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Significant Shift to Focused Strategies for Alpha Generation, Finds Study

NEW YORK, March 21, 2018 – A recent study of more than 90 influential decision makers at leading institutions, consultants, and broker-dealers, indicates that a significant shifting of client assets to focused strategies will continue in 2018 and beyond.

The Power of Focus: Looking for Alpha in a Sea of Beta report by Greenwich Associates, and conducted in partnership with Alger, notes more than half of institutional investors have increased their exposure to focused strategies, which are defined by 50 or fewer holdings, over the past 12-18 months as focused strategies are seen as a source of alpha for their portfolios. Additionally, Greenwich Associates found that interest is likely to accelerate over the next 24 months among a majority of study participants.

“Investors agree that active managers may generate alpha by concentrating assets in their highest conviction investments,” said Davis Walmsley, Greenwich Associates Managing Director and coauthor of the new report. “The study demonstrates that there is a shift of assets to focused strategies given investors’ need to find more sources of alpha.”

Conviction Drives Excess Returns

According to the study, 76 percent of intermediaries believe focused strategies have a better chance of delivering alpha than diversified strategies. This is largely driven by intermediary investor view that excess returns are driven by a portfolio manager’s highest conviction holdings. Moreover, 90 percent of intermediary respondents believe these holdings contribute disproportionately to a strategy’s overall outperformance.

“Alger has expanded its suite of focused portfolios over the past five years because we believe active managers with proven track records who invest in their highest conviction ideas are uniquely positioned to deliver alpha,” said Dan Chung, CEO and CIO of Alger. “Focused portfolios are a core competency at Alger because our process, honed over 50 years, is based on in-depth fundamental research. We are pleased to see that the survey data aligns with our position that focused portfolios with high active share positively affect alpha generation and overall returns.”

Alger enables investors to access an expansive suite of focused portfolios covering the market cap spectrum. These “best ideas” strategies, including Alger Capital Appreciation, Alger Small Cap Focus, and Weatherbie Specialized Growth strategies, have approximately 50 or fewer stocks and are meaningfully differentiated from their benchmarks and peers. Additionally, the Alger 25 Strategy, an approximately 25 stock large-cap portfolio, has a performance-based fee component as an added differentiator. All of these strategies are managed by portfolio managers with an average of over 23 years of investment experience.

Study Methodology

Between September and November 2017, Greenwich Associates conducted a study examining the use of focused equity strategies in the U.S. institutional market. Interviews were conducted with 91 key decision-makers, including institutional investors (57 percent of respondents), intermediaries (25 percent of respondents), and investment consultants (18 percent of respondents).

The Greenwich Associates 2017 Focused Strategies Study and The Power of Focus paper were sponsored by Fred Alger & Company, Inc. Fred Alger & Company, Inc. is not affiliated with Greenwich Associates, LLC, or its affiliates.

About Alger

Founded in 1964, Alger is widely recognized as a pioneer of growth-style investment management. Headquartered in New York City with affiliate offices in Boston and London, Alger provides U.S. and non-U.S. institutional investors and financial advisors access to a suite of growth equity separate accounts, mutual funds, and privately offered investment vehicles. The firm's investment philosophy, discovering companies undergoing Positive Dynamic Change, has been in place for over 50 years. Weatherbie Capital, LLC, a Boston-based investment adviser specializing in small and mid cap growth equity investing is a wholly-owned subsidiary of Alger. For more information, please visit www.alger.com.

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