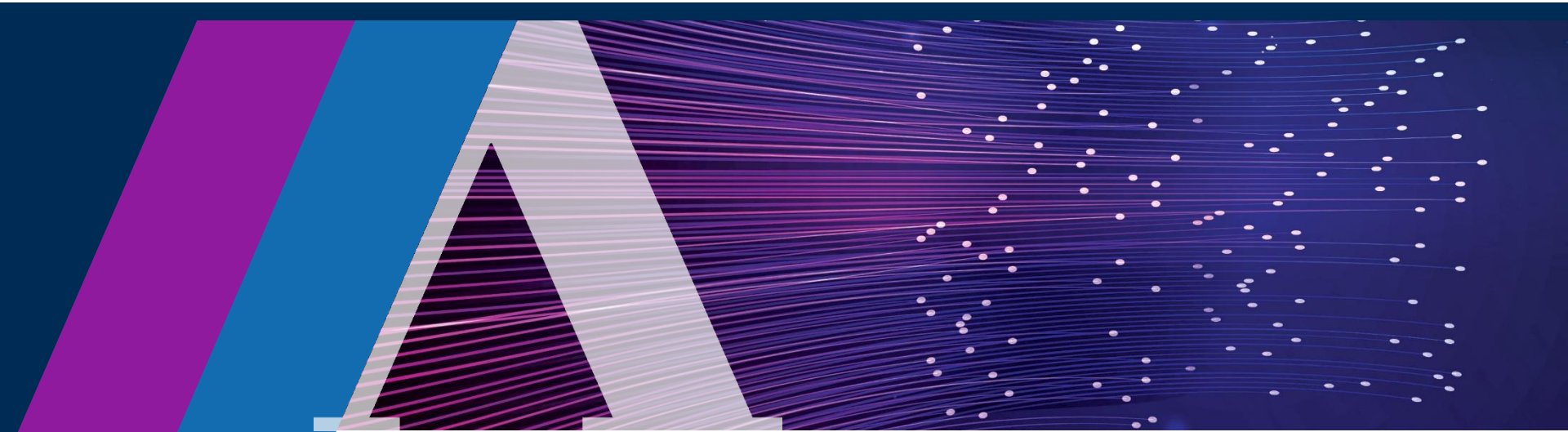


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Unlock Your Growth Potential.SM

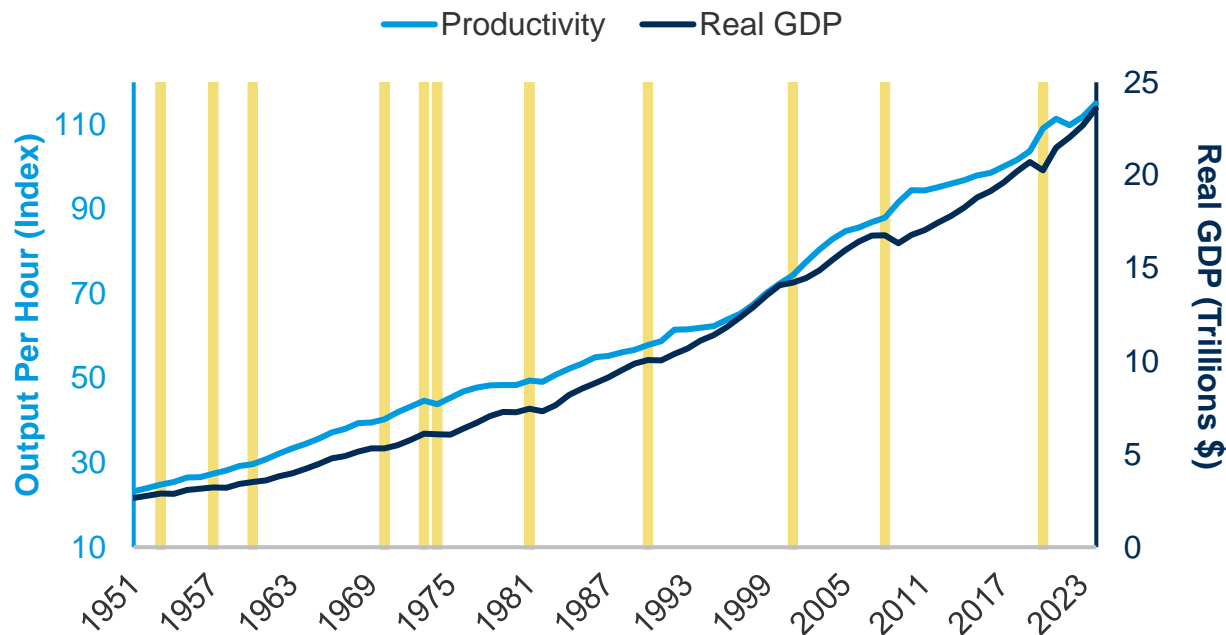
The Power of Innovation



The Engine of Growth

- Innovation boosts productivity, or output per hour, which ultimately fuels real GDP
 - If innovation is accelerating, what will happen to productivity and GDP growth?

Productivity Improvements Increase GDP



Productivity has increased over time, driving real GDP higher

Source: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis through 2023 with Alger estimates for 2024 (left). Shaded regions denote U.S. recessions as determined by the National Bureau of Economic Research.

A New Technological Revolution

- Every few decades a new technological revolution takes hold and changes the way we live and work
- The Age of Connected Intelligence is a result of a confluence of technologies working together: immense amounts of data and incredibly powerful computing power

Global Technological Revolutions Shape Our Lives



1771

Industrial Revolution

- **Innovations:** machinery and mechanization helped by water power



1829

Age of Steam and Railways

- **Innovations:** iron and coal mining; steam engines



1875

Age of Steel and Electricity

- **Innovations:** cheap steel; electrification



1908

Age of Oil, the Automobile, and Mass Production

- **Innovations:** internal combustion engine; petrochemicals



1971

Age of Information and Telecommunications

- **Innovations:** integrated circuit; internet

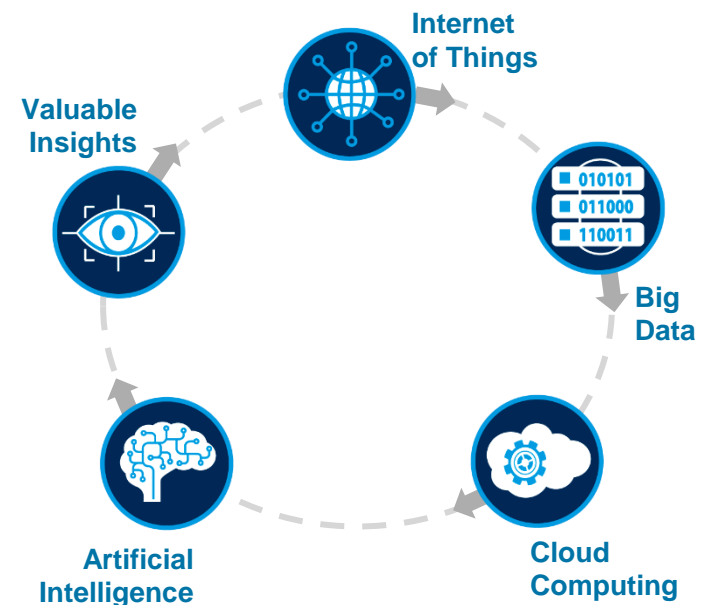


Today

Age of Connected Intelligence

- **Innovations:** artificial intelligence; internet of things

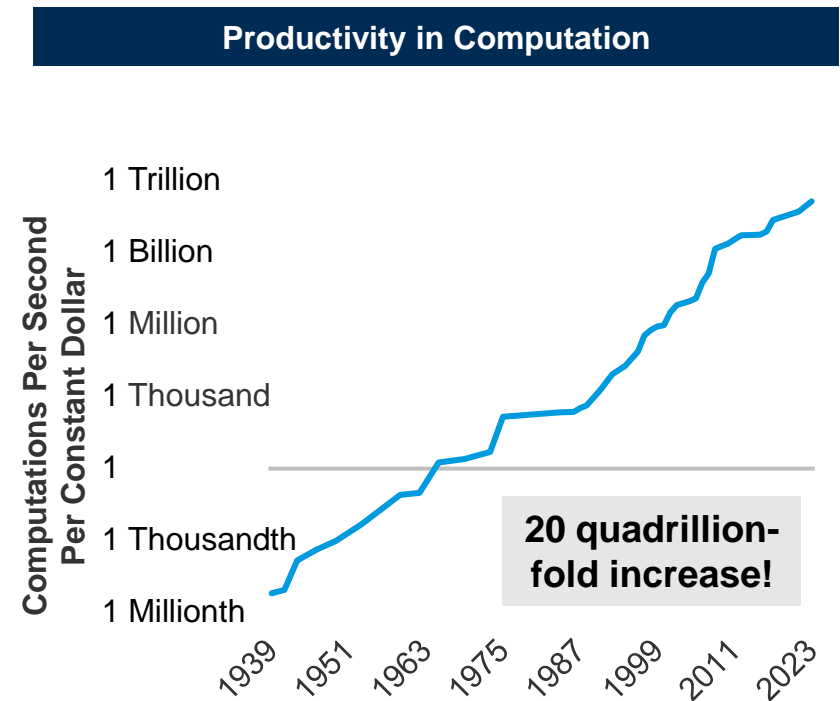
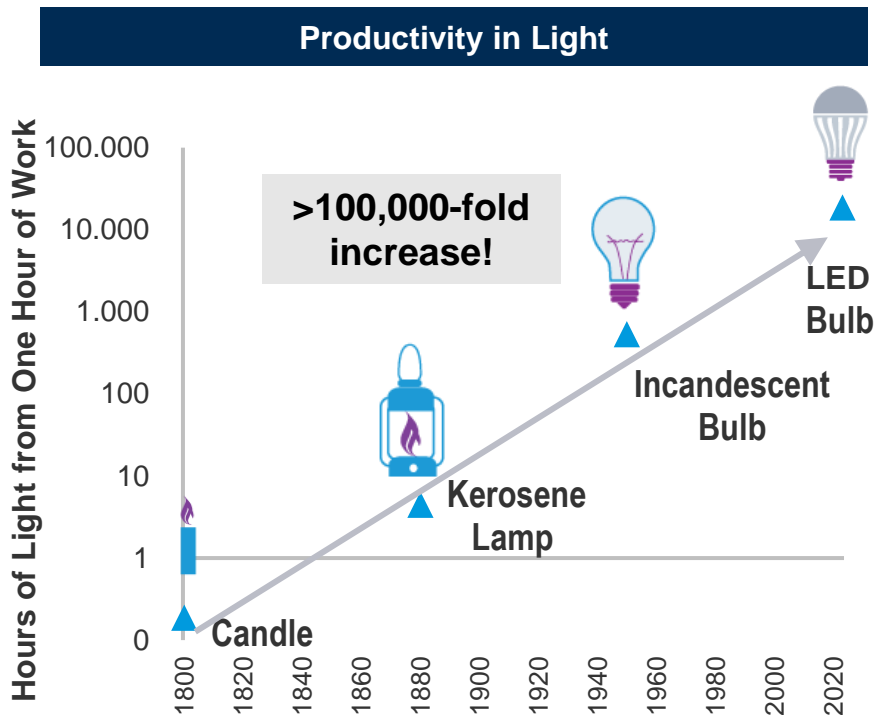
Age of Connected Intelligence



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

Innovation Drives Productivity

- Technological progress is a powerful engine of exponential productivity growth



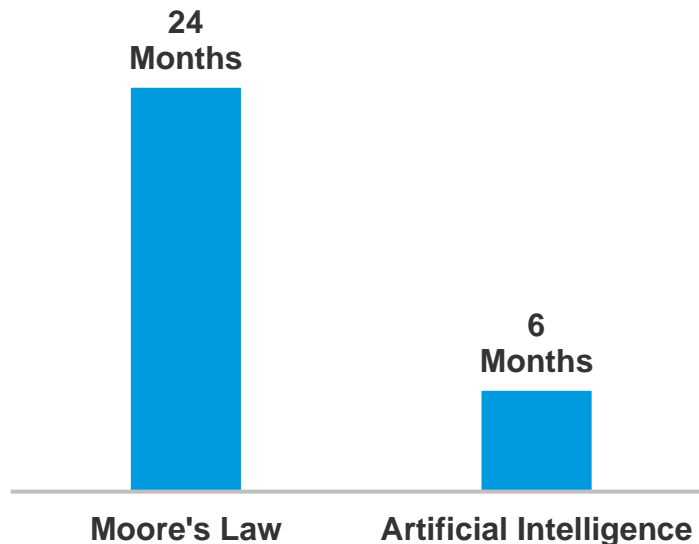
Source: Left: William D. Nordhaus, "Do real output and real wage measures capture reality? The history of lighting suggests not," in "The Economics of New Goods" ed. T.F. Breshnahan and R. Gordon, Chicago University Press and Alger estimatesRight: Ray Kurzweil, "The Singularity is Nearer," Penguin Random House, 2024 (right). **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.**

Innovation Is Accelerating

- Artificial intelligence is progressing at a much quicker pace than computer processors

- At the speed of Moore's Law, a 6-inch plant would grow to 6 feet in a decade, but at the speed of AI, it would reach outer-space

Doubling Time in Months



Moore's Law vs. AI



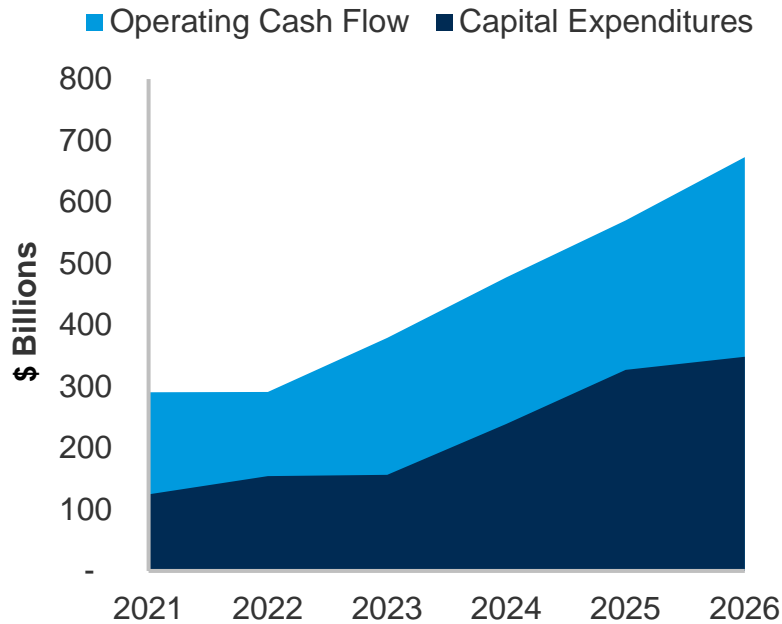
Source: Intel, Our World In Data, Alger (left). Moore's Law refers to length of time that it takes for number of transistors per integrated circuit to double. Doubling time for AI refers to the length of time it takes to double the amount of compute or "training" utilized by AI programs. The calculation period used for AI was 2012-2024. Dall-E (right).

AI Progress

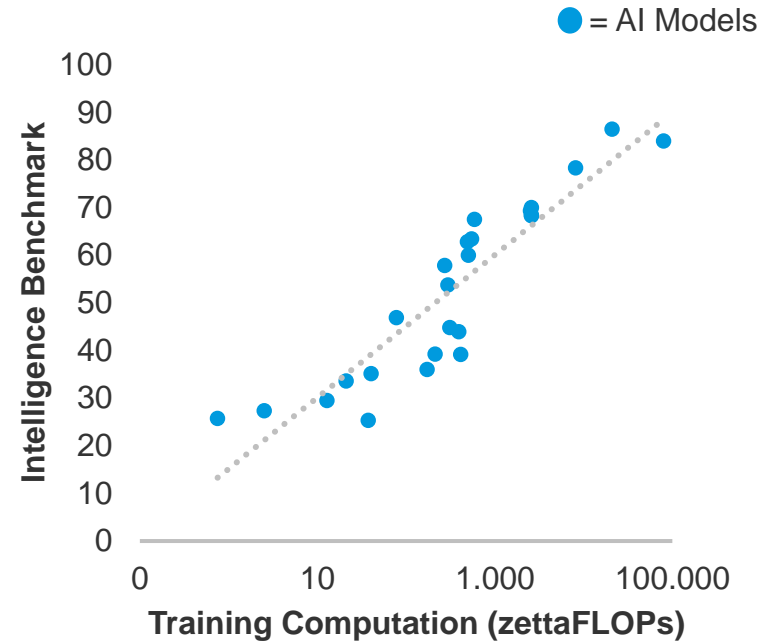
- AI investment looks to be sustainable based on cash flow, in contrast to the late 1990s/early 2000s tech bubble

- Investment in data centers for training and inference is critical to improving intelligence and utility in AI models

AI Hyperscaler Investment Relative to Cash Flow



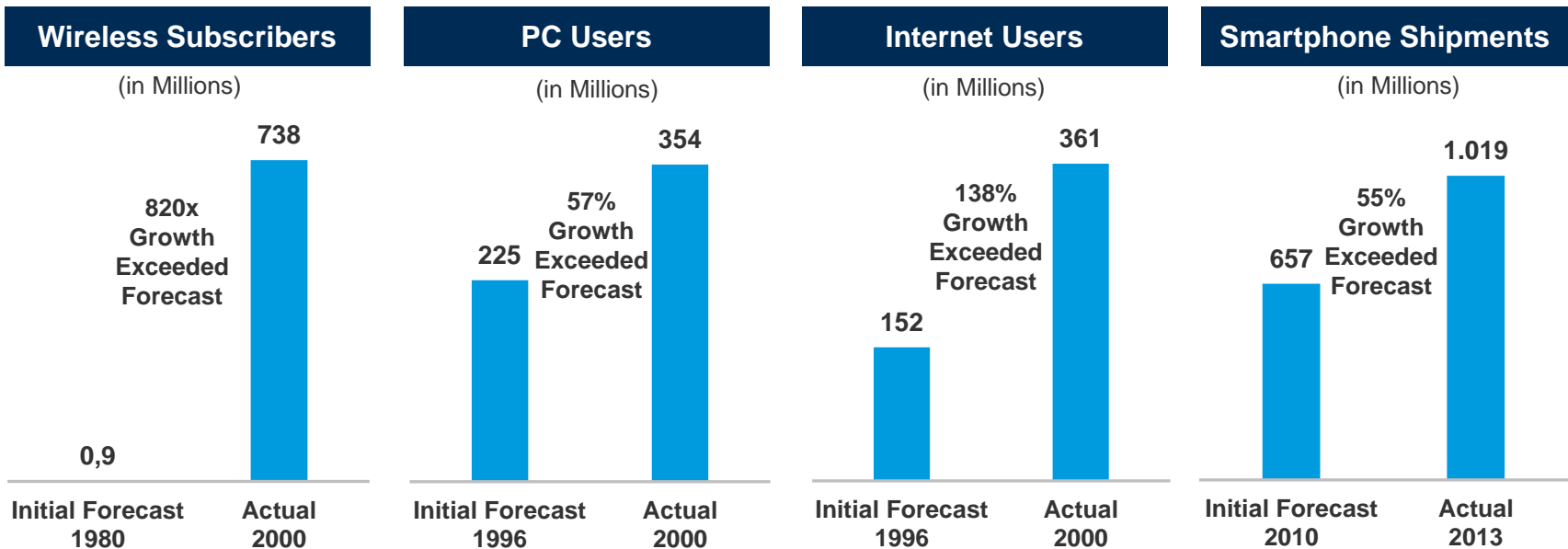
Intelligence vs. Training of AI Models



Source: FactSet; hyperscaler actual and consensus estimates (2025/2026) for Microsoft, Amazon, Meta, Alphabet and Oracle operating cash flow and capital expenditures (left). Epoch AI; intelligence is measured by The Massive Multitask Language Understanding (MMLU) benchmark which mimics a multiple-choice knowledge quiz designed to gauge how proficiently AI systems can comprehend various topics like history and science from 2021-2024; ZettaFLOPs refers to 10^{21} floating operations per second (right).

Faster Than You Think

- The long-term impact of emerging technologies is often underestimated because investors fail to account for innovative breakthroughs that drive rapid adoption

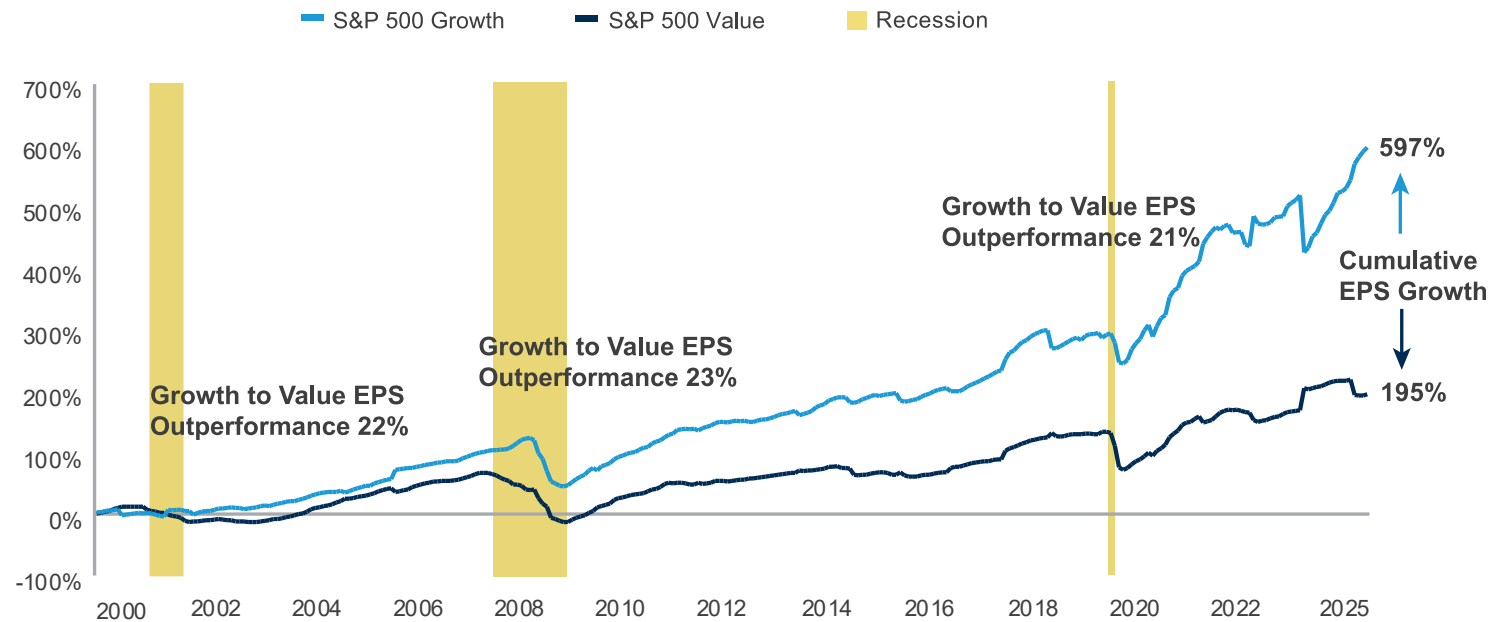


Source: The Economist 10/7/99 – “Cutting the Cord” and World Bank 2024, Morgan Stanley Research, Global Technology, North America, (2024), Morgan Stanley AI Guidebook: Fourth Edition, January 23, 2024, and Alger.

Superior Fundamentals

- Growth stock earnings have far outpaced value stock earnings since 2000 and have historically proven more durable in recessions
- Going forward, we expect growth stocks to post stronger earnings growth than value stocks as they have over the prior two decades

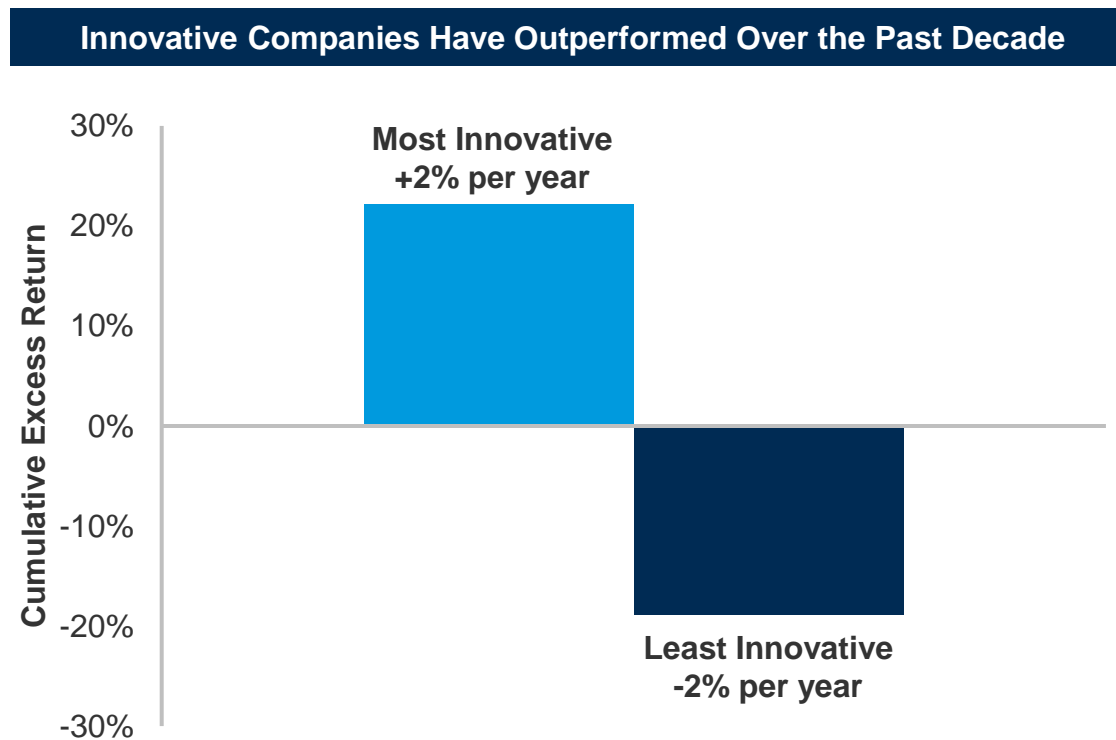
Growth Stocks Have Historically Had Better Fundamentals



Source: FactSet, Standard and Poor's. Data is through 3/31/25. EPS is a Next Twelve Month (NTM) 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 NTM 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.

A Powerful New Investing Factor?

- Innovation may be an important component of equity returns



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 data was calculated monthly for the 10-year period ended February 2025. **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.**

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Disclosure

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