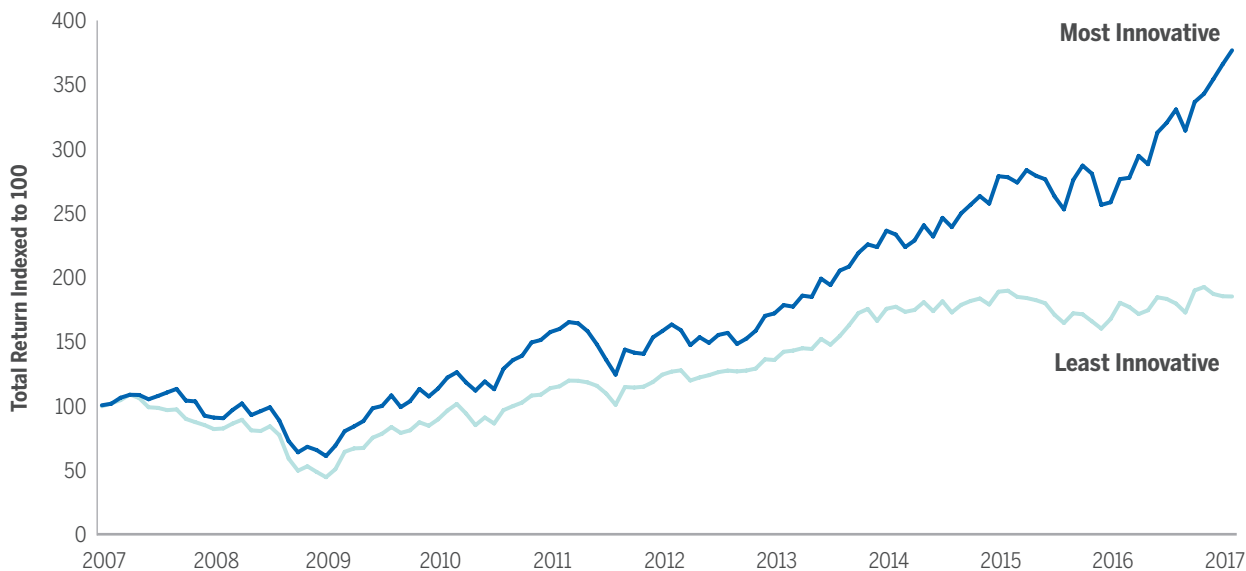


Reaping the Rewards of Innovation

The most innovative companies grow their sales—and their stock prices—faster.

Innovative Companies Have Outperformed



Source: FactSet and Alger 12/31/06 to 02/28/17.

Note: "Most" and "Least" innovative classification based on quintiles of R&D as a percentage of sales.

- Academic studies¹ and Alger's research suggest that the most innovative companies, as indicated by R&D as a percentage of sales, often outperform. For example, the most innovative companies of the S&P 1500 a decade ago produced earnings per share growth that was several hundred basis points higher than the least innovative companies over the subsequent 10 years.
- In addition, the most innovative companies in the S&P 1500 outperformed the least innovative companies over the past decade by a significant margin (*see chart*).
- Companies that identify and act on opportunities for change through innovation will not only survive, they will flourish. As their stock prices grow, the benefits will accrue to investors.

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¹ Baruch Lev and Suresh Radhakrishnan, "The Stock Market Valuation of R&D Leaders."

The S&P 1500 is a stock market index of US stocks made by Standard & Poor's. It includes all stocks in the S&P 500, S&P 400, and S&P 600. This index covers 90% of the market capitalization of U.S. stocks. Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index.

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