

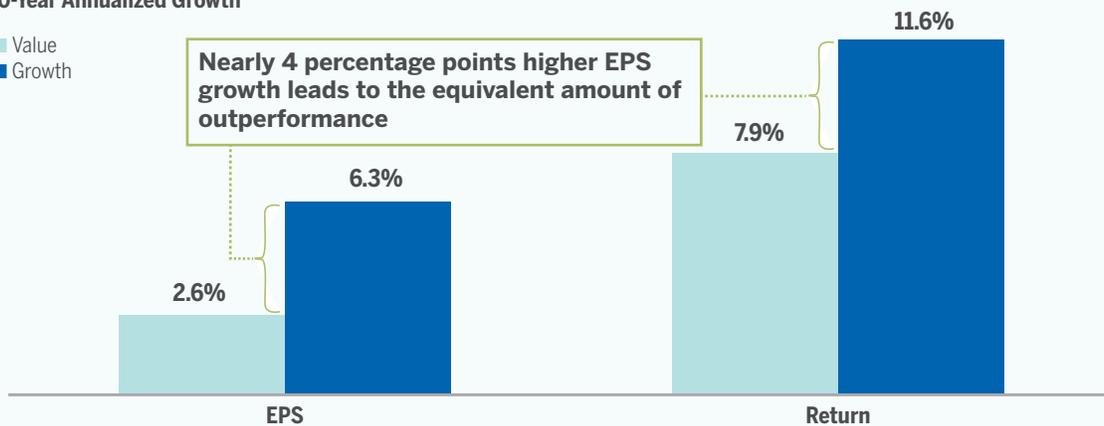
The Weighing Machine in Action

“In the short run, the market is a voting machine but in the long run, it is a weighing machine,” said Benjamin Graham, Warren Buffett’s mentor. Stock prices move on sentiment in the short term but on “weight” or earnings in the long term. The decade-long outperformance of growth vs. value illustrates the “weighing machine” in action.¹

Growth Has “Weighed” More than Value

10-Year Annualized Growth

■ Value
■ Growth



Source: FactSet for Russell 1000 Value Index and Russell 1000 Growth Index performance and EPS during 10 years ended February 28, 2018.

- The annual EPS growth of the Russell 1000 Growth Index (6.3%) has exceeded that of the Russell 1000 Value Index (2.6%) over the past decade.
- Those nearly four percentage points of outperformance are mirrored by the 11.6% return of the Russell 1000 Growth Index beating the 7.9% return of the Russell 1000 Value Index over these same 10 years ended February 28, 2018. Stock prices may have fluctuated in the short term due to investor reactions to news and corporate announcements, but long-term performance resembles earnings growth.
- The underlying fundamentals of growth companies continue to be strong, as evidenced by the estimated sales growth of the Russell 1000 Growth Index (8%) nearly doubling that of the Russell 1000 Value Index (4%) over the next two years.² This may bode well for the longer term performance of growth equities.

¹As demonstrated by the Russell 1000 Growth Index and the Russell 1000 Value Index.

²Sales growth represents consensus estimates from FactSet and actual future sales growth rates might be materially different from the forecasts referenced.

The views expressed are the views of Fred Alger Management, Inc. as of April 2018. 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.