ALGER

OUTLOOK

GLOBAL GROWTH STRATEGY Q&A WITH PEDRO MARCAL AND DEBORAH VÉLEZ MEDENICA

The Alger Global Growth Fund recently celebrated its third anniversary. Marking the occasion, Portfolio Managers **Pedro Marcal** and **Deborah Vélez Medenica** discuss recent market moves, their process in managing the strategy, and why they continue to have a very optimistic outlook for global investing.

Kevin Collins: Hello. This is Kevin Collins, Client Portfolio Manager with Alger. The Alger Global Growth Fund just recently celebrated its third anniversary. Marking this occasion, I have with me today two of the strategy's portfolio managers, Pedro Marcal, who focuses on non-U.S. developed markets globally, and Deborah Vélez Medenica, whose focus is on emerging markets. They are industry veterans with 27 and 20 years of international investing experience, respectively. Before we start I would like to note that, in the short term, the Fund, along with many of its peers, has been challenged by recent events—something we'll certainly discuss. However, I'm pleased to note that for the 3-year period ending 6/30/2016, Class A shares of the Fund have outperformed its MSCI ACWI benchmark. Additionally, the Fund is in the top 26-percentile of its Morningstar World Stock category. Today, Pedro and Deborah are discussing their process in managing the strategy, their reflections on recent market moves, and why they continue to have a very optimistic outlook for global investing. Thank you both for being here. So, Pedro and Deborah, to start out - can you tell us - what exactly is the Global Growth Fund?

Pedro Marcal: It's a global equity fund, so it can invest in stocks of companies regardless of where the companies are domiciled. And this gives the fund the flexibility to invest in U.S. companies or in Japanese companies or in European companies and even in companies located in emerging markets such as China or India. At Alger, we are growth investors and we are fundamentally research-driven. And so we focus on the attributes of individual companies, and this means that the portfolio is built stock by stock. The portfolio is broadly diversified across both sectors and countries in over 100 companies undergoing positive dynamic change.

Kevin Collins: Now that you've achieved the strategy's important three year anniversary how would you say your process has evolved over those past three years?

Pedro Marcal: Nothing has changed in our investment process in the past three years. Alger has been researching and investing in international and global companies for more than a decade. The Alger Global Growth Portfolio is really just a formal product that integrates all of this research and expresses it as a best ideas fund.

Deborah Vélez Medenica: We have a very collaborative team here at Alger and Pedro and I talk quite frequently just about markets in general. But we do have a formal asset allocation meeting once a week. This is a best ideas portfolio, so again, we are sourcing the best ideas that we have in the U.S., in the international developed markets or in the emerging markets. So it's a compilation of those put together.

Pedro Marcal: We're passionate about new ideas. New ideas come from the very granular industry and sector analyst perspective, they come from our region and our country specialist analysts, and they come from screens that we run - which essentially look at analyst revisions, and positive relative strength, and growth. Global portfolio managers like Dan Chung, Deborah Medenica and myself have the opportunity to invest in companies that are domiciled anywhere in the world. At the end of the day we have over 100 companies in the portfolio but really these are ideas that are competing with each other. And there are many countries and many industries in those countries that just don't make it. They don't make the cut to get into this portfolio.

Kevin Collins: Would you address your approach to volatility, especially in light of recent European events?

Pedro Marcal: So, volatility is here to stay. I think the way to think about volatility in global investing is probably from an Alger perspective, which is there's a lot of change. I mean the world has undergone an enormous amount of change in the last 15 or 20 years. And that change creates a lot of opportunities for innovative companies to exploit new markets or to take advantage of changes in the currencies of their countries of home domicile, which could either help them or hurt them. But I think what you're going to find out of all this volatility is a rebirth and it will be a rebirth of active investing. In the past as markets went up, people just needed to be long and they passively invested. But I think people are going to discover that with this volatility there's a lot of value added to actually going and looking at the companies, seeing the changes and the strong business models and exploiting them for your clients.

Kevin Collins: Have you been factoring Brexit into your process?

Pedro Marcal: As the dust starts to settle, you are actually being able to see which companies are outperforming and which companies are still struggling. Now nobody knows how this is going to play out in the future; so for us, we get back to focusing on the individual companies and how they're adapting to the change. But it's still really in the early stages.

Kevin Collins: Can volatility actually benefit this portfolio?

Deborah Vélez Medenica: I think we've had extreme events about every six months for the last decade. So prior to Brexit we had issues related to the global financial crisis, we had issues related to the U.S. losing its investment grade status, we had issues related to concerns about China's hard landing, we had issues related to Greece leaving the EU. I think its back to this issue of change.
So as Pedro said, perhaps people got used to a low volatility world and now we're going back to historic levels of volatility. And those levels of volatility perhaps are around more macroeconomic or political events than they are around market events. Who knows? But I think it's here to stay. And you don't predict markets, what you do is you best analyze companies to try to understand how they're going to grow over time. And that's what we try to do here.

Pedro Marcal: Even after Brexit, there are some companies in the portfolio that are up and doing well. And they look like they will flourish in this potentially new environment that we may have.

Kevin Collins: How does currency factor into your investments?

Pedro Marcal: Asking about currency is like a stealth way of asking about monetary policy and quantitative easing and what have you. And the reality is that for the past eight or so years, central banks have expanded their balance sheet and along with the behavior of the central bank, typically comes movement in the currency. And we saw that in the U.S. after the financial crisis, which was a little volatility when they expanded the balance sheet here and they didn't in Europe. And then Europe got much stronger and then so did the yen. And then we saw the currency movements when Abe came to power and brought Kuroda to the Bank of Japan and as the head of the Central Bank of Japan expanded, their balance sheet very aggressively and we saw a much weaker yen. And then Draghi began doing it in Europe. So currencies are important. But at Alger, we think about changes in currencies as being addressed by us at the individual company level.

Deborah Vélez Medenica: EM is 10 percent of the global portfolio. And it hasn't been EM currencies that have been having an impact on markets for the last few years. It's been the U.S. dollar. So the U.S. dollar has been appreciating irrespective of what's been happening in other markets. And again, we're bottom-up stock pickers here at Alger, so companies can hedge their currency exposure. And when we do our stock analysis and company work, we figure out whether a company is in fact hedging or not hedging.

Kevin Collins: Are investors who don't allocate to global growth missing opportunities?

Pedro Marcal: I mean it's a big world out there, right? Imagine if all you ate were hamburgers and French fries and you didn't eat Indian food or Chinese food or Japanese or German food. It's a big world and there are just a lot of great business models outside of the U.S. And the U.S. doesn't have a lock on innovation. Sometimes the best investment opportunity or the global leader just doesn't happen to be in the U.S. or the developed markets. By having a global portfolio, you can put together the very best ideas. And being in a place like Alger where we do intensive research on technology and healthcare, we have the opportunity to look at drug trials of a French company or of companies in Canada.

Deborah Vélez Medenica: It's important to remember that we have over seven billion people in the world and the U.S. represents only about five percent of that. So there are millions and billions of people around the globe transacting in services and buying goods that have nothing to do with what happens here in the United States. And if you are only focused on this market, you'll miss out on some really interesting opportunities.

Kevin Collins: And finally, on this occasion of your three year anniversary, can you take a look ahead and tell us what major shifts you see in global markets - and for this strategy - over the next three years?

Pedro Marcal: There are going to be major shifts in global markets ...

Deborah Vélez Medenica: Yeah, that's the one thing we can say.

Pedro Marcal: ... over the next three years. I think we can both say that. And you probably can say that too. But nobody knows what's going to happen in Europe. I don't think anybody does. And so one of the great things is what we focus on is companies and their earnings and that they're making great products, that they're taking market share, and that their earnings are growing, and they have a big moat around them. We feel that this environment, as in many of the volatile environments that we've had over the last decade or two, will be a good equity investing environment. And I think globally I'm ready for more of the same and I'm very excited to be working with Dan and Deborah looking for growth stocks in the next decade.

Deborah Vélez Medenica: I would just echo that I think the only statement we can make about the next few years is the amount of change we're going to see is probably going to be quite large both in terms of macroeconomic policy; in terms of who are the policy makers in some of the major countries around the globe; and in terms of the type of disintermediation we're probably going to see from new types of companies that haven't even appeared on the public markets in many of our countries. I think that's one thing we can say with certainty.

Kevin Collins: Pedro, Deborah, thank you for your time. For those interested in finding out more about the international opportunities in the Alger Global Growth Fund, please visit www.alger.com.

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	YTD as of (7/12/2016)	Effective date (6/30/2016) 1 Year	3 Years	5 Years	10 Years	Since Inception (11/3/2003)
Without Sales Charge	0.79%	-7.48%	7.04%	2.84%	5.41%	8.55%
With Sales Charge	-4.51%	-12.35%	5.13%	1.75%	4.85%	8.10%
MSCI ACWI	3.96%	-3.17%	6.60%	5.95%	4.82%	7.02%

Total Annual Fund Operating Expenses (Prospectus Dated 3/1/16) Class A: 2.03% Class C: 2.80% Class I: 2.02% Class Z: 2.20% With Waiver Class A: 1.50% Class C: 2.25% Class I: 1.25% Class Z: 1.09% Fred Alger Management, Inc. has contractually agreed to reimburse Fund expenses (excluding interest, taxes, brokerage, and extraordinary expenses) through 2/28/2017 to the extent necessary to limit the total annual fund operating expenses of the Class A, C, I, and Z Shares of the Fund to 1.50%, 2.25%, 1.25%, and 1.09% respectively, of the class' average daily net assets. This expense reimbursement cannot be terminated. Class I shares do not impose any sales charges. If this charge was reflected, annual returns for the Class I shares of the Fund would be lower.

The performance data quoted represents past performance of the Alger Global Growth Fund, A Shares, and 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). Prior to May 31, 2013, the Alger Global Growth Fund, as represented by the Class A shares, followed a different strategy under the name "Alger China-U.S. Growth Fund." The performance shown for periods prior to May 31, 2013 reflects the performance of the prior strategy and not that of the current strategy.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Index performance does not reflect deduction for fees, expenses, or taxes. Investors should not consider references to individual securities as an endorsement or recommendation to purchase or sell such security. Transactions in such securities may be made that seemingly contradict the references to them for a variety of reasons, including, but not limited to, liquidity to meet redemptions or overall portfolio rebalancing. Holdings are subject to change.

Class A Shares are subject to a maximum front-end sales charge of 5.25%. Purchases of $1 million or more of Class A Shares at net asset value may be subject to a contingent deferred sales charge of 1.00% on redemptions made within 12 months of purchase.

Rankings:
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 Global Growth Fund Class A ranking for the 3-year period ended 6/30/16 is 26 out of 940 funds; for the 5-year period is 87 out of 731 funds; and for the 10-year period is 25 out of 409 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. ©2015 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.

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Before investing, carefully consider the Fund's investment objective, risks, charges, and expenses. For a prospectus and a summary prospectus containing this and other information about the Fund, call (800) 992-3863, visit www.alger.com, or consult your financial advisor. Read it carefully before investing. Distributor: Fred Alger & Company, Incorporated.

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