ALGER

Alger On the Money

Growth Leads the Pack

Markets have been volatile in recent months but Growth has beaten Value over several significant measurable periods. One key factor may be that accounting standards have failed to keep pace with the changing economy.

Growth Outperforms Value Time and Again

	1 YEAR		3 YEAR		5 YEAR	
	VALUE	GROWTH	VALUE	GROWTH	VALUE	GROWTH
LARGE	-5.90	2.94	8.80	11.18	6.76	11.10
MID	-10.63	-3.16	8.14	9.02	6.55	7.15
SMALL	-16.61	-5.67	4.97	8.57	3.06	5.53

10% to 20% | 0% to -10% | 0% to 10% | -10% to -20%

Source: Morningstar, Inc. as of 12/31/18.
Note: The chart demonstrates trailing index returns for the time period given. The data in the tables comes from Morningstar indices: Morningstar U.S. Large Growth Index, Morningstar U.S. Mid Growth Index, Morningstar U.S. Small Growth Index, Morningstar U.S. Large Value Index, Morningstar U.S. Mid Value Index and Morningstar U.S. Small Value Index.
Past performance is not an indication or a guarantee of future results.

- In the U.S. Growth beat out Value in the one-year, three-year and five-year time periods across all market capitalizations. What might have led to this outperformance?
- Outdated accounting rules may have caused a structural issue in current methods of style classification. The problem stems from the accounting metric of price-to-book value, which compares a company's market equity value (or "price") to its reported equity value on its balance sheet ("book value").
- Book value, however, may no longer represent a company's true earnings power. The reason is companies are increasingly investing in intangible assets, which generally are not recorded on balance sheets, where book value appears.
- This issue may continue to benefit Growth stocks relative to Value equities in the future, but at a minimum, it is something investors should consider given the trillions of dollars allocated based on style classifications.

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Risk Disclosures: Investing in the stock market involves risks, and may not be suitable for all investors. Growth stocks tend to be more volatile than other stocks as their prices tend to be higher in relation to their companies' earnings and may be more sensitive to market, political, and economic developments. Healthcare companies may be significantly affected by competition, innovation, regulation, and product obsolescence, and may be more volatile than the securities of other companies.

The Morningstar U.S. Large Growth Index measures the performance of large-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales.

The Morningstar U.S. Mid Growth Index measures the performance of mid-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales.

The Morningstar U.S. Small Growth Index measures the performance of small-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales.

The Morningstar U.S. Large Value Index measures the performance of large-cap stocks with relatively low prices given anticipated per-share earnings, book value, cash flow, sales and dividends.

The Morningstar U.S. Mid Value Index measures the performance of mid-cap stocks with relatively low prices given the anticipated per-share earnings, book value, cash flow, sales and dividends.

The Morningstar U.S. Small Value Index measures the performance of small-cap stocks with relatively low prices given anticipated per-share earnings, book value, cash flow, sales and dividends.

Investors cannot invest directly in an index. Index performance does not reflect deductions for fees, expenses or tax. **Performance data quoted represents past perfo-mance. Past performance is no guarantee of future results.**

This material must be accompanied by the most recent fund fact sheet(s) if used in connection with the sale of mutual fund shares.

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