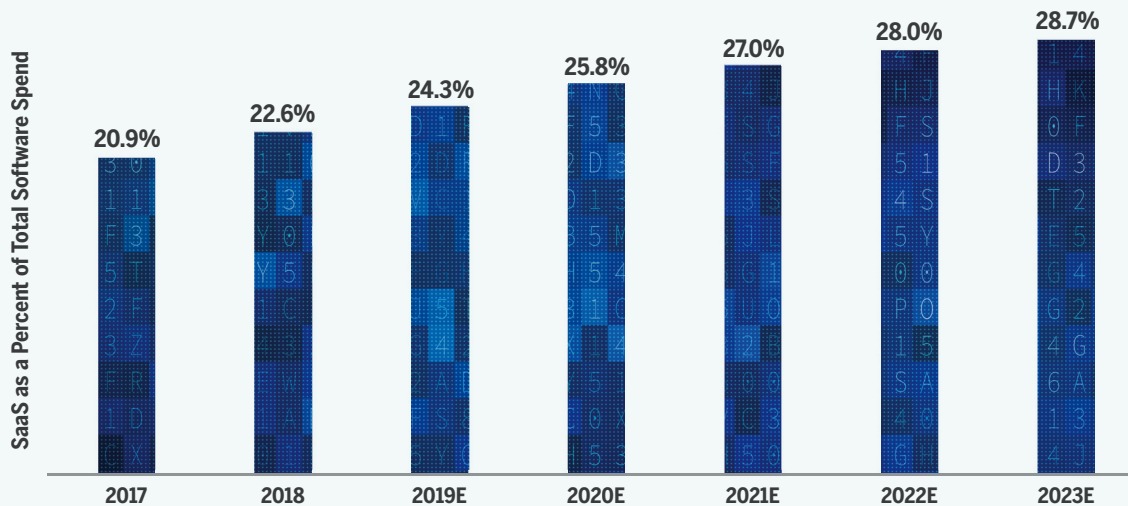


The Opportunity in SaaS

The software industry is in the midst of a multi-year secular shift toward software as a service (SaaS). Innovation in cloud infrastructure and networking technologies over the last 10-15 years has enabled an increasing number of new and innovative SaaS companies to come to market. In our view, this shift from on-premise license models to SaaS could last for many years to come.

SaaS Is Growing as a Percent of Software Spend



Source: Gartner.

- Spending on SaaS is expected to increase from 20.9% of total software spend in 2017 to 28.7% in 2023. Cloud-based SaaS software is deployed over a network and paid for by customers with a recurring subscription fee. An example of SaaS is customer relationship management software that allows businesses to collect information on leads, prospects and customers on a single on-line platform, enabling users access anywhere and more highly targeted client experiences.
- The advantages of SaaS include lower initial costs, pay-as-you-go pricing, greater functionality and access to more frequent upgrades. SaaS users do not have to maintain their own infrastructure to run these applications.
- SaaS company investors may realize increased financial visibility because revenue is comprised of recurring subscriptions, higher renewal rates and potentially higher margins relative to non-SaaS companies.
- We believe investment opportunities are most apparent in SaaS companies that serve large addressable markets, offer disruptive and differentiated technologies, and have sustainable competitive moats and efficient go-to-market models with compelling unit economics.

The views expressed are the views of Fred Alger Management, Inc. as of September 2019. These views are subject to change at any time and they do not guarantee the future performance of the markets, any security or any funds managed by Fred Alger Management, Inc. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities.

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

Risk Disclosure: Investing in the stock market involves certain 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. Technology and healthcare companies may be significantly affected by competition, innovation, regulation, and product obsolescence, and may be more volatile than the securities of other companies. Investing in companies of small and medium capitalizations involve the risk that such issuers may have limited product lines or financial resources, lack management depth, or have limited liquidity. Assets may be focused in a small number of holdings, making them susceptible to risks associated with a single economic, political or regulatory event than a more diversified portfolio. Foreign securities involve special risks including currency risk and risks related to political, social, or economic conditions.