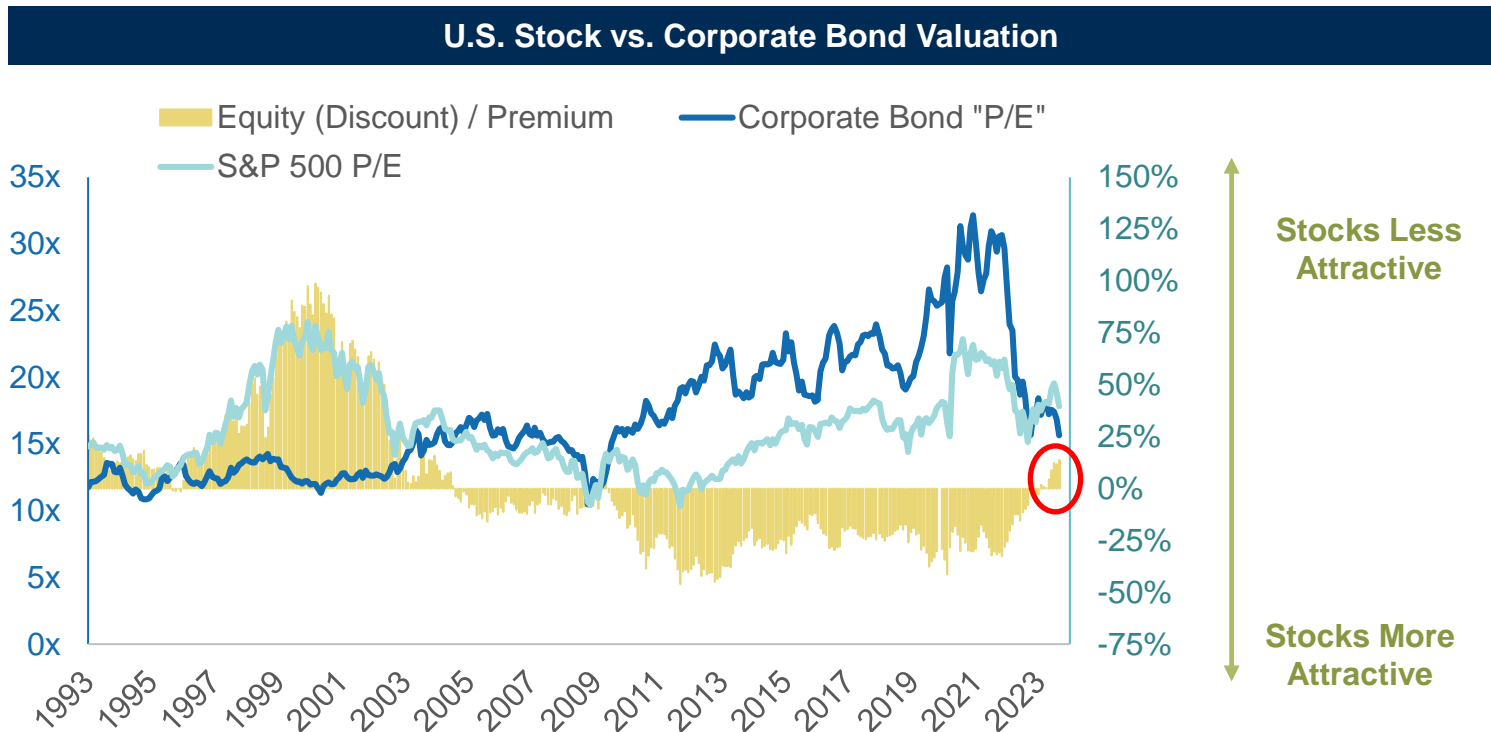


Source: Wage growth from Federal Reserve Bank of Atlanta through August 2023. It is a three-month moving average of median wage growth. CPI data from U.S. Bureau of Labor Statistics and Piper Sandler through August 2023.

# Bull vs. Bear

## Bear Case: Equity Valuations Stretched vs. Rates

- The rise in interest rates has made stocks appear less attractive relative to corporate bonds
  - Comparing price-to-earnings of equities to the inverse of yield for bonds, stocks are more expensive than corporate bonds, an unusual occurrence in the past couple of decades

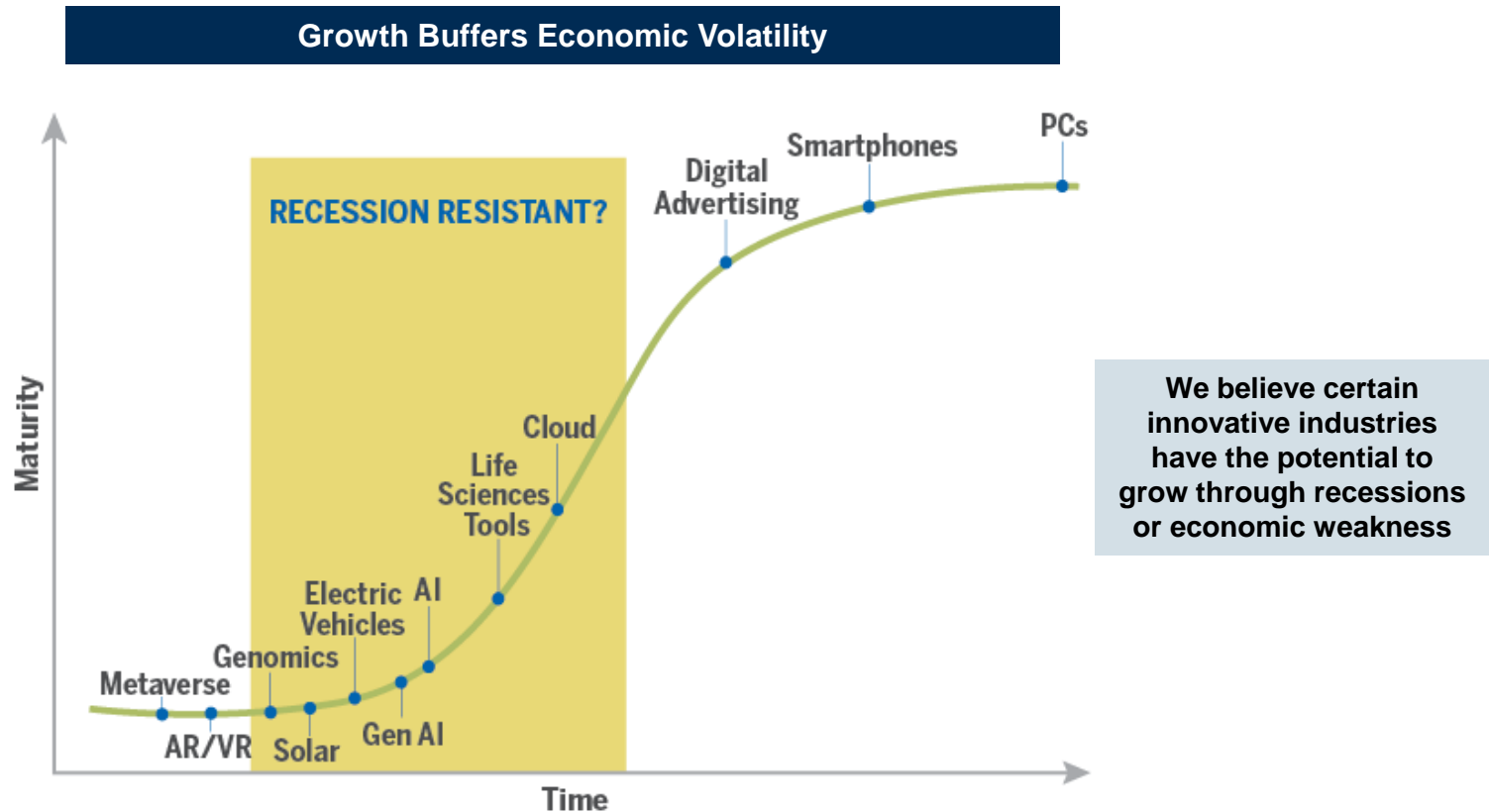


Source: FactSet. Data through 9/30/223. S&P 500 price-to-earnings ratio uses consensus next 12-month estimates. Corporate bond "P/E" is inverse of Moody's Baa corporate bond yield. Equity (Discount) / Premium is the percent of the S&P 500 P/E is (below)/above the corporate bond P/E.

# Bull vs. Bear

## Investing for Various Economic Environments

- Industries or technologies early in their lifecycle are less susceptible to economic volatility because of their potential for market share gains, in our view



Source: Alger. Investing in innovation is not without risk and there is no guarantee that investments in research and development will result in a company gaining market share or achieving enhanced revenue.

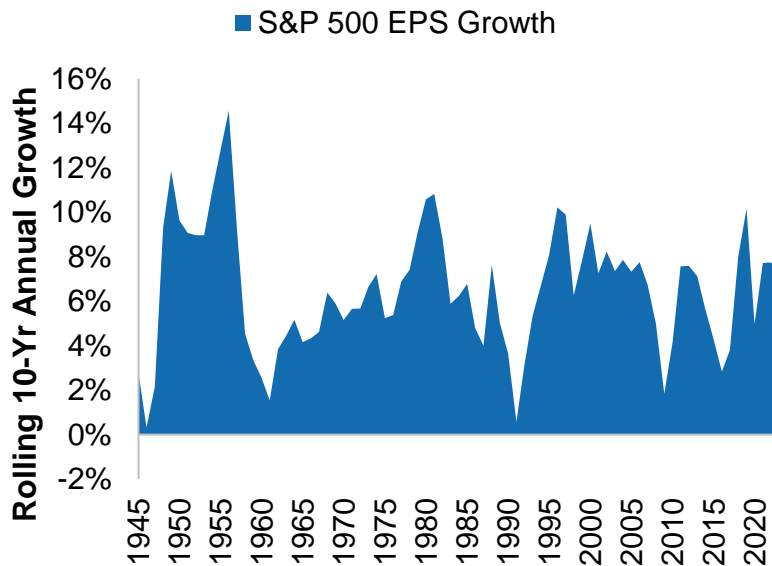


# The Long Run

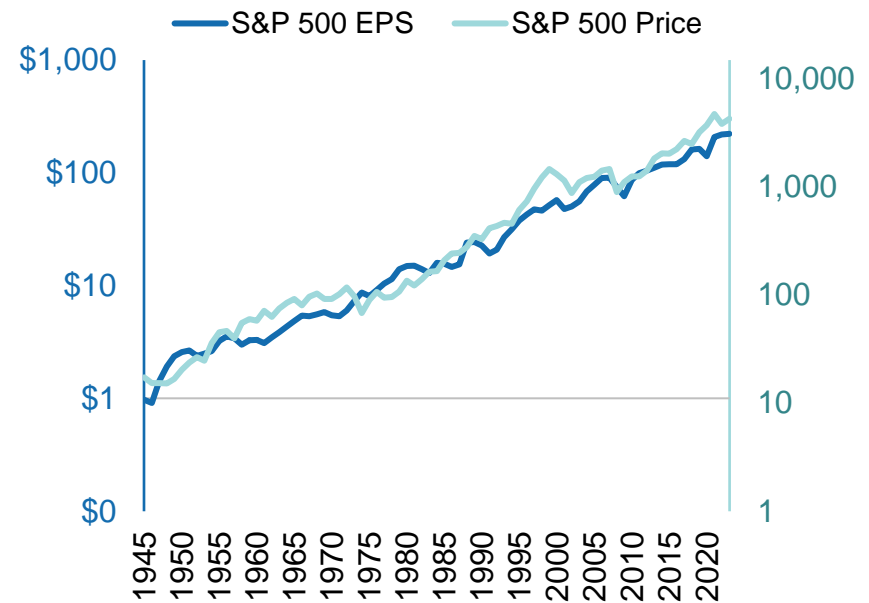
## Powerful Long-Term Trends

- Earnings have historically grown over full cycles
- Post WWII, S&P 500 EPS has always grown over 10-year periods
- The S&P 500 price has increased in-line with the 7% annual growth in earnings
- Huge wealth creation despite 12 recessions and several wars

### Earnings Have Historically Grown...



### ...Driving Stocks Prices Upward at a Similar Rate



Source: FactSet. EPS and Price data through 9/30/23. The performance data quoted represents past performance, which is not an indication or a guarantee of future results.

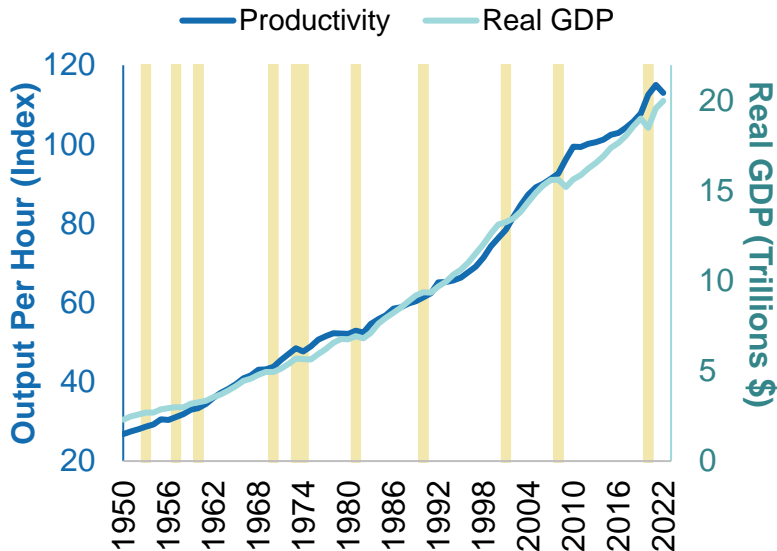


# The Long Run

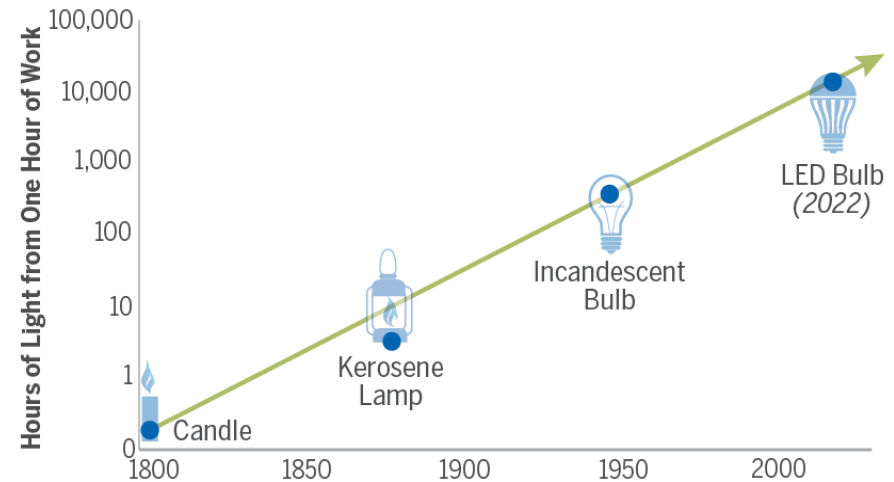
## The Engine of Growth

- If earnings drive stock prices and GDP drives corporate earnings, what propels GDP?
  - *Answer:* productivity (output per hour)
- If increasing output per hour is the main ingredient to better living standards over time, what drives productivity higher?
  - *Answer:* innovation

### Productivity Improvements Increase GDP



### Innovation Drives Productivity



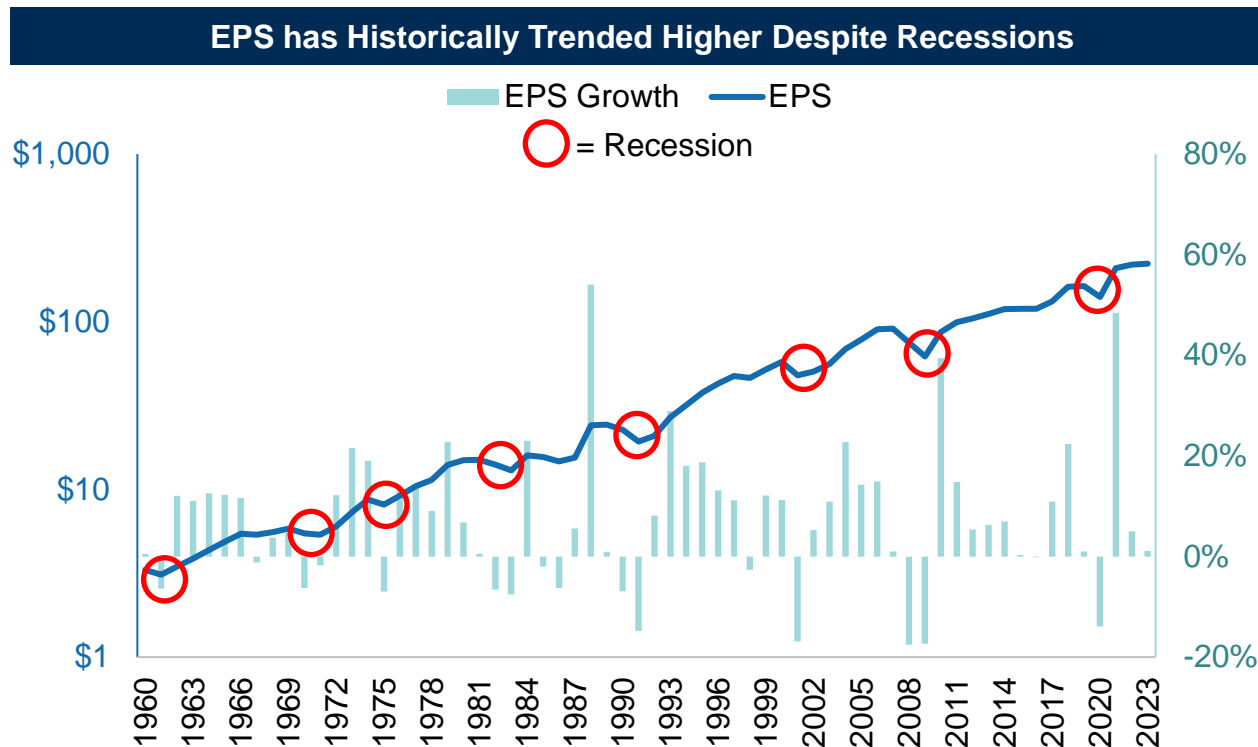
Source: Data for left chart from U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis through 2022. Shaded regions denote U.S. recessions as determined by the National Bureau of Economic Research. Data for right chart from William D. Nordhaus, "Do real output and real wage measures capture reality? The history of lighting suggests not," in "The Economics of New Goods" ed. T.F. Breshnahan and R. Gordon, Chicago University Press, and Alger estimates. **Investing in innovation is not without risk and there is no guarantee that investments in research and development will result in a company gaining market share or achieving enhanced revenue.**



# The Long Run

## Recessions and Recoveries

- S&P 500 earnings have declined in past recessions, but historically, EPS has reached or nearly reached a new high in the first or second year after the recession ended
  - Temporary EPS declines shouldn't theoretically impact long-term value significantly



Source: S&P reported EPS 1960-1987. S&P operating EPS 1988-1995, FactSet S&P 500 Operating EPS 1996 to present.

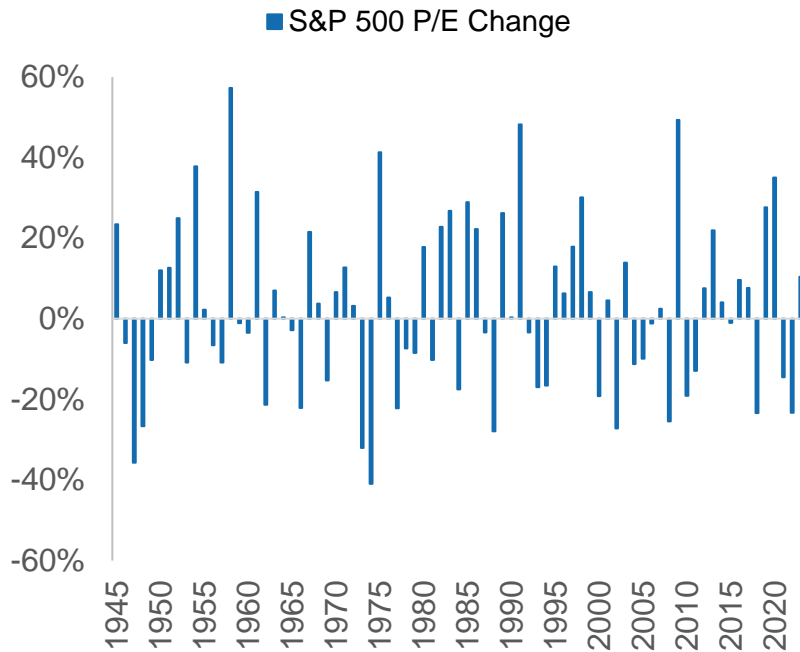


# The Long Run

## Fundamentals > Sentiment

- While sentiment shifts may dominate short-term equity price fluctuations, long-term returns are driven by fundamentals such as earnings and cash flows
  - As Buffet’s mentor Benjamin Graham said, “In the short run, the market is a voting machine but in the long run, it is a weighing machine”

### Sentiment Shifts Over Time...



### But Earnings Drive Stock Prices

Hypothetical 10-year Return of Company  
Whose EPS Grows 20% Annually but P/E  
Falls in Half

20% annualized

519%

EPS

-7% annualized

-50%  
P/E

12% annualized  
210%

Stock Return

Source: P/E change: FactSet using last 12-month EPS; hypothetical EPS example: Alger.











# Enduring Themes

## The Next Technological Revolution

- Every few decades a new technological revolution takes hold and changes the way we live and work
  - We believe we have recently entered The Age of Connected Intelligence

**Global Technological Revolutions Shape Our Lives**

<p> <b>1771</b> <b>Industrial Revolution</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> machinery and mechanization helped by water power</li><li>• <b>Impact:</b> mechanized textile industry; first factories</li></ul>	<p> <b>1908</b> <b>Age of Oil, the Automobile, and Mass Production</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> internal combustion engine; petrochemicals</li><li>• <b>Impact:</b> automobiles; roads; airplanes</li></ul>
<p> <b>1829</b> <b>Age of Steam and Railways</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> iron and coal mining; steam engine</li><li>• <b>Impact:</b> railway industry; introduction of steam power for many industries</li></ul>	<p> <b>1971</b> <b>Age of Information and Telecommunications</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> integrated circuit; internet</li><li>• <b>Impact:</b> worldwide telecommunications network</li></ul>
<p> <b>1875</b> <b>Age of Steel and Electricity</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> cheap steel; electrification</li><li>• <b>Impact:</b> bridges &amp; tunnels; electrical networks; the telephone</li></ul>	<p> <b>Today</b> <b>Age of Connected Intelligence</b></p> <ul style="list-style-type: none"><li>• <b>Innovations:</b> artificial intelligence; internet of things</li><li>• <b>Impact:</b> remains to be seen</li></ul>

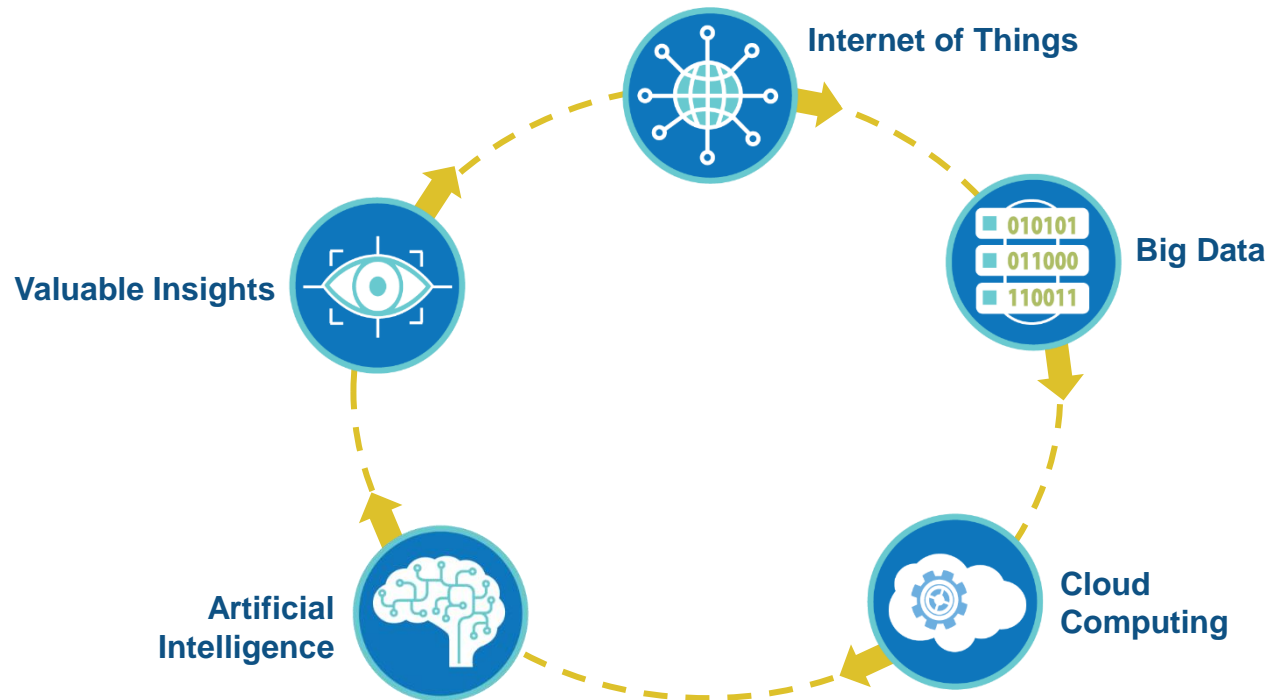
Source: Carlota Perez, "Technological Revolutions and Financial Capital," Edward Elgar Publishing, 2002, and Alger for the last period of technological change.



## Enduring Themes

### The Age of Connected Intelligence is Here

- The Age of Connected Intelligence is a result of a confluence of technologies working together: immense amounts of data and incredibly powerful computing power



Source: Alger.



# Enduring Themes

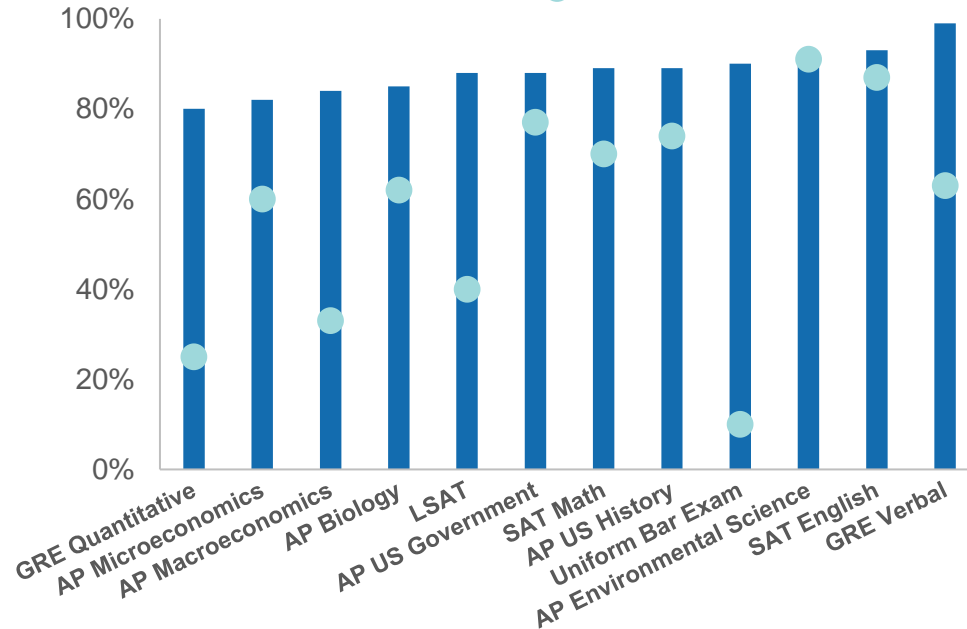
## Artificial Intelligence Growth

- With AI growing much faster than Moore’s Law, its utility is expanding rapidly
- Companies providing AI-based software or hardware have a large opportunity, in our view

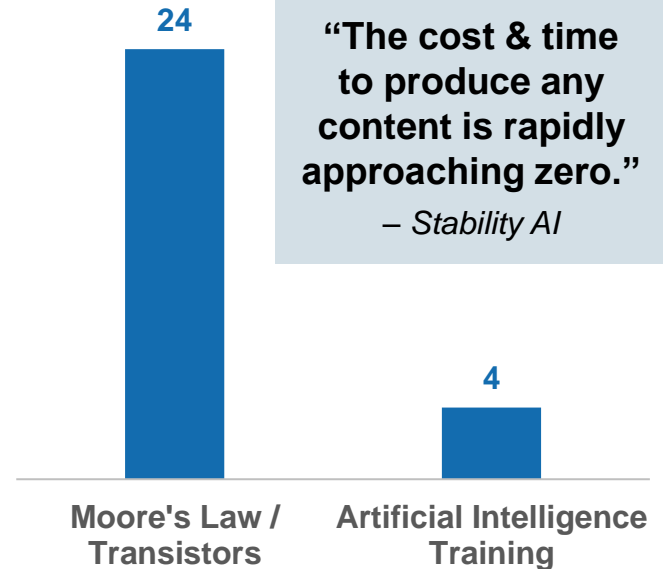
### AI is Smart and Getting Smarter

Estimated percentile among test takers

■ GPT-4  
● GPT-3.5



### Doubling Time in Months



**“The cost & time to produce any content is rapidly approaching zero.”**  
– Stability AI

Source: OpenAI (2023). Chat GPT-4, which launched March 13, 2023, is a more advanced language model than Chat GPT-3.5. Doubling time from Intel, Our World in Data, Alger. Doubling time refers to the amount of compute or “training” utilized by AI programs, while Moore’s Law refers to length of time that it takes for the number of transistors per integrated circuit to double. Evaluation periods vary.

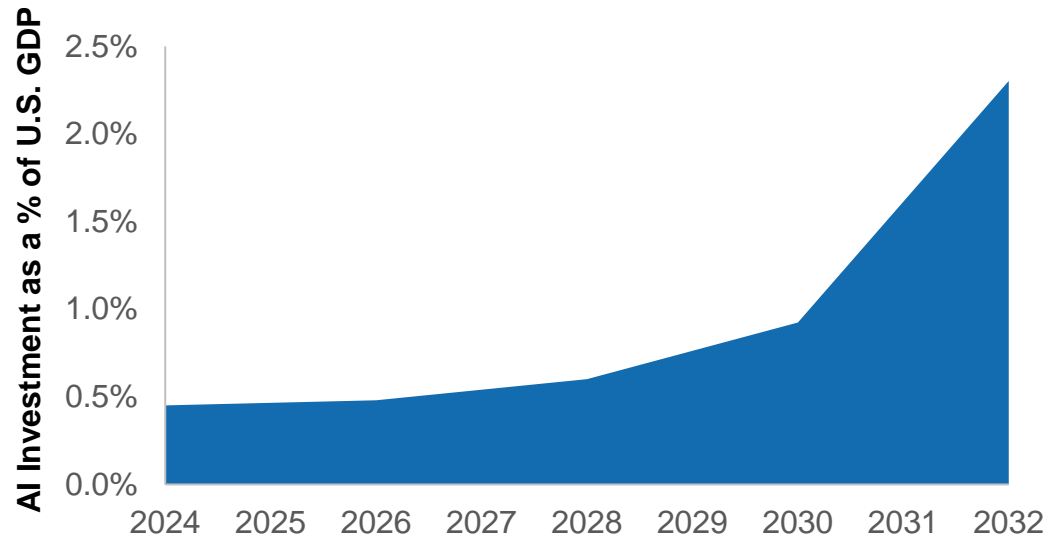


## Enduring Themes

### Artificial Intelligence Investment

- A 30% AI adoption rate among U.S. knowledge workers is estimated by 2030, with full adoption by 2040\*
  - Given these factors, AI-related investments could peak at approximately 2% to 2.5% of US GDP in the next decade

#### AI Investment May Increase Significantly



**AI Investment may become a meaningful portion of the economy**

Source: Goldman Sachs Global Investment Research estimates of AI hardware and software spending. \*Goldman Sachs, July 2023 Global Economics Analyst report.

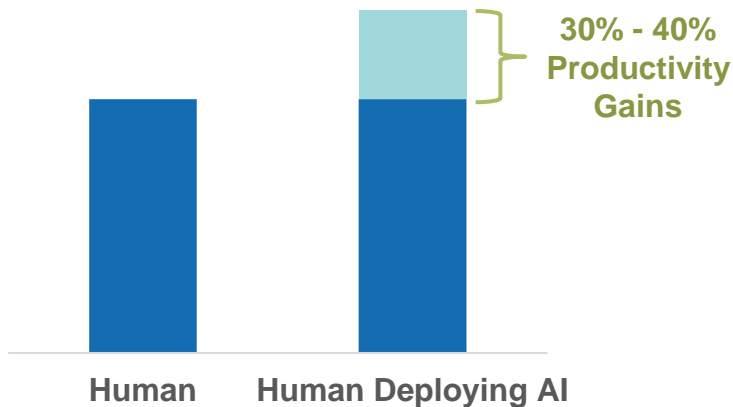


## Enduring Themes

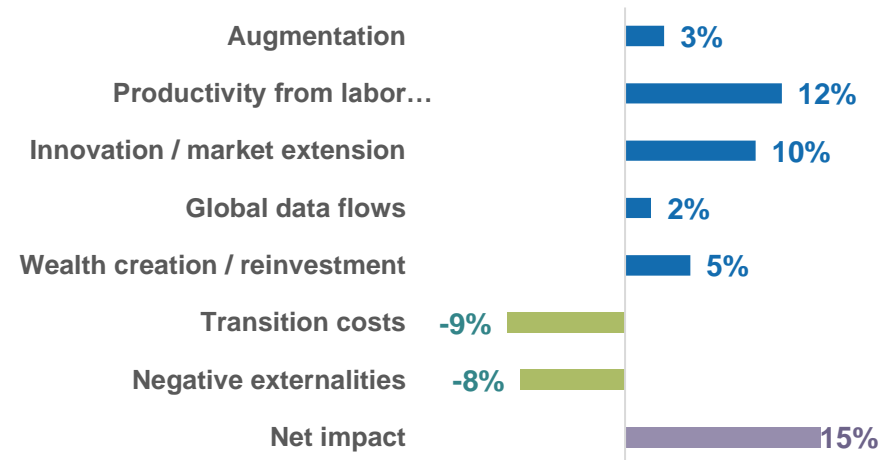
### Artificial Intelligence Economic Impact

- Generative AI is a powerful tool for knowledge workers
- Research suggests 30%-40%+ increase in productivity using AI tools
- According to McKinsey, AI could increase global GDP by roughly \$16T, or 15%, by 2030
- This boost is driven by enhanced labor productivity and automation; however, transition costs and job displacement may offset some of these benefits

#### AI Driving Productivity Gains



#### AI's Net Economic Impact



Source: Productivity gains detailed by Shakked Noy and Whitney Shang, "Experimental EMIT, March 2, 2023. Stronger productivity improvements have been reported in other research such as <https://github.blog/2022-09-07-research-quantifying-github-copilots-impact-on-developer-productivity-and-happiness/>. Economic Impact: McKinsey Global Institute analysis.

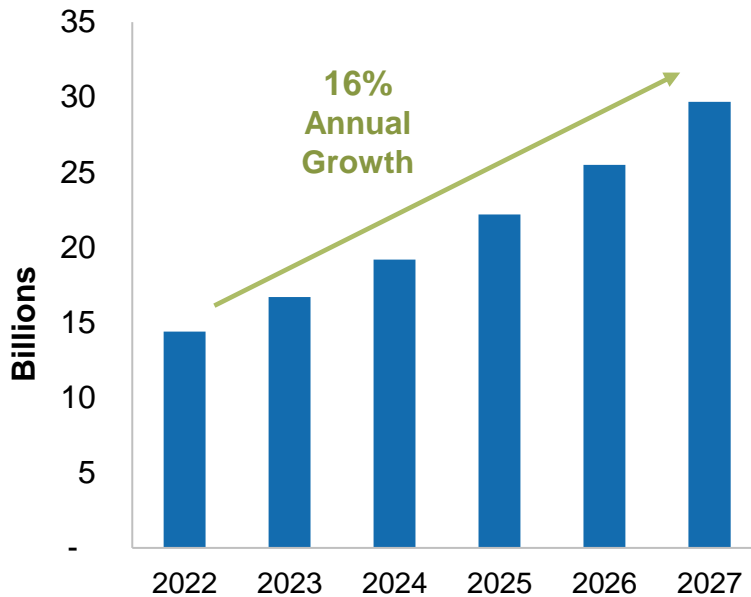


## Enduring Themes

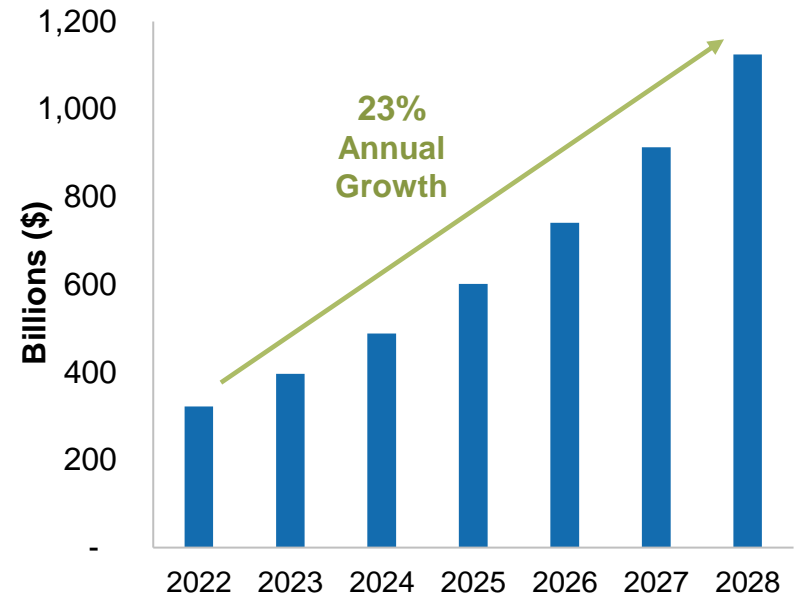
### The Internet of Things

- The explosion in connected devices is creating the “Internet of Things” or IoT, transmitting valuable and actionable information
  - Drivers of IoT spending include security, data analytics, efficiencies, reliability, customer service, improved ROI and compliance

#### Global IoT Connected Devices



#### Global Industrial IoT Market Size



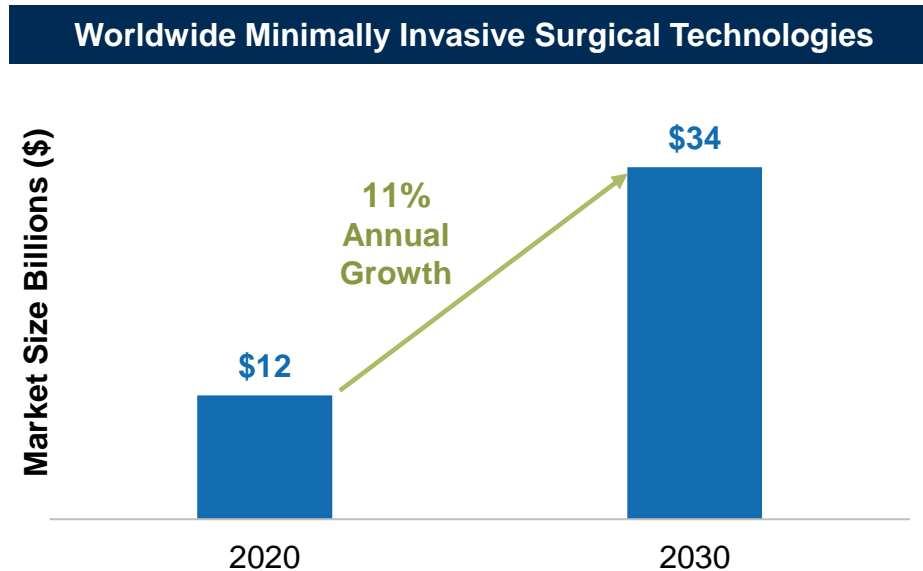
Source: IOT Analytics, May 2023 (2023 – 2027 are estimates), and Grand View Research, March 2022 (2021 – 2028 are estimates).



## Enduring Themes

### Advances in Surgical Technologies

- Improvements in surgical procedures owing to advances in bioengineering and biomaterials should drive improved outcomes for patients and revenue opportunities for innovative companies in our view
  - Robotic surgery
  - Minimally invasive structural heart interventions
  - Organ preservation for transplants

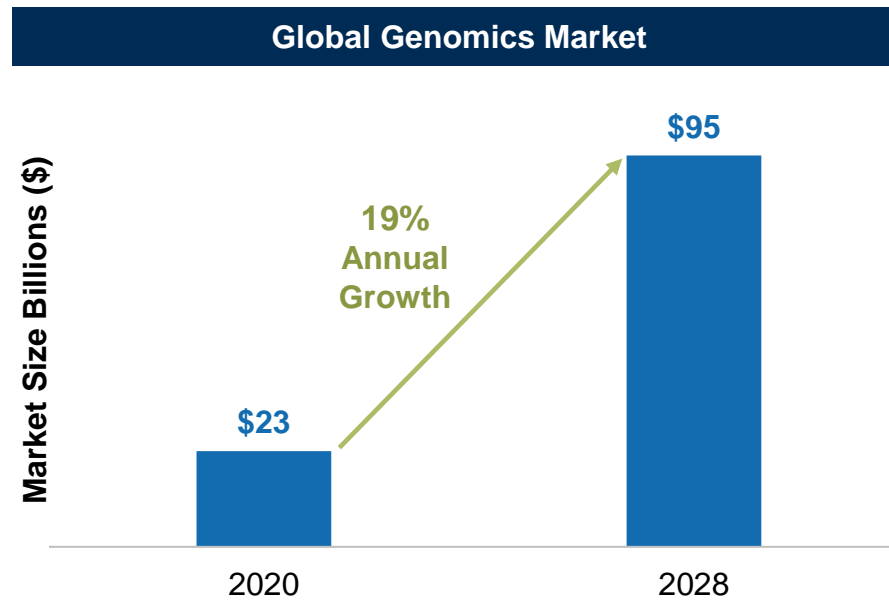


Source: Alger analysis. 2030 is an estimate. Market consists of surgical robotics, percutaneous heart valve repair, and minimally invasive technologies.



## Enduring Themes Genomics Innovation

- Genetic analysis and manipulation will increasingly impact the practice of health care
  - Turning sick care into preventive health care by giving insight into predisposed diseases (e.g., liquid biopsy for early multi-cancer detection)
  - Delivering more efficacious treatments via targeted therapies (e.g., mRNA therapies)



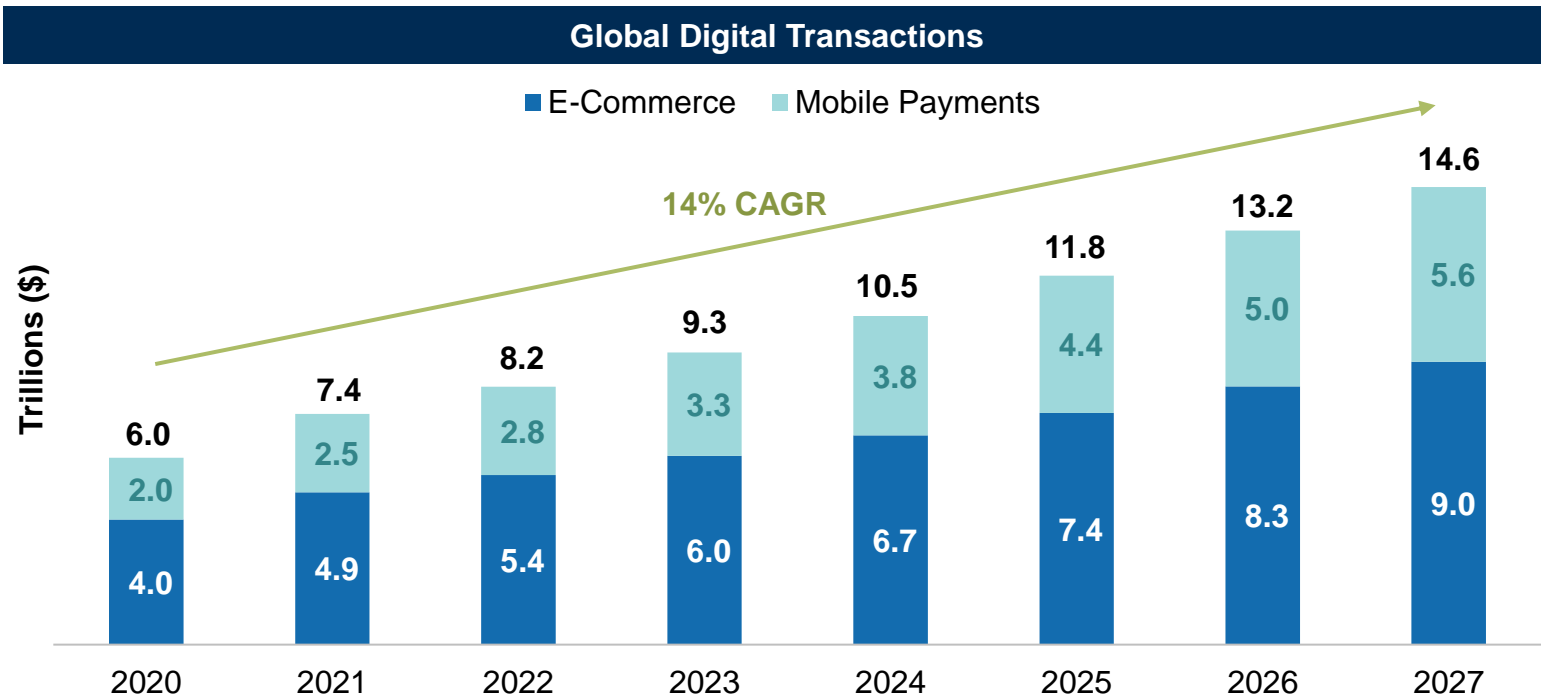
Source: Fortune Business Insights, January 2022. 2028 is an estimate.





## Enduring Themes Digital Payments

- Digital payments continue to outgrow the broad economy as they gain penetration, driven by increasing e-commerce and rapid growth in mobile payments
  - China has the largest volume of digital payments in the world
- Payment networks, processors and software companies can capitalize on the trend

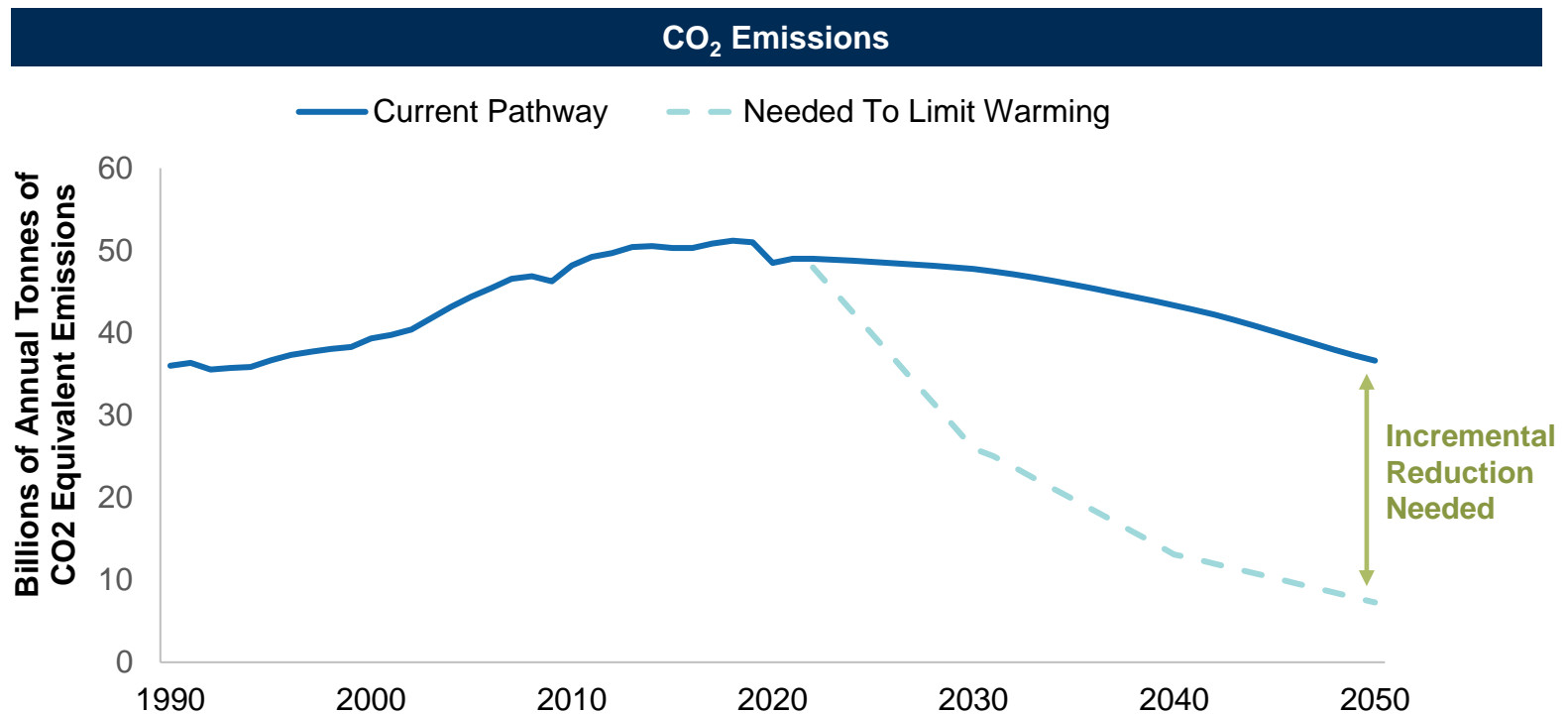


Source: Statista, April 2023 (2023 – 2027 are forecasts). E-commerce includes digital remittances. CAGR is compound annual growth rate, the rate of return required for a quantity to grow from its beginning balance to its ending balance. Mobile payments occur when smartphones are used to process transactions using wireless communication or scan QR barcodes.



## Enduring Themes Emission Reductions

- The rate of CO<sub>2</sub> emissions is not sustainable in our view and current emission targets need to be reduced further
- Reducing emissions may provide opportunities in alternative energy sources and in electric vehicles and related products and services

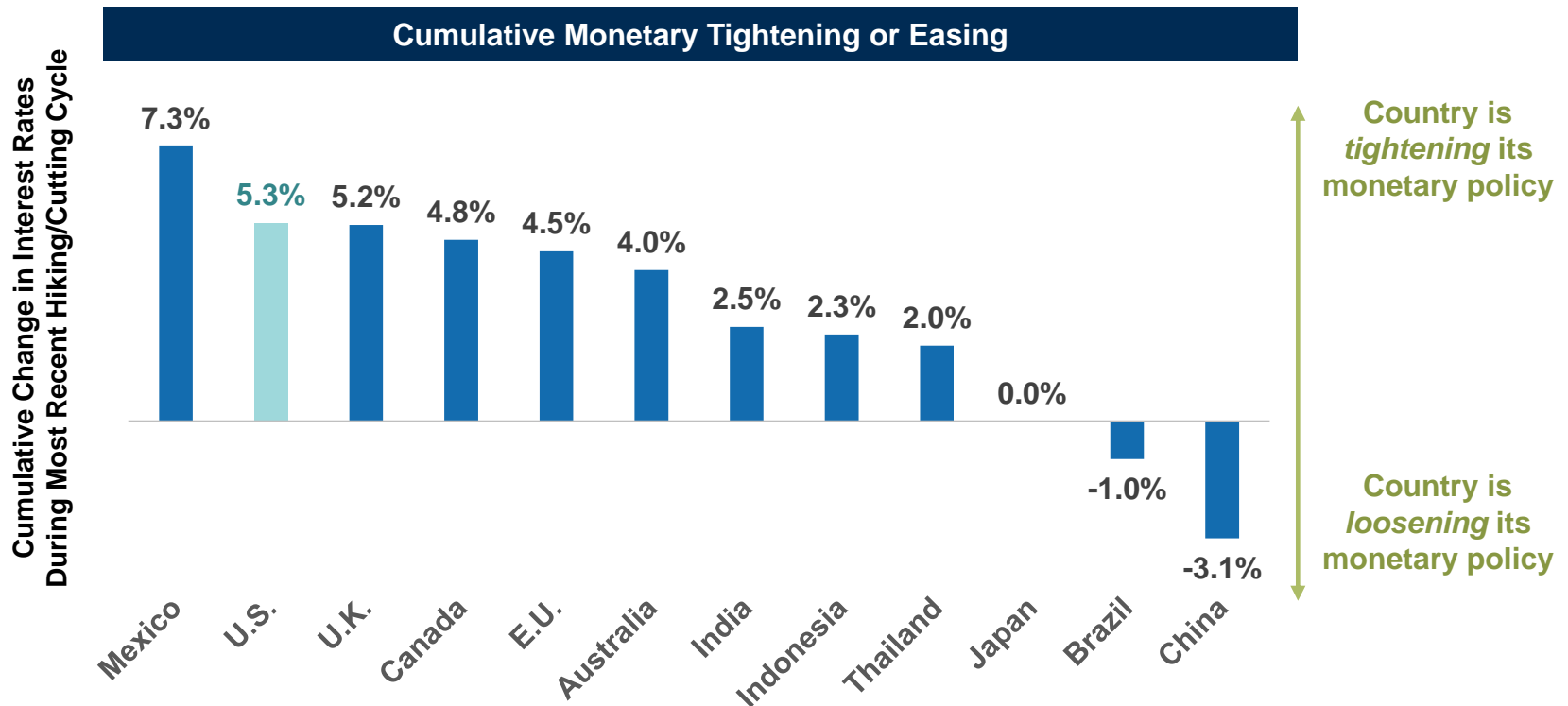


Source: Climate Action Project, May 2021. Current pathway represents average of high and low “pledges and targets” scenario while needed to limit warming is based on median to achieve 1.5 degrees Celsius warming.

# IV

## International Investing in “3-D” 1<sup>st</sup> “D” = Diversification of Economies

- Some countries are further ahead of the U.S. in monetary tightening while some are lagging and others are easing monetary policy
- Diversification across economies may provide interesting opportunities to generate alpha



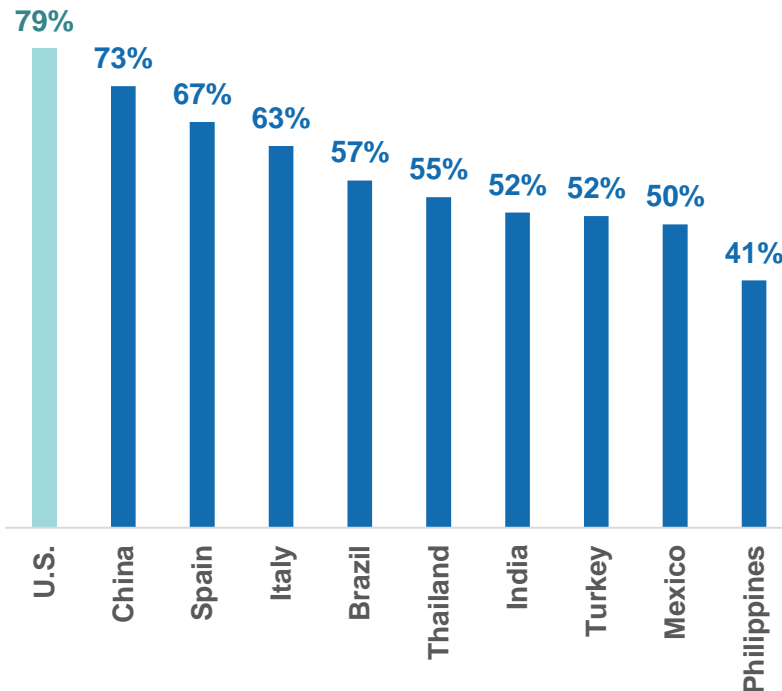
Source: Council On Foreign Relations Global Monetary Policy Tracker, September 2023. Data refers to cumulative monetary policy changes in most recent hiking/cutting cycle.

# IV

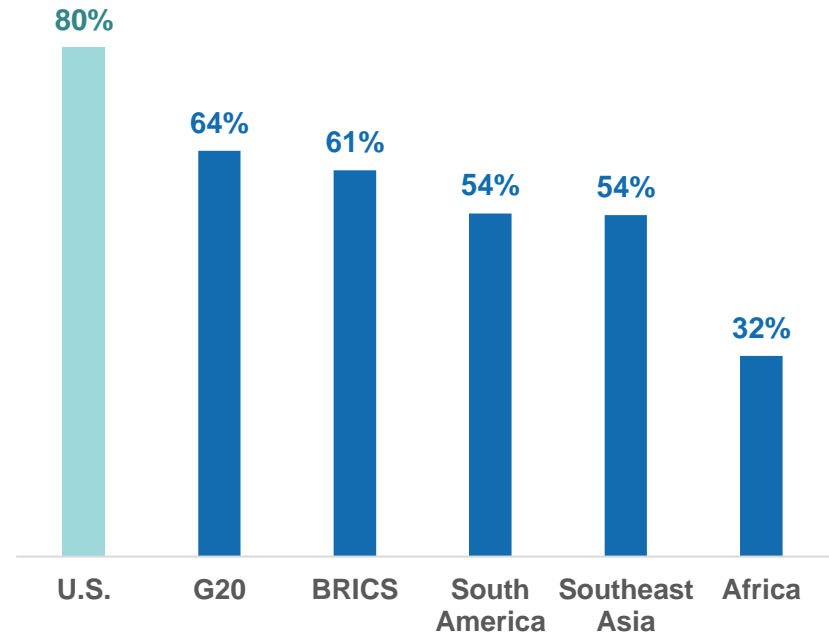
## International Investing in “3-D” 2<sup>nd</sup> “D” = Different Stages of Digital Transformation

- The U.S. generally has the highest penetration rates in digital transformation such as e-commerce, digital payments and e-services
- This suggests to us that the growth outlook for certain non-US companies may be compelling as they follow the path and penetration of the US

### e-Commerce Penetration Rate (%)



### Digital Payments User Penetration (%)



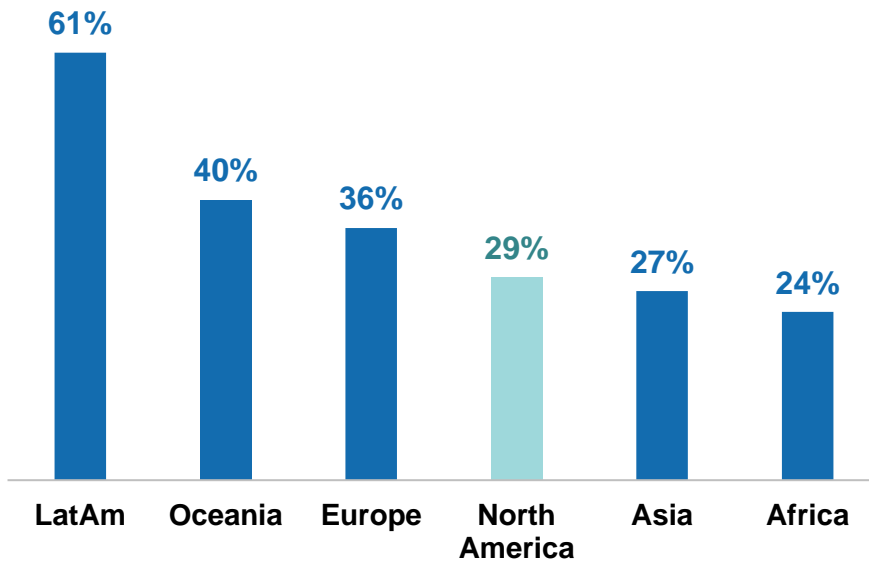
Source: All data is from Statista. Data is for 2022.

# IV

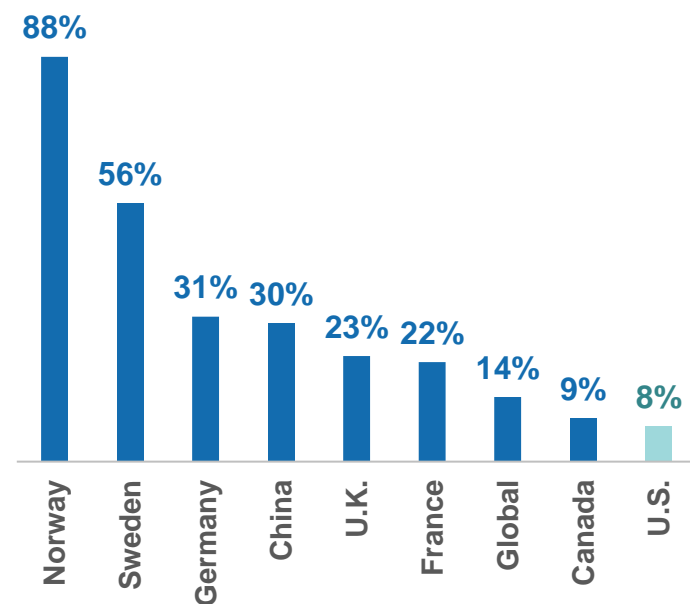
## International Investing in “3-D” 3<sup>rd</sup> “D” = Distribution of Innovation

- We believe innovation is expanding into many other sectors outside of technology such as energy, automotive, manufacturing and healthcare where the U.S. is not the leader
- This expansion of the distribution of innovation is creating significant opportunities for alpha generation outside of the U.S., in our view

### Renewable as % of Total Electricity



### Electric Vehicle Penetration by Country



Source: Electricity data from Ember, REN21, 2022. EV data from [https://en.wikipedia.org/wiki/Electric\\_car\\_use\\_by\\_country](https://en.wikipedia.org/wiki/Electric_car_use_by_country). Data is for 2022.

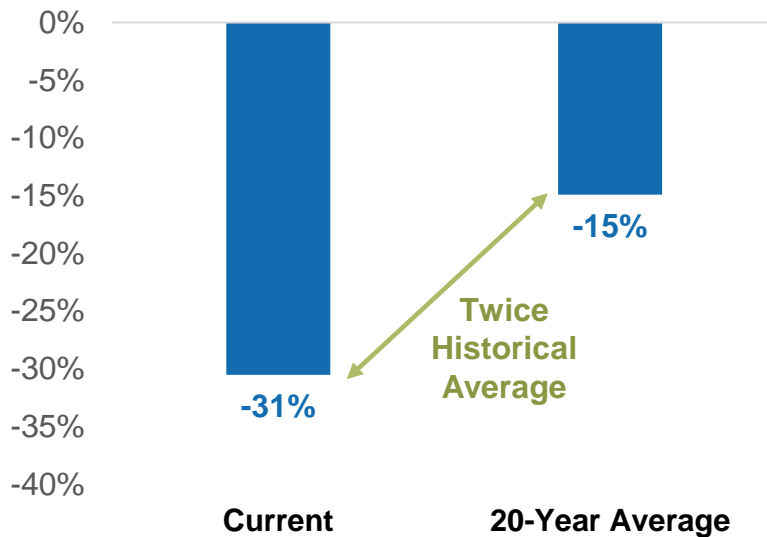
# IV

## International Investing in “3-D” Plus a 4<sup>th</sup> “D” for Discount

- Non-U.S. stocks typically trade at a discount to U.S. equities, but that discount is more than twice as large as it has been historically

- Equities in key innovation categories often trade for much cheaper valuations in foreign markets as compared to those within the U.S.

**Non-U.S. P/E Discount to U.S. Equities**



**Innovative Themes Available For Less in Non-U.S.**

Industry	Large Non-U.S. Discount?
Electrical Products	✓
Electric Vehicles	✓
Semiconductors	✓
E-commerce	✓

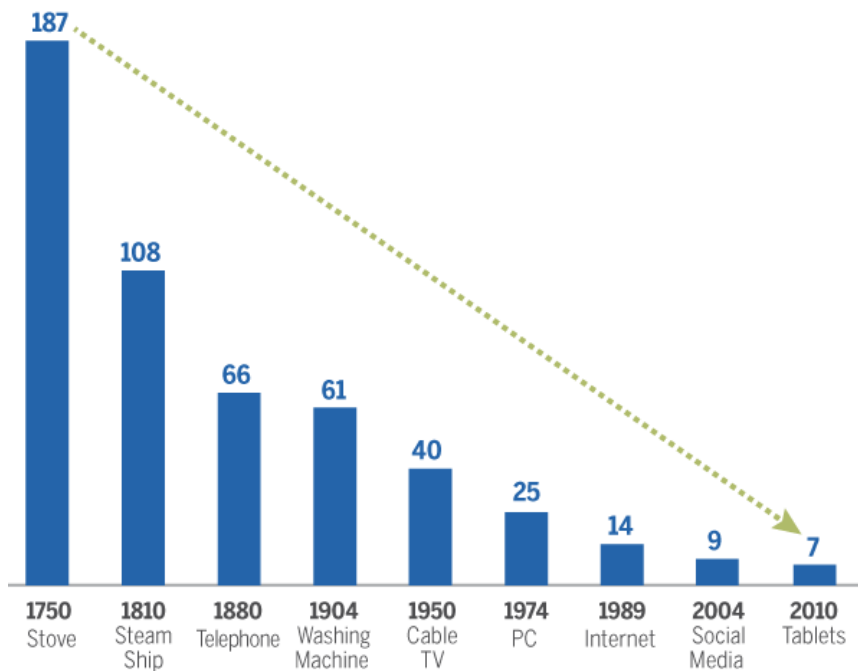
Source: FactSet and Alger as of 9/30/23.

# V

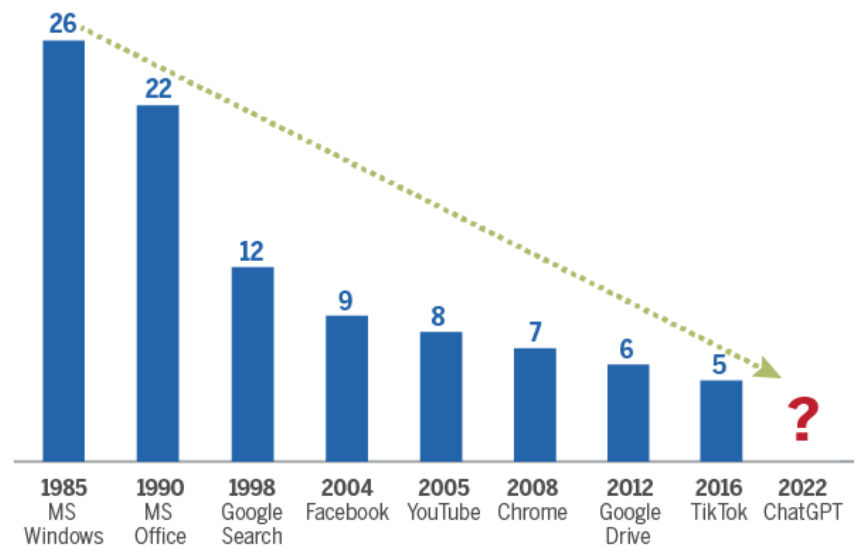
## Style Wars Accelerating Change

- Innovation is accelerating across many areas of the economy, causing new products and services to diffuse through society faster and disrupt businesses at a greater pace
- This may be a tailwind to growth companies, which we believe are the drivers of innovation, and a headwind to value stocks, which may be victims of change

### Years from Market Entry to 50% Penetration



### Years to Reach 1 Billion Users



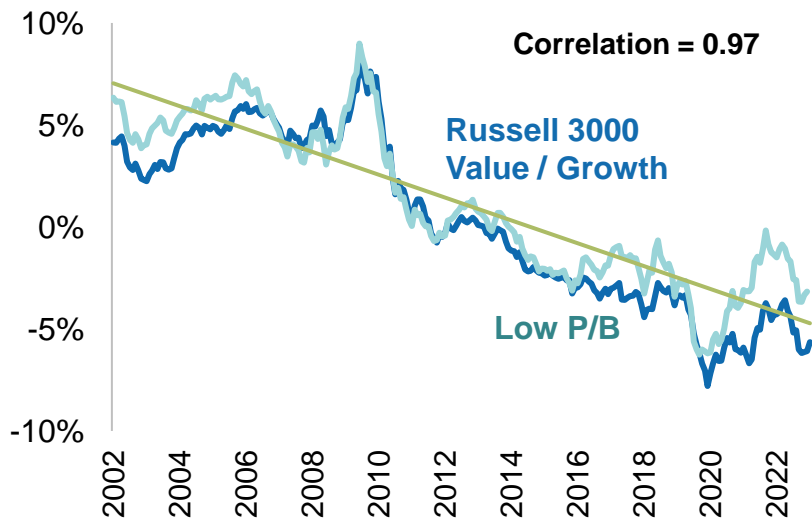
Source: Asymco, Visual Capitalist, company disclosures, Alger estimates.

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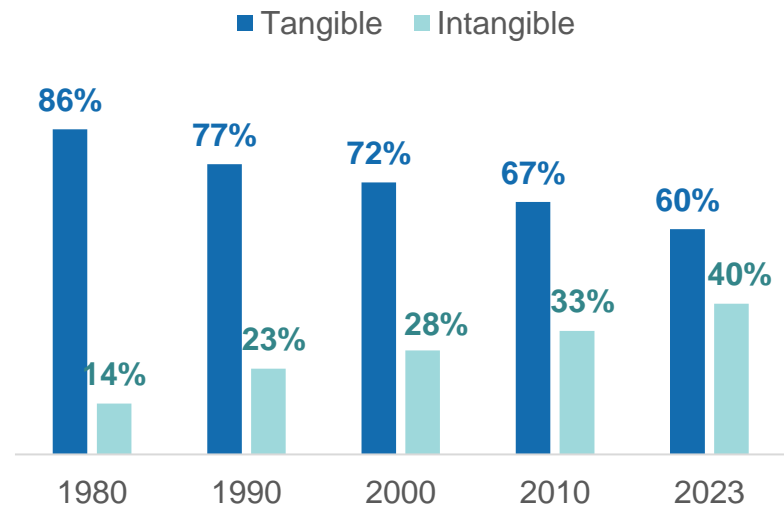
## Style Wars Structural Issues Driving Growth vs. Value

- Despite recent outperformance, value stocks have underperformed over the long-term
  - Driven by the very weak performance of the price-to-book valuation metric
- Book value may no longer be as relevant, making current style classification flawed
  - As a result of increasing use of intangible assets that are expensed rather than capitalized

**Value/Growth vs. P/B Cumulative Return  
10-Year Rolling Return**



**Business Investment  
Intangible vs. Tangible**



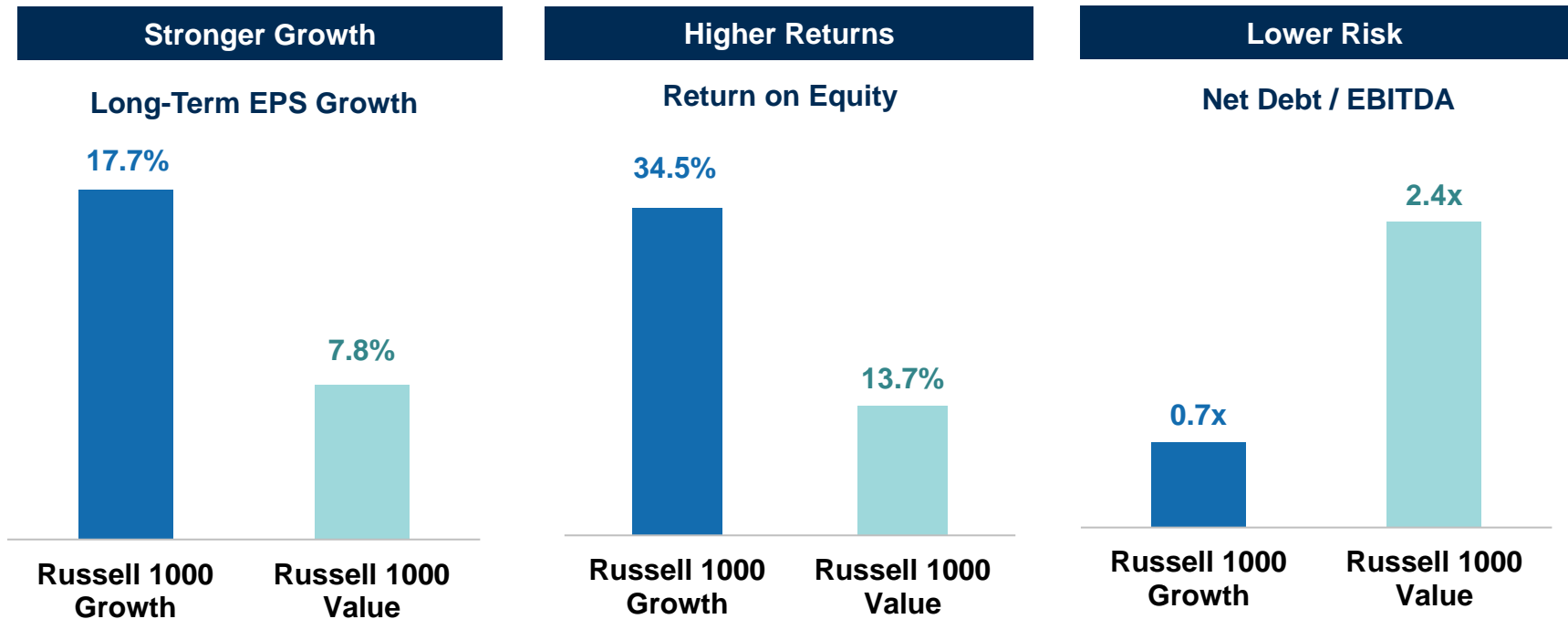
Source: FactSet, Kenneth R. French, FactSet, Bureau of Economic Analysis. Low price-to-book returns are based on the B/P Fama/French factor for the CRSP universe which includes US firms listed on the NYSE, AMEX, or NASDAQ. Most recent data as of September 2023. Correlation measures a relationship estimate between two variables. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**



# V

## Style Wars The Growth Advantage

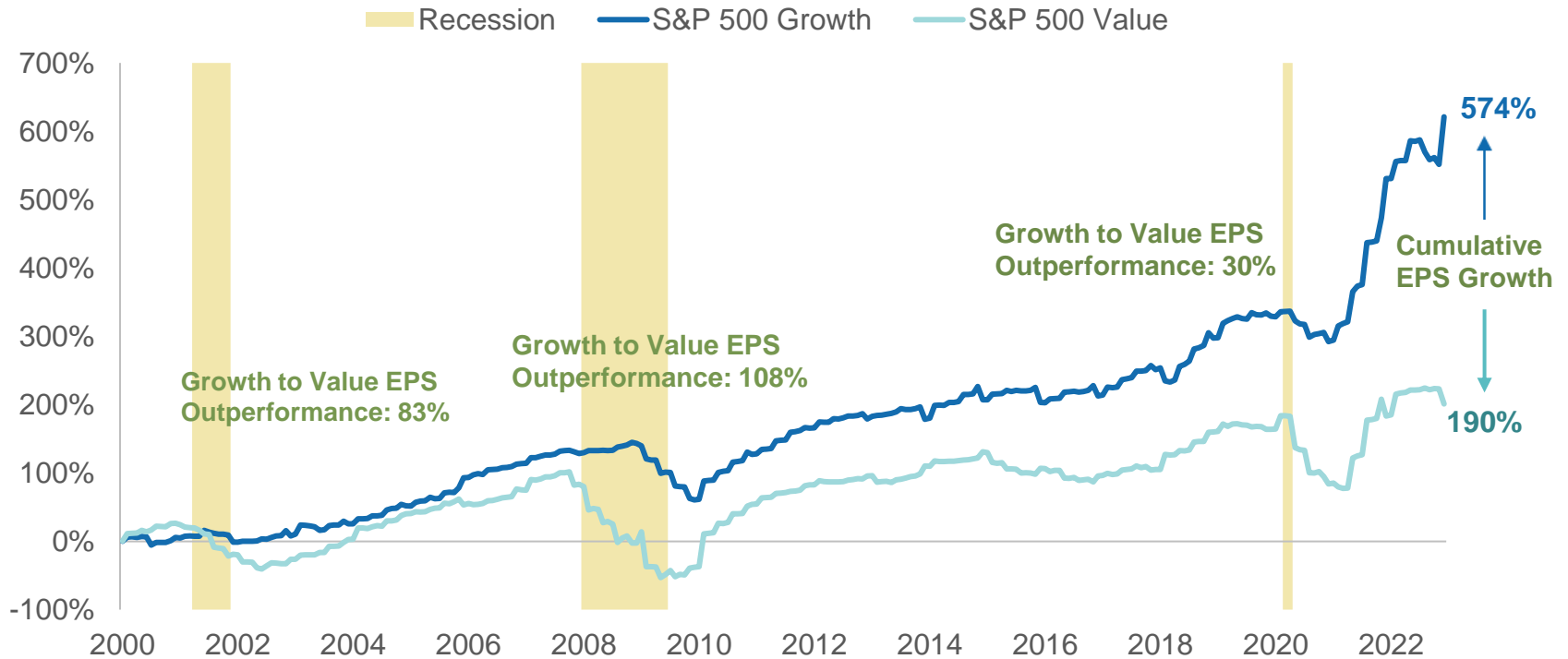
- Three variables drive P/E multiples: growth, return on capital and risk
- The Russell 1000 Growth Index has higher expected EPS growth, higher return on equity and lower risk in the form of better balance sheets as compared to the Russell 1000 Value Index



Source: FactSet as of 9/30/23. Growth represents consensus long-term analyst estimates and actual future EPS growth rates might be materially different than the forecasts shown.

- Market share gains have enabled growth stocks to post better fundamentals than value stocks in the past, including in recessions

### Growth Stocks Have Historically Had Better Fundamentals



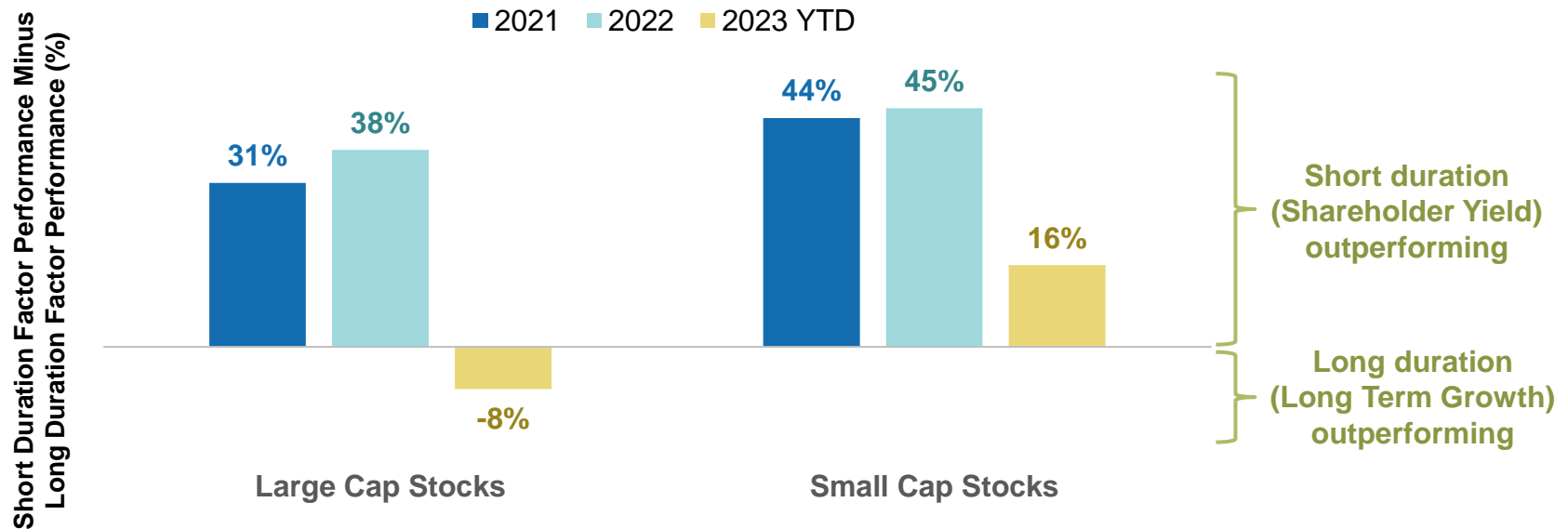
Source: FactSet, Standard and Poor's. Data is through 9/30/23. EPS is a Last Twelve Month (LTM) calculation. Earnings per share (EPS) is the portion of a company's earnings or profit allocated to each share of common stock. EPS Growth to Value outperformance calculation takes the relative difference in LTM EPS level of the S&P 500 Growth and S&P 500 Value Indexes at the beginning of each recession and six months after the end of the corresponding recession.

# V

## Style Wars The Duration Trade

- Over the past couple of years, we believe rising interest rates hurt those securities with cash flows furthest in the future or those with higher “durations”
- The duration trade drove investors to seek more current cash flows at the expense of growth, reducing the valuations of some of the longest duration growth equities relative to the broad market
  - Year-to-date, the duration trade has reversed in large caps (-8 percentage points) but not in small caps (+16 percentage points)

### The Duration Trade Partially Reverses



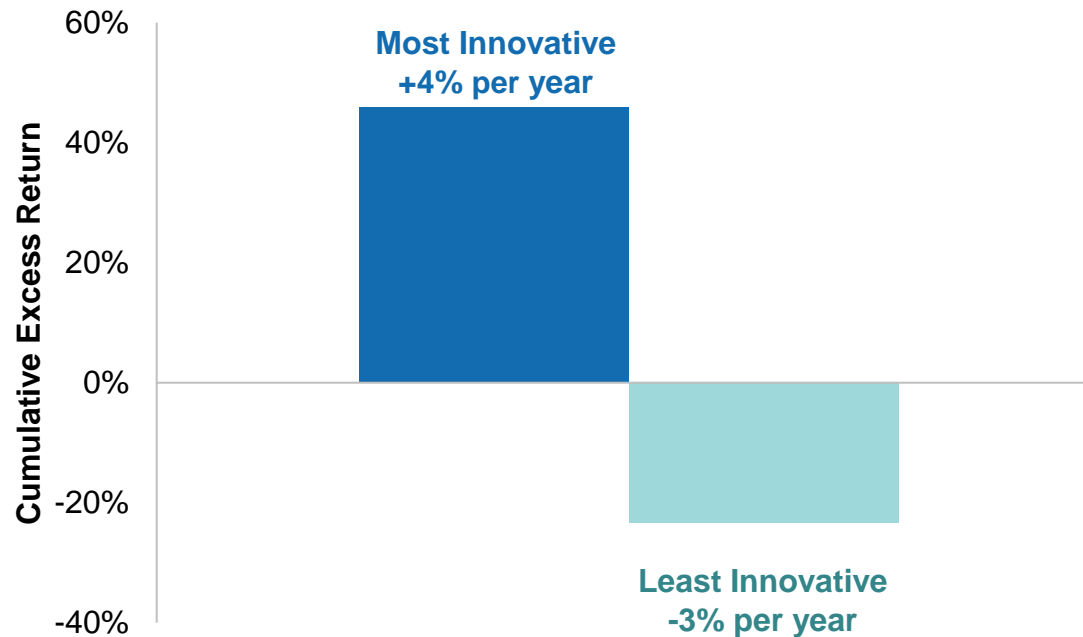
Source: Piper Sandler and FactSet as of 9/30/23. Large cap stocks are represented by the Russell 1000 index; small cap stocks are represented by the Russell 2000 index. Factor performance, which is the performance of a group of securities with a common set of attributes, is sector neutral and is calculated by taking the relative performance of the top quintile of stocks against the bottom quintile of stocks for each factor. The constituents in the quintiles are rebalanced monthly. Short Duration represented by the factor “Shareholder Yield” which is  $[\text{Last Twelve Months (LTM) Common and Preferred Stock Purchased} - \text{LTM Common and Preferred Stock Sold} + \text{LTM Total Common Dividends}] / \text{Market Capitalization}$ . Long Duration factor “Long-term Growth” is mean estimated 5-year EPS growth.

# V

## Style Wars A Powerful New Investing Factor?

- Studies have shown and our research demonstrates that the most innovative companies have grown their sales, earnings and stock prices faster\*

### Innovative Companies Have Outperformed Over the Past Decade



Source: FactSet. Excess performance of the quintiles of R&D as a percentage of revenue with the most innovative being top quintile and the least innovative being bottom quintile of the stocks in the S&P 1500 index. Stocks were divided into quintiles based on R&D spending-to-revenue and calculated monthly for the 10-year period ended August 2023. \*Baruch Lev and Suresh Radhakrishnan, "The Stock Market Valuation of R&D Leaders." **The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Innovative companies may be defined as those companies with a high ratio of annual R&D investment to revenue. Investing in innovation is not without risk and there is no guarantee that investments in research and development will result in a company gaining market share or achieving enhanced revenue.**

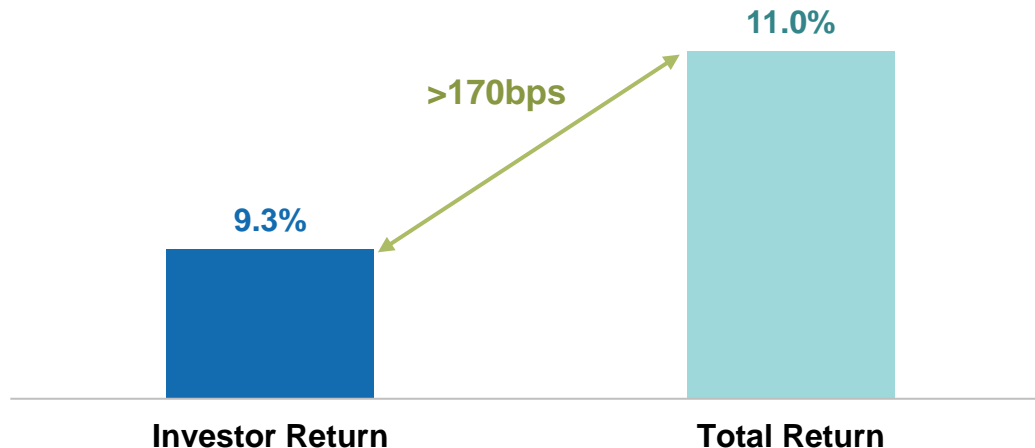
# VI

## Making Better Decisions Sub-Optimal Results

- Studies demonstrate investors have significantly underperformed because of less-than-optimal decisions, which drive poor timing of purchases and sales of investments
  - Potentially a result of biases such as herding, loss aversion, or confirmation bias

### The Average Investor has Underperformed

#### Annual Returns for 10 Years Ending 2021 of U.S. Mutual Funds and ETFs



Source: Morningstar Mind The Gap 2022. The annual total return calculation is time-weighted, where a lump-sum investment made at the beginning of the period and held throughout the entire measurement term. The investor return calculation is the internal rate of return that accounts for timing of all cash flows. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

# VI

## Making Better Decisions Behaving Better Checklist

- How can investors take tangible actions to “behave better” and try to make better investing decisions?

### DO...

- Put your investment goals in writing
- Assign short- and long-term timeframes to your goals
- Evaluate several scenarios as potential outcomes. What happens in a weak return environment compared to one with strong returns?
- Build your portfolio using an agreed-upon asset allocation framework. This may help remove emotional bias.
- Implement, and stick to, a game plan.

### DON'T...

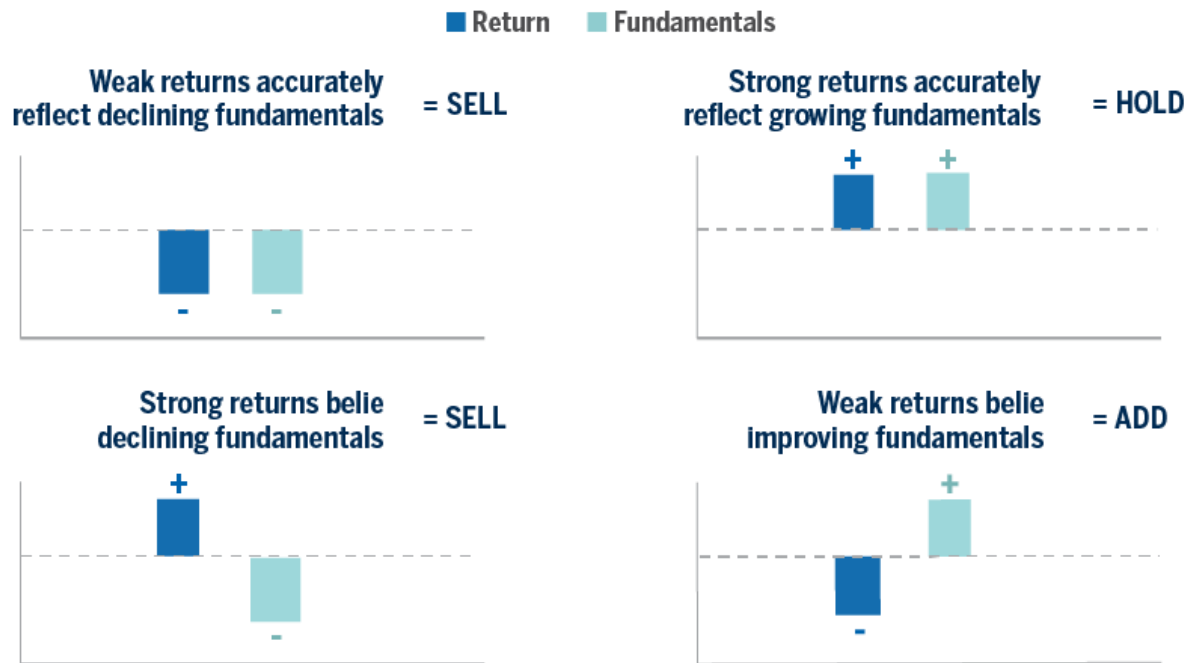
- Chase recent returns. You'll likely be disappointed as recent past performance may not be indicative of future results.
- Make investments outside of the framework you established.
- Use your “gut” to make decisions. Even if successful, it is unlikely to be sustainable because process, not results, should be evaluated and optimized to ensure repeatability.

# VI

## Making Better Decisions Evaluating Funds

- By assessing the fundamentals of a portfolio's positions, investors may be able to gain a better understanding of whether a manager's performance is a result of an accurate view of the sales and earnings power of their holdings or if the strategy is just in or out of style

### Four Potential Scenarios for Holding, Selling or Adding to a Portfolio



Source: Alger. This chart is for illustrative purposes only. The chart above describes four potential investment scenarios an investor may consider when focusing on the fundamentals of a portfolio's positions. Company fundamentals typically refer to the financial and operational information about a company that investors use to assess its overall health and potential for future growth. This includes considerations around the company's revenue, earnings, assets and liabilities, and cash flow.

# About Alger

## Growth Equity Pioneer

- Helping clients achieve their growth equity investment objectives for over 50 years

## Inclusive and Independent

- Private, 100% women-owned investment boutique with employee participation
- 50% of portfolio managers are women and/or minorities

## Time-Tested Investment Philosophy

- Singular focus on researching and investing in companies associated with change, disruption and innovation
- Dedicated to generating superior investment returns for our clients through active management

### Key Facts

▪ <b>Founded</b>	<b>1964</b>
▪ <b>Percentage of Female Ownership</b>	<b>100%</b>
▪ <b>Number of Employees</b>	<b>175</b>
▪ <b>Number of Investment Professionals</b>	<b>58</b>
▪ <b>Female/Minority Portfolio Managers</b>	<b>50%</b>
▪ <b>Assets Under Management</b>	<b>\$20.8 Billion</b>

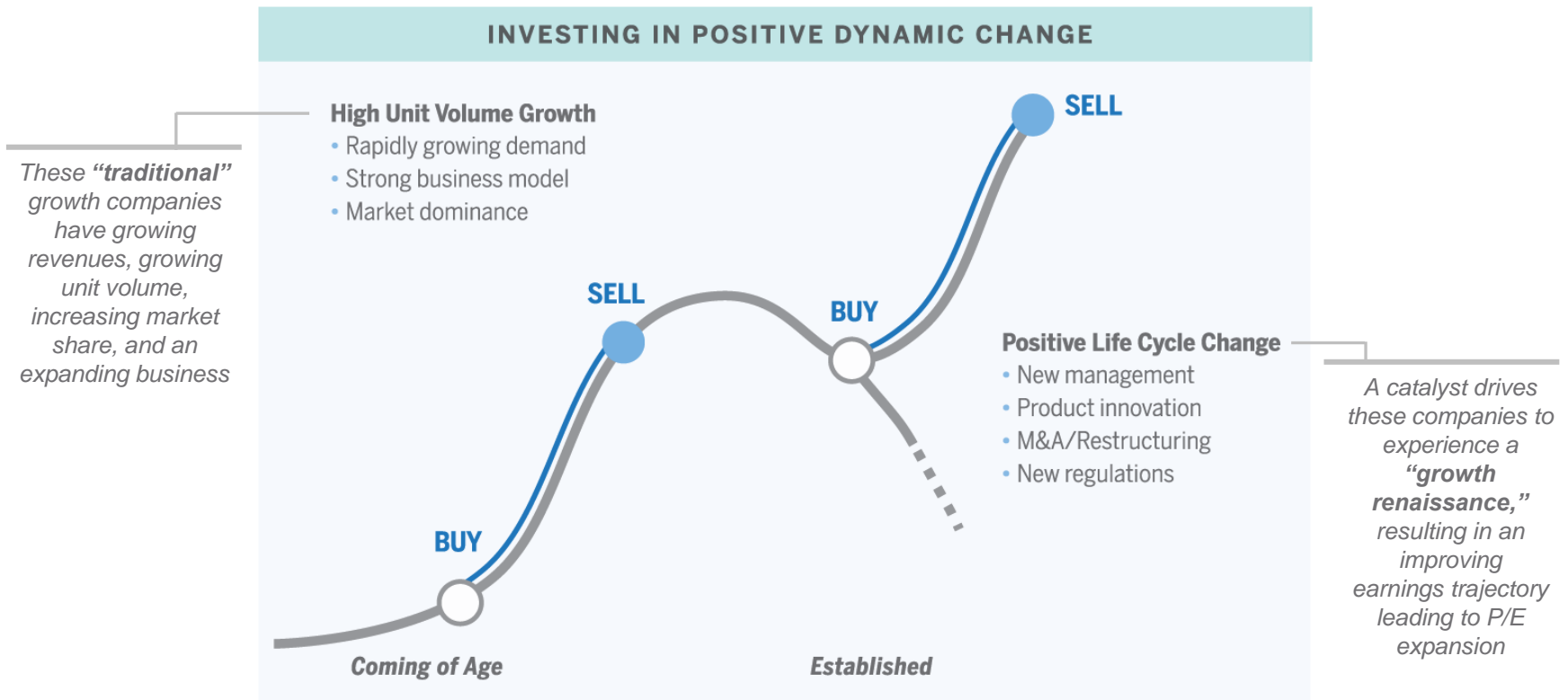
*The investment organizations that will be successful in the future will be focused boutiques with a clear culture, a strong tradition of excellence, and the capability to compete, like David versus Goliath, on their own terms, in chosen battlefields.*

**–Daniel C. Chung, CFA**  
Chief Executive Officer  
Chief Investment Officer



# Alger's Investment Philosophy

- We believe companies undergoing **Positive Dynamic Change** offer the best investment opportunities for our clients
- Our competitive edge is identifying these companies and **capitalizing** on the change before it is recognized by the market
- We embrace change found in “**traditional**” growth companies and in companies experiencing a “**growth renaissance**”



# Disclosure

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