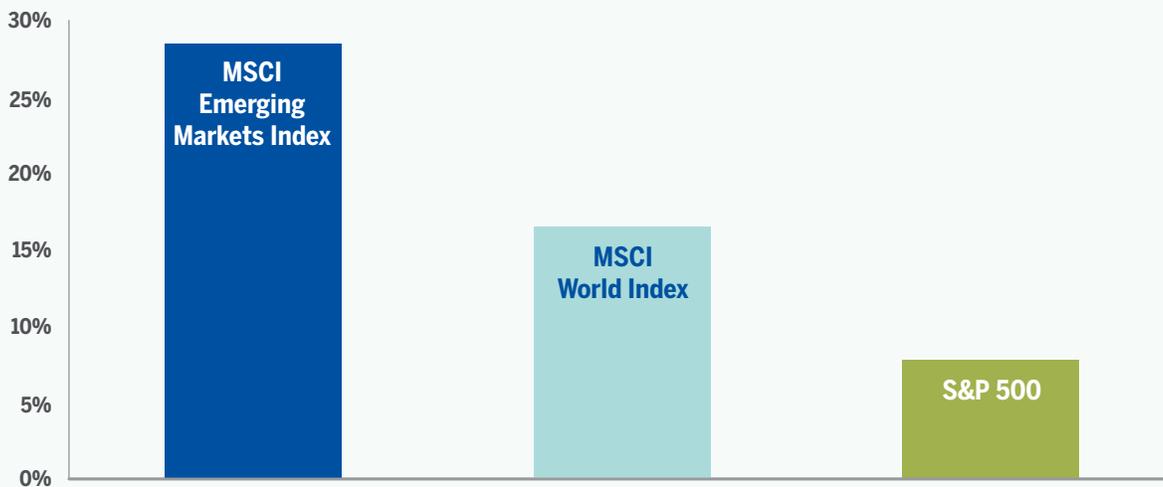


Emerging Markets Lead the Pack

After posting strong results last year, emerging markets equities may be poised to rise further in 2018 with the International Monetary Fund forecasting accelerated growth surpassing that of developed markets once again.

Emerging Markets Earnings Outgrew U.S. and Rest of World Last Year

2017 Earnings Growth



Source: FactSet.

Note: The MSCI World Index includes only developed markets.

- In 2017 the earnings growth of the MSCI Emerging Markets Index exceeded that of both the MSCI World Index and the S&P 500. Consequently, the MSCI Emerging Markets Index rose more than the other two indexes as well (37.8% return vs. 23.1% return for the MSCI World Index and 21.8% return for the S&P 500).
- Emerging markets rallies have generated returns of 230% on average.¹ The current bull market has produced a 70% gain; if history is a reliable indicator of potential future performance, the rally may be in its early stages.
- Investors have taken notice with asset flows to emerging markets expected to reach \$1.2 trillion this year, up from \$1.1 trillion in 2017, according to the Institute of International Finance. This year emerging markets are likely to see the largest percentage increase in flows among all categories, according to a survey of financial advisors by State Street Global Advisors.

¹ Bank of America Merrill Lynch (2017) "Two for Two: Asia/EM Equities likely to double in two years." The Inquirer.

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