

ALGER

Inspired by Change, Driven by Growth.

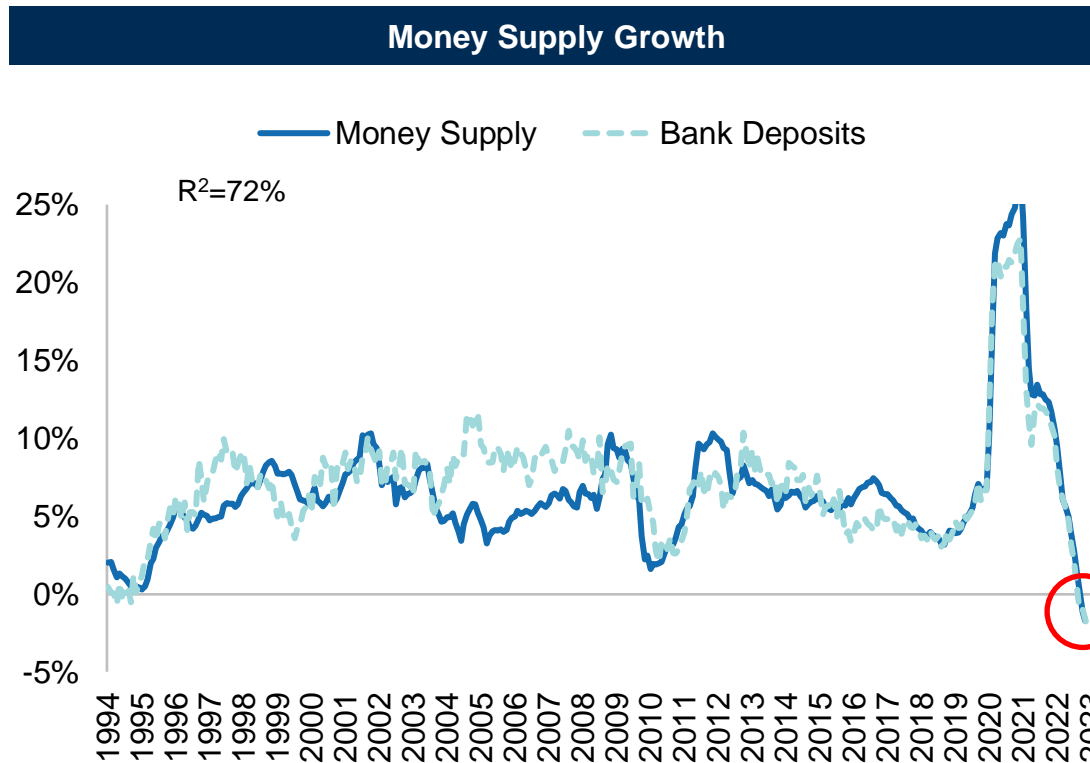
Small Cap Focus Strategy Update



Alger is a signatory to the PRI and carbon neutral.

Slowing Money Supply

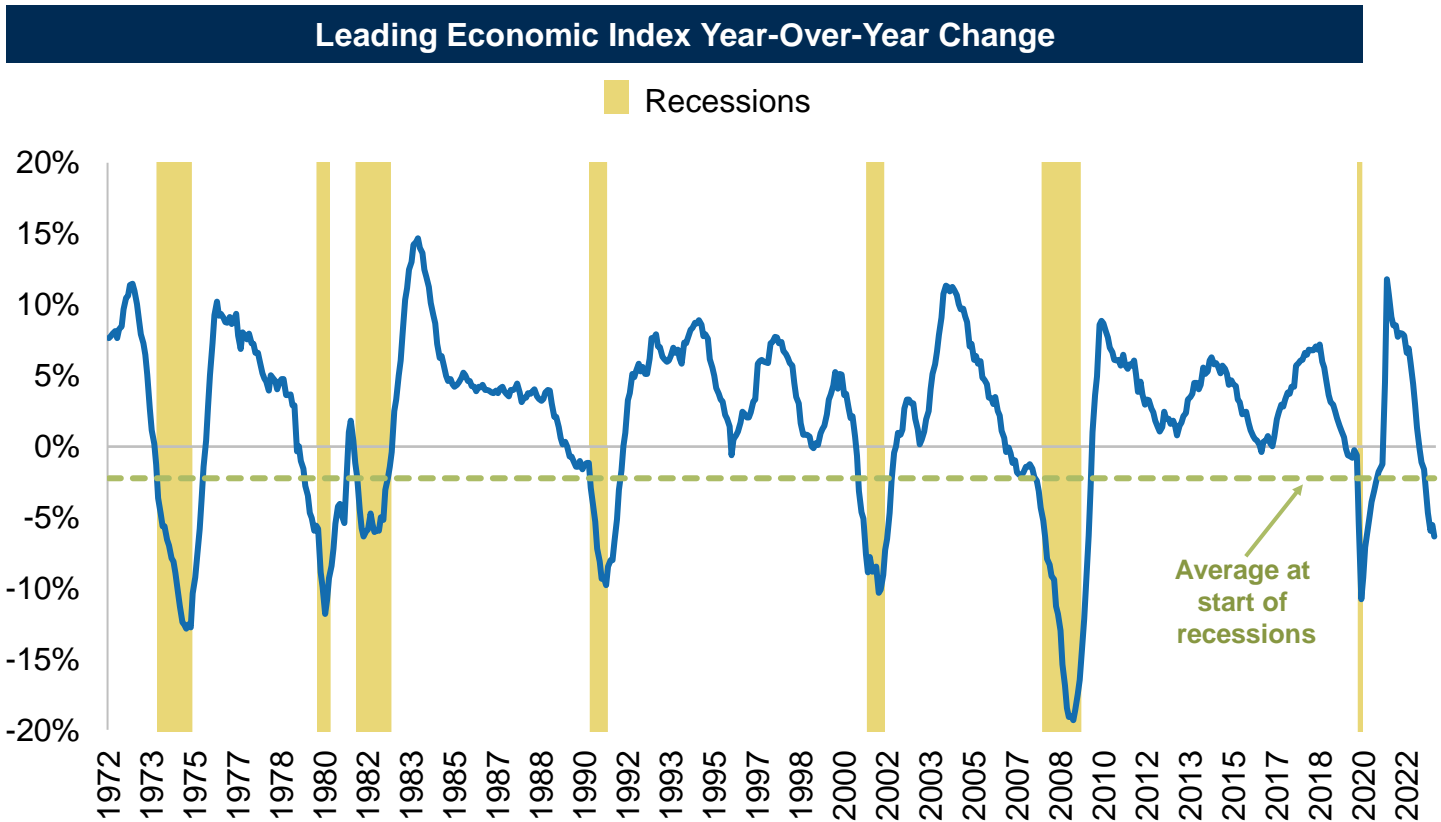
- The increase in the Federal Funds rate, decrease in the Federal Reserve's assets, and slowdown in government spending is constricting money supply growth and moderating economic activity



Money supply is shrinking or the first time since the 1930s

Weakening Economy

- The Leading Economic Index has typically declined preceding recessions

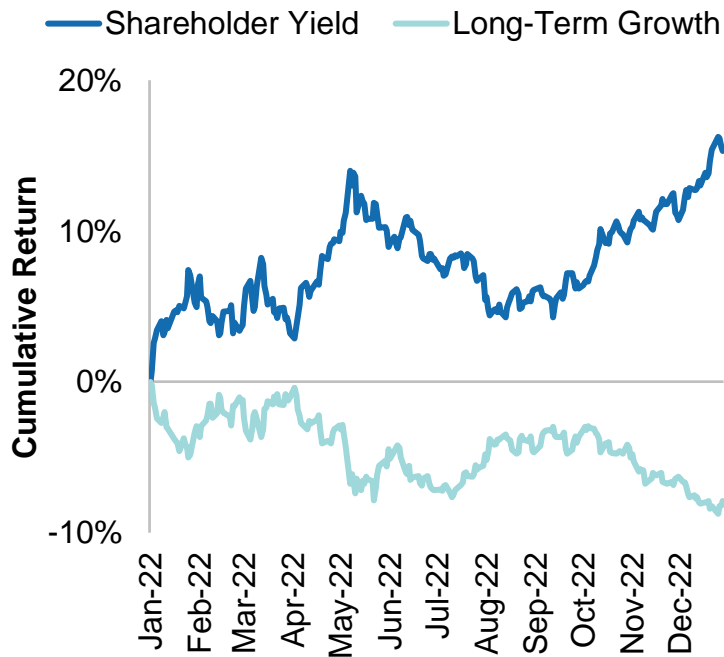


Source: The Conference Board with last data point for February 2023, NBER. The Leading Economic Index (LEI) is a monthly index of 10 economic components used to predict the direction of global economic movements in future months. Average at start of recessions utilizes data going back to 1960.

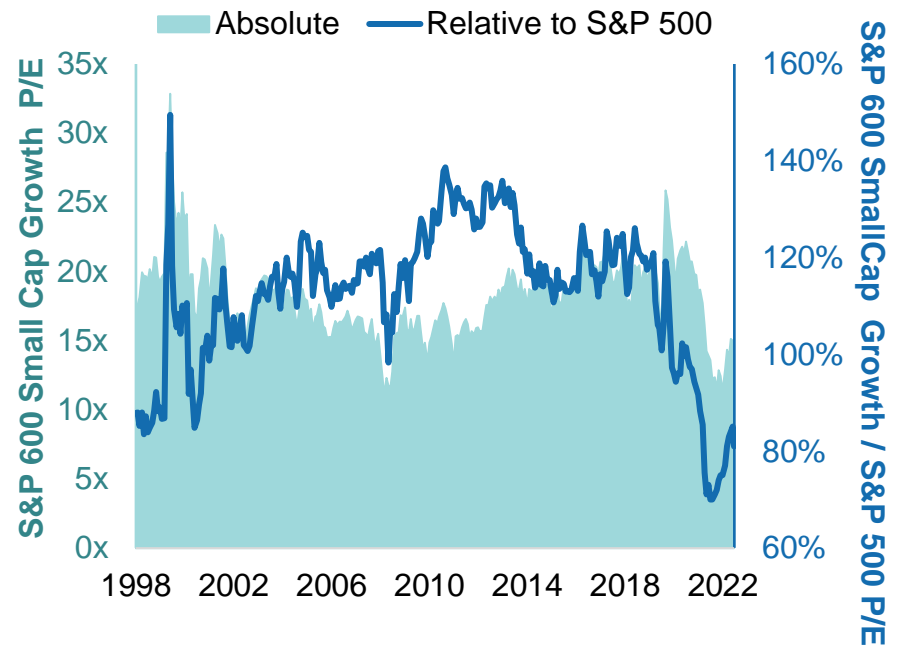
Duration Trade Creates Opportunities

- The duration trade has driven investors to seek more current cash flows at the expense of growth...
- ...while pushing down valuations of longer duration, growth assets to attractive valuations, in our view

The Duration Trade



Small Growth Attractive Valuations?

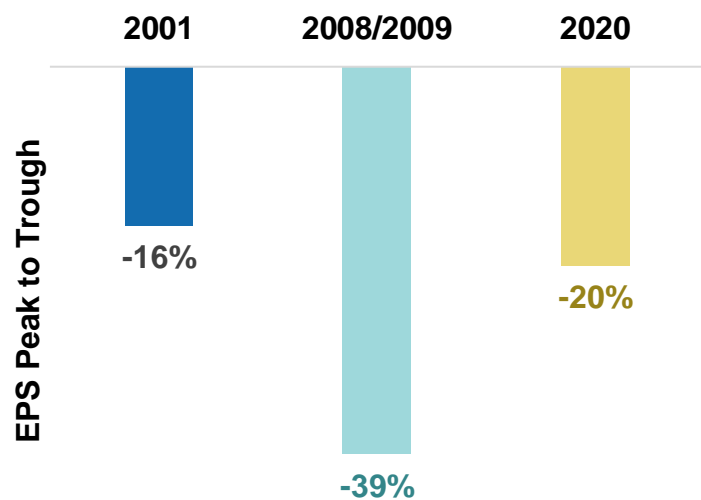


Source: Piper Sandler and FactSet as of 03/21/23. Factor performance relative to the S&P 1500, which is sector neutral and is calculated by taking the relative performance of the top quintile of stocks against the bottom quintile of stocks for each factor. The constituents in the quintiles are rebalanced 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. P/E is price divided by earnings per share over last 12-months.

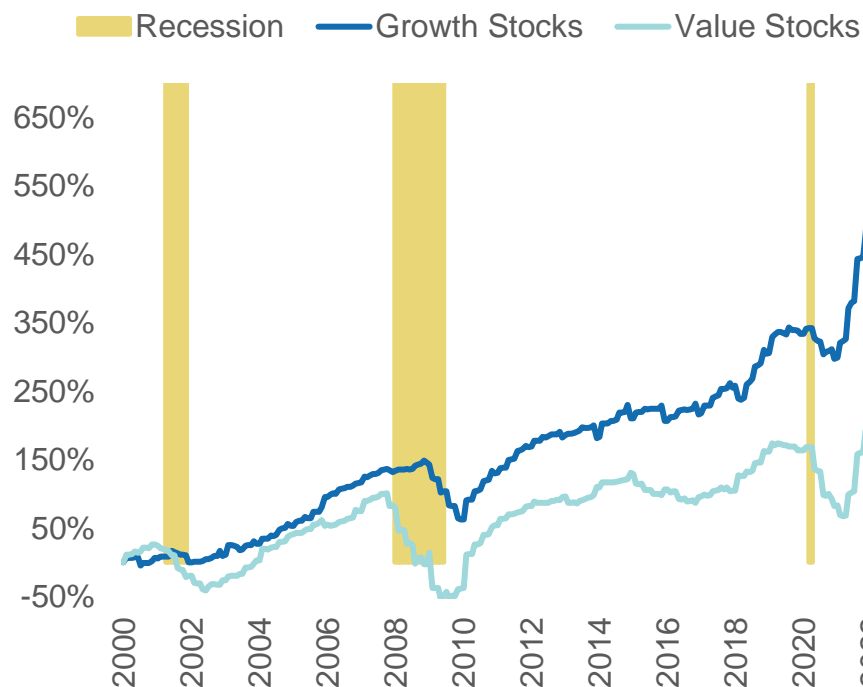
A Fundamental Test

- In the last three recessions, the median S&P 500 EPS drawdown has been 20%
- Economically sensitive value stock fundamentals have done worse than those of growth stocks

S&P 500 EPS Drawdowns Around Recessions



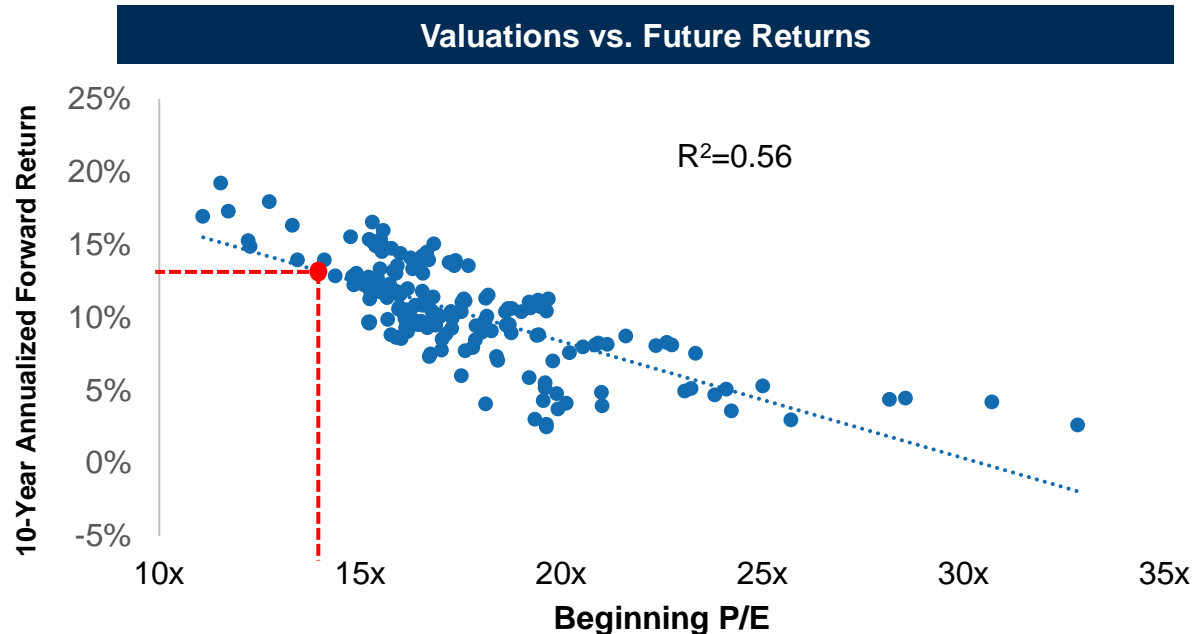
But Growth EPS Has Held Up Better



Source: FactSet and Alger analysis. S&P EPS Drawdowns are next 12-months, peak to trough. EPS Drawdowns are based on average of the past three recessions using the trough level in the year after recession begins as compared to prior to the recession. S&P 500 Growth and S&P 500 Value used to represent Growth and Value stocks, respectively

Many Happy Returns?

- There is a strong historical relationship between P/E and subsequent annualized returns as shown below
- Historically, below-average valuations in small cap growth, such as we observe currently, have led to above-average returns

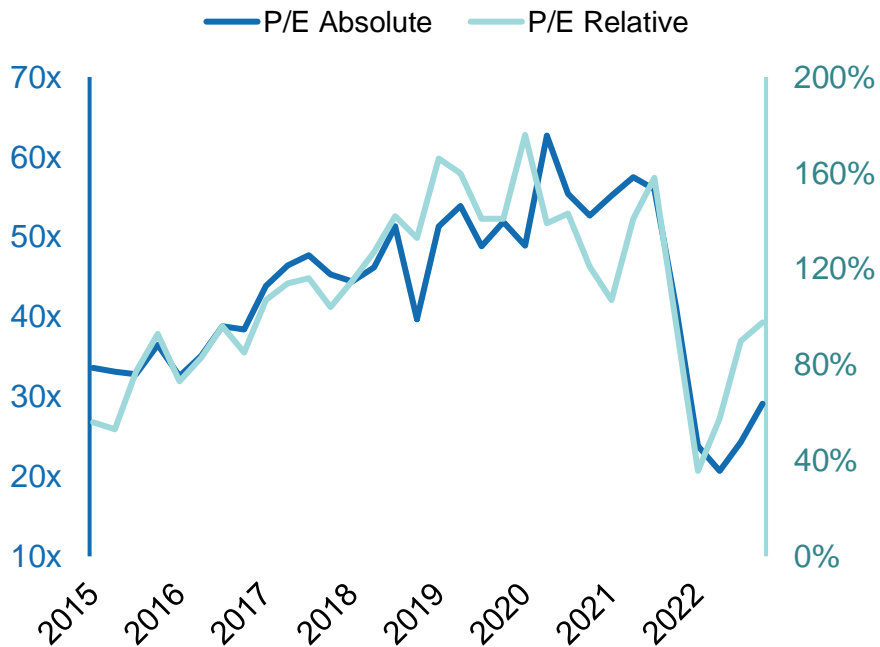


Source: FactSet and Alger. Each dot represents the P/E during that month and the returns generated over the subsequent 10 years. The starting P/E ratio is the price divided by the next 12-month earnings per share estimate at the start of each 10-year period measured. Monthly data beginning in September 1998 through March 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. The performance data quoted represents past performance, which is not an indication or a guarantee of future results.

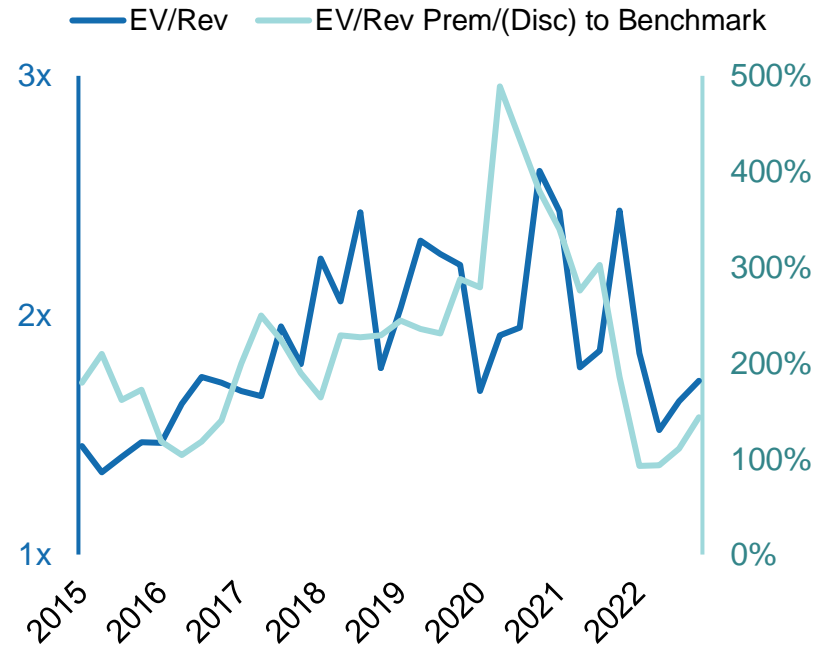
On Sale?

- Valuation multiples on Small Cap Focus declined approximately 30-60% in 2022 depending on the metric used and are now at large discount to their historical average

Alger Small Cap Focus Strategy P/E



Alger Small Cap Focus Fund PEG



Source: FactSet

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