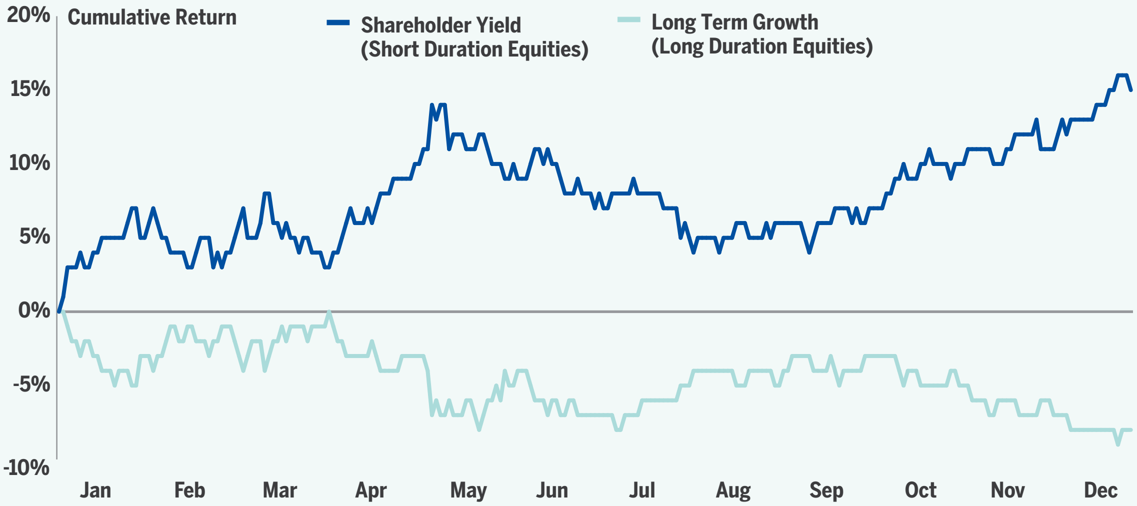
ALGER

Alger On the Money

Laggards to Leaders?

Throughout 2022, market performance was quite bifurcated. As interest rates jumped in response to rising inflation, certain factors (e.g., Value and Shareholder Yield) dramatically outperformed, while others (e.g., Volatility and Growth) underperformed considerably. Are economic and market conditions changing such that laggards may turn into leaders and vice versa?

2022 Performance Bifurcation



Source: Piper Sandler as of 12/31/2022. Factor performance relative to the S&P 1500, which 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. Shareholder Yield is [LTM Common and Preferred Stock Purchased - LTM Common and Preferred Stock Sold + LTM Total Common Dividends] / Market Capitalization. Long-term Growth is mean estimated 5-year EPS growth.

- Long-duration securities are those whose cash flows are expected to be received further out in the future, such as long maturity bonds. Similarly, growth equities can also be thought of as long-duration securities, focusing on expanding their business and market share, and less on near-term profitability (i.e., short-duration equities).
- Over the past year, higher interest rates driven by elevated inflation, had compressed the valuations for long duration assets, as shown by the underperformance of the long-term growth factor above. On the other hand, short duration equities saw meaningful outperformance, as exhibited above by the shareholder yield factor, which incorporates companies with high dividends and share repurchases relative to their market capitalization. In fact, low price-to-earnings stocks, which have more of their value based on near-term cash flows, had their best year of relative performance in more than two decades.[1]
- In our view, the dynamic that drove last year's performance divergence could potentially reverse if inflation and interest rates moderate this year. Moreover, we believe that stocks with stronger long-term growth potential could prove to have fundamentals that are more resilient to a weak economy.

[1]Source: Credit Suisse.

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The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market. The S&P Composite 1500 is an unmanaged index that covers approximately 90% of the U.S. market capitalization. The indices presented are provided for illustrative purposes, reflect the reinvestment of dividends and do not assess fees and expenses that would have the effect of reducing returns. Investors cannot invest directly in any index. The index performance does not represent the returns of any portfolio advised by Fred Alger Management, LLC and actual client results might differ materially than the indices shown. **Past performance is no guarantee of future results.** Comparison to a different index might have materially different results than those shown.

Credit Suisse is a multinational financial services company based in Switzerland. The company offers a wide range of services including private banking, investment banking, and asset management. The company noted that value factor performance in 2022 Low P/E stocks in the S&P 500 outperformed High P/E stocks by 15.9% in 2022. This is the greatest outperformance since 2000-01, and the first time in 25+ years that Low P/E stocks led in all 11 sectors.

Piper Sandler Companies is an American independent investment bank and financial services company, focused on mergers and acquisitions, financial restructuring, public offerings, public finance, institutional brokerage, investment management and securities research.

LTM: last-twelve-months.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

Price-to-earnings is a financial metric that measures its current share price relative to its earnings per share.

Alger pays compensation to third party marketers to sell various strategies to prospective investors.

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