



*In this podcast, Alger Emerging Markets Strategy Portfolio Manager **Deborah Vélez Medenica** gives an update on the portfolio and shares her views on current trends and themes in emerging markets.*

**Kevin Collins:** Hello. This is Kevin Collins, Client Portfolio Manager with Alger. The Alger Emerging Markets Fund invests in equities of emerging market companies that we have identified through our fundamental research as having promising growth potential. The Fund is managed by Portfolio Manager Deborah Vélez Medenica. Her team's hard work has generated encouraging long-term results with the Fund's Class A shares outperforming the MSCI EM index for the one-, three- and five-year periods as of the end of the second quarter. In this podcast, Deborah provides a market update and explains why she thinks EM has the potential for generating attractive returns. Deborah, thanks for joining me today.

**Deborah Vélez Medenica:** Thanks, Kevin.

**Kevin Collins:** To start, can you talk about the performance of the Fund so far this year?

**Deborah:** For the asset class, emerging markets has had a really, really great year so far in 2016. It's been one of very strong performance. The first half was actually the best first half we've had since 2009.

Before talking about the current year in a bit more detail, I just want to remind people that when we're talking about emerging markets, it really is the long game that matters. I think one has to take these longer time periods and frameworks and put them into a broader context.

So if I take the peer group analysis and I look at Morningstar through June 2016, you'll see that for the three and five-year numbers, respectively, that the EM fund is ranked at the 33rd and 38th percentiles. So, holding in quite strongly above median. And in all the one, three, five-year periods the fund has outperformed its benchmark. So some very powerful rankings in the percentiles and again some very strong out performance on the longer periods.

2016 had a very challenging start not just for the EM markets but the growth equity category overall. Those first couple of months of the year were quite volatile and what we witnessed was a very massive rotation across the globe from growth stocks to value. In emerging markets in particular, we had Chinese regulators institute new circuit breakers for their local market, and those circuit breakers actually exacerbated volatility and uncertainty rather than dampening it, and they were hence removed. Then we had the central bank in China actually broaden the reference rate for their currency which also triggered some concerns about a competitive devaluation. Second quarter showed us a quarter of positive out performance, reversing some of that weakness that we saw.

Let me give you an example of a couple of companies that we have in the portfolio. The first name that I want to talk about is a company that did well for the fund in the first half of 2016 called BB Seguridade. It's a Brazilian-listed company, and it's essentially an insurance broker. It operates across a wide swath of different insurance businesses like life insurance, property, auto, annuities. And Brazil of course – they've had a few issues going on in the last couple of years, and it's been an overall economy that's been starved for growth.

So in that type of context, a company like BB Seguridade has actually done well because insurance penetration was very low in Brazil. And this year Brazilian markets have actually done very well because many investors have been anticipating that a change in political leadership will lead to a lot of change in policy which would have a positive impact on economics and on how corporations conduct their business and, ultimately for us equity people, how that will get reflected in earnings. BB Seguridade has grown operating profits in high single digits in a year when unemployment has gone up and growth has gone down, and they still have a return on equity above 50 percent. So that's a company that has a long runway in terms of penetration.

The other name I want to talk about is Luxoft, who specializes in very complex software. And it was actually one of our best performing stocks in 2015. Early in the year the stock had some under performance because it's exposed to financial companies around the globe. And we had this little vote that the United Kingdom took in second quarter about leaving the European Union. So we had a lot of volatility

around that because Luxoft does have a large exposure to the financial vertical. So I would say the company's in a bit of a transition period in their current fiscal year.

So that's a bit of a snapshot about the types of companies we have in the fund, and hopefully an illustration of why some of the under performance we saw in that first quarter was very specific to some issues around how people were perceiving growth equities in the EM space.

If I talk just a little bit about the rest of the year, emerging markets has been up about 15 percent in U.S. dollar terms. And unlike the United States for example where we have begun a monetary tightening cycle, most of the EM economies are actually in an easing cycle or about to begin an easing cycle. So central bank policy across the EM complex is generally very different that what is taking place here in the United States.

In the EM world there are two things that I would urge people to think about. One is that the EM index itself is not broken into a value or growth component. Our index actually comprises everything from the growth spectrum all the way down to the deep value territory, and some of this value rotation that we saw earlier in the year actually benefited no growth or low growth state-owned enterprises.

It's important to remember that we are a growth strategy within the EM context, and we continue to focus on evaluating those companies that fit the way that we think about growth here at Alger. So again we are looking for companies in the EM complex that meet our criteria with regards to high unit volume growth or a positive lifecycle change. We continue to find companies within the context of our expanding middle class or improvement of infrastructure and the proliferation of new technologies around the EM world.

So I will wrap it there. Hopefully it's been a brief but useful highlight on what we've been seeing in the asset class and a bit of color on a couple of securities at least that we have in the fund.

**Kevin:** Thanks Deborah. And thank you to everyone for listening. For more information on the Alger Emerging Markets Strategy, please visit [www.alger.com](http://www.alger.com).

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	Effective date (6/30/2016)		
	1 Year	3 Years	5 Years
Without Sales Charge	-10.96%	-0.44%	-2.74%
With Sales Charge	-15.62%	-2.21%	-3.78%
MSCI Emerging Markets	-11.71%	-1.21%	-3.44%

Performance quoted above is for the Class A shares of the Fund. The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Performance figures assume all distributions are reinvested. Returns with a maximum sales charge reflect a front-end sales charge on Class A Shares of 5.25%. Class C Shares held less than one year are subject to a 1% contingent deferred sales charge (CDSC). Class I shares are subject to Distribution and Shareholder Fees. For performance current to the most recent month end, visit [www.alger.com](http://www.alger.com) or call 800.992.3863.

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Morningstar percentile rankings are based on the total return percentile rank (excluding sales charge) within each Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The Alger Emerging Markets Fund Class A ranking for the 3-year period ended 6/30/16 is 192 out of 590 funds; for the 5-year period ended 6/30/16 is 159 out of 416 funds.

If sales charges were included, performance would be lower and the rank may be lower. Morningstar Rating is not to be confused with Morningstar Ranking, which is a numeric ranking of the fund, and is a distinct designation. Source: Morningstar. During certain of the referenced time periods, the Fund experienced periods of negative performance results. ©2016 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

As of 6/30/16, the following represents the Alger Emerging Markets Fund's assets under management: Bb Seguridade Participacoes Sa 1.34%; Luxoft Holding, Inc. Class A 1.54%.

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