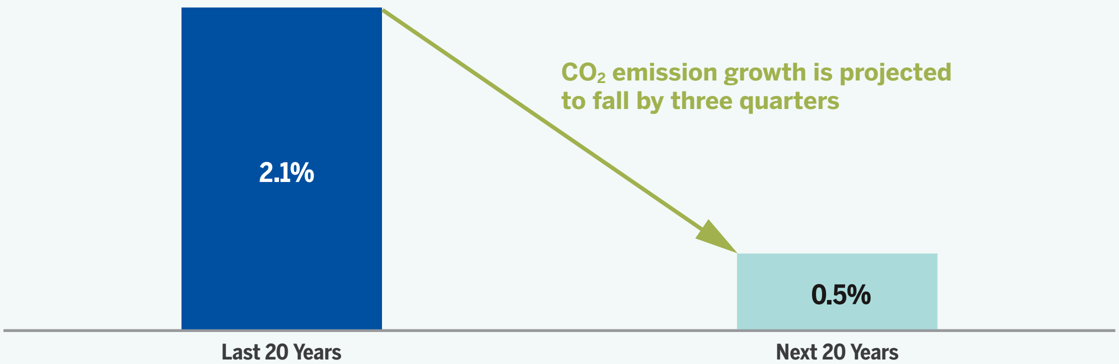
Alger On the Money

The Bigger Picture: Earth

Innovation is making an impact not only on companies but also on the environment. One example of innovative technology driving sustainability is the expected reduction of carbon dioxide (CO_2), a serious threat to life on our planet. The implications of this development may appeal to the increasing numbers of investors interested in harnessing the potential benefits of environmentally responsible technology.

Annual Growth in Energy-Related CO_2 Emissions



Source: U.S. Energy Information Administration.
Note: "Last 20 Years" refers to 1997-2017 and "Next 20 Years" refers to 2017-2037.

- Improvements in energy efficiency and a shift toward more environmentally friendly natural gas and renewable energy sources are forecasted to cut the annual growth of CO_2 emissions by three quarters over the next 20 years as compared to the prior two decades.
- While it is difficult to reduce CO_2 emissions given significant global economic growth, energy intensity, or the amount of energy used relative to economic activity, is decreasing materially.[1]
- Innovation is enabling these changes. New technologies and the efficiencies they create are driving renewable energy costs lower. Wind and solar costs are estimated to decline significantly over the next several years such that their cost per kilowatt hour will be equal to or less than that of traditional fossil fuels, such as coal or gas.[2]
- ESG strategies often invest in companies that deliver these improved, more environmentally friendly efficiencies. Research suggests that ESG holdings may benefit your portfolio as well as Mother Nature (see Alger On the Money, "A New Way to Lower Risk?").

[1] U.S. Energy Information Administration, "International Energy Outlook 2017."
[2] Nextera Energy, "February/March 2018 Investor Presentation."

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Fred Alger & Company, Incorporated 360 Park Avenue South, New York, NY 10010 / www.alger.com
800.305.8547 *(Retail)* / 212.806.8869 *(Institutional)*