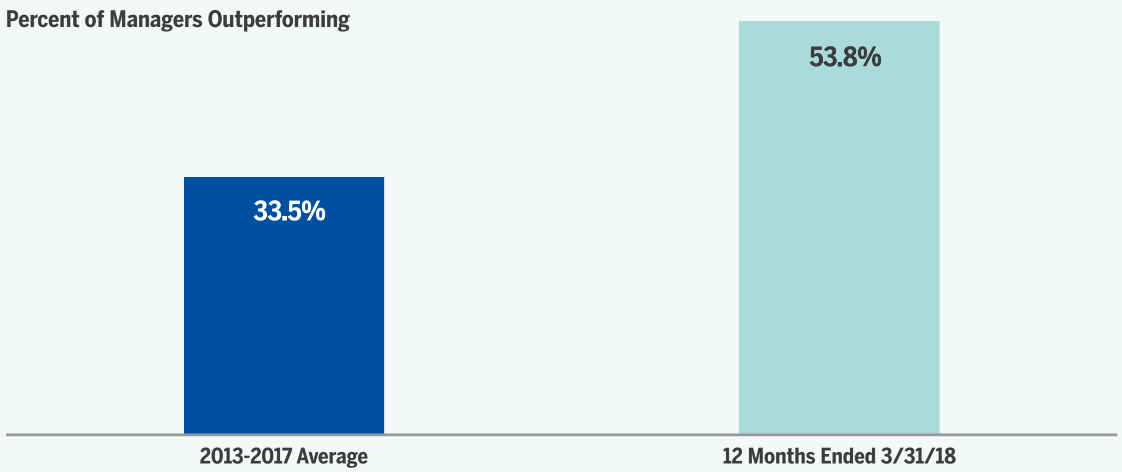
ALGER

Alger On the Money

Turnaround in Active Performance

The performance of actively managed funds relative to passively managed funds has been shown to be cyclical, with recent signs indicating conditions may be ripe for the cycle to favor active managers, creating an environment for active to potentially outperform.

An Active Management Comeback in U.S. Large Cap



Source: Bank of America Merrill Lynch U.S. Equity and U.S. Quant Strategy using Lipper data relative to Russell benchmarks through 3/31/18. The five-year average is the average of the past five annual data points.

- For nearly 50 years, there have been clear and strong active/passive relative performance cycles. After a long cycle that favored passive, in our view active is clearly on the upswing (see Alger On the Money "What Goes Down Must Go Up").
- Active managers are stock pickers who tend to perform better when correlations among equities are lower. While correlations within the S&P 500 have ticked up this year, they had been trending lower and are significantly below the average over the past decade. This lower correlation cycle allows active managers with deep research abilities greater capacity to identify equities that may outperform the market.
- Certain factors, such as small cap performance and rising interest rates, have been drivers of active/passive outperformance and may contribute to further accolades for stock pickers (see Capital Markets "Party Without the Punch?", page 15).

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