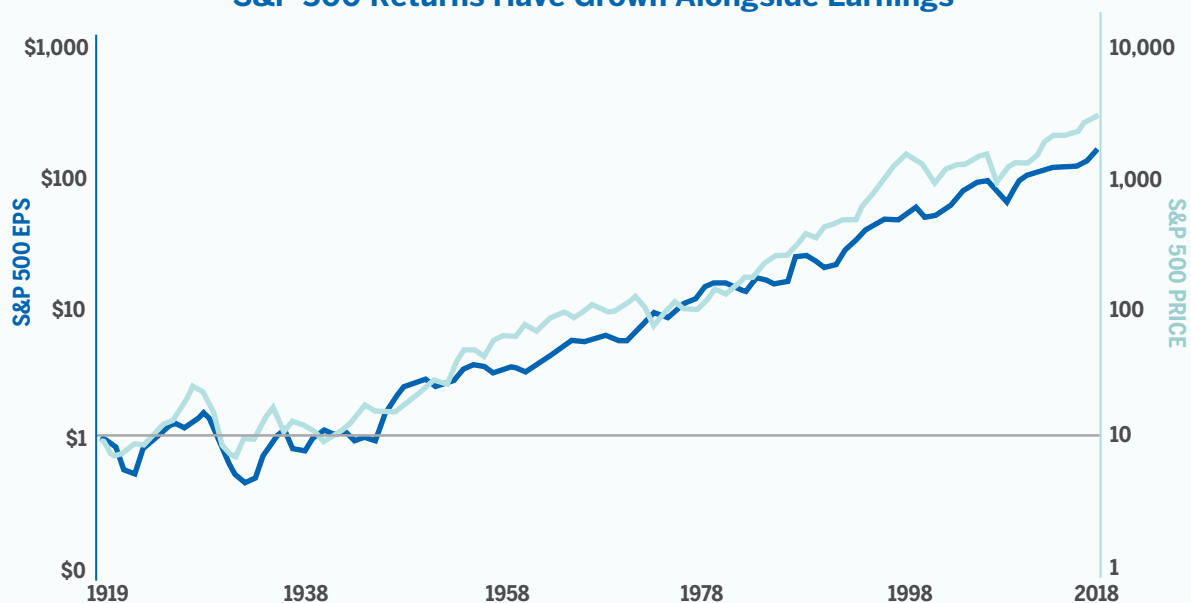


Looking Good at 100



This week marks the 100th edition of Alger On the Money, a program that strives to offer valuable insights and education to our clients. In honor of this milestone, we look back on a century of U.S. earnings growth and the stock market returns it has driven.

S&P 500 Returns Have Grown Alongside Earnings



Source: S&P, FactSet.

- At Alger we are fond of Benjamin Graham’s remark, “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” In the chart above, the U.S. stock market has clearly weighed earnings by increasing in value right alongside earnings per share (EPS) over the past 100 years.
- The S&P 500 has returned approximately 10% annually over the past century. An investment of \$1,000 in at the beginning of 1918 would be worth more than \$20,000,000 as of the end of 2017. The question investors are asking today is what should they expect in the future? Alger considers starting P/E ratios to be the best predictor of equity market returns (see Alger On the Money [“The Single Greatest Predictor of Future Stock Market Returns”](#)), and if historical correlations between starting valuation and 10-year returns continues in the future, we estimate that annual S&P 500 returns for the next ten years would be approximately 7%, attractive relative to our view of prospective fixed income returns.
- Thank you for reading our weekly commentary; we hope you find it beneficial. Here is to the next 100 years of strong earnings and interesting, new editions of Alger On the Money.

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