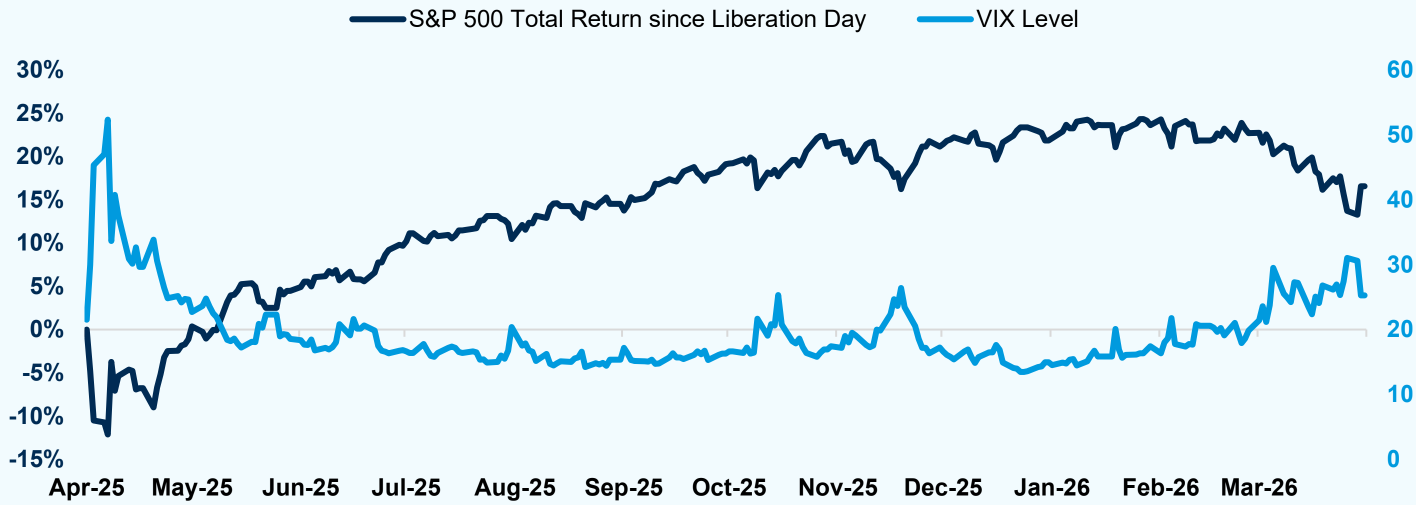
Alger On The Money

The Opportunity in Volatility

In times of heightened market volatility, it is tempting to reduce equity exposure to limit downside risk. However, we believe that periods of elevated uncertainty often present attractive buying opportunities. In our view, one of the best gauges of investor sentiment is the CBOE Volatility Index (VIX), which measures the implied volatility of the S&P 500 Index. The higher the VIX, the greater the volatility investors anticipate and the higher the premium they are willing to pay for options contracts. With geopolitical conflict in the Middle East stoking investor uncertainty and pushing the VIX higher, a look back over the past year may offer a valuable perspective.

S&P 500 vs. VIX Since "Liberation Day"



Source: Standard & Poor's, FactSet and CBOE. S&P 500 and CBOE VIX daily values are from 4/2/25 through 4/1/26. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results**.

- On April 2, 2025, U.S. President Trump declared "Liberation Day," announcing sweeping tariffs that sent the S&P 500 Index tumbling more than 10% in two sessions and drove the VIX Index above 50. When we wrote The Upside of Fear on April 10, 2025, we noted that "many times when fear is the highest is the point you may want to consider investing in equities." Nearly one year later, the S&P 500 Index returned approximately 25%.[1] Based on data going back to 1990, the S&P 500 delivered a positive return 97% of the time in the one-year period following a VIX reading above 40, with an average return of 36%.[2]
- Recently, escalating conflict in the Middle East has heightened investor concerns and may lead to increased market volatility. However, equity markets have historically absorbed geopolitical shocks relatively quickly—going back to the First Gulf War in 1990, the median S&P 500 return following the outset of geopolitical conflicts has been 7% over six months and 10% over twelve months.[3]
- At Alger, we remain focused on innovative growth companies positioned to gain market share within the economy, as we have for over six decades. While it remains unclear how long the Middle East conflict could last, periods of extreme market volatility, just as we experienced around "Liberation Day," we believe they have historically presented attractive opportunities to own high-quality businesses at lower valuations.

[1] FactSet, Standard & Poor's. The S&P 500 total return of 20% was calculated from 4/10/25 through 4/1/26.
[2] FactSet, Standard & Poor's, and CBOE VIX. Data from 2/28/90 through 4/1/26.
[3] The S&P 500 median price return calculated 13 geopolitical conflicts starting from the First Gulf War in August 1990 through the Israel-Hamas War in October 2023.

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