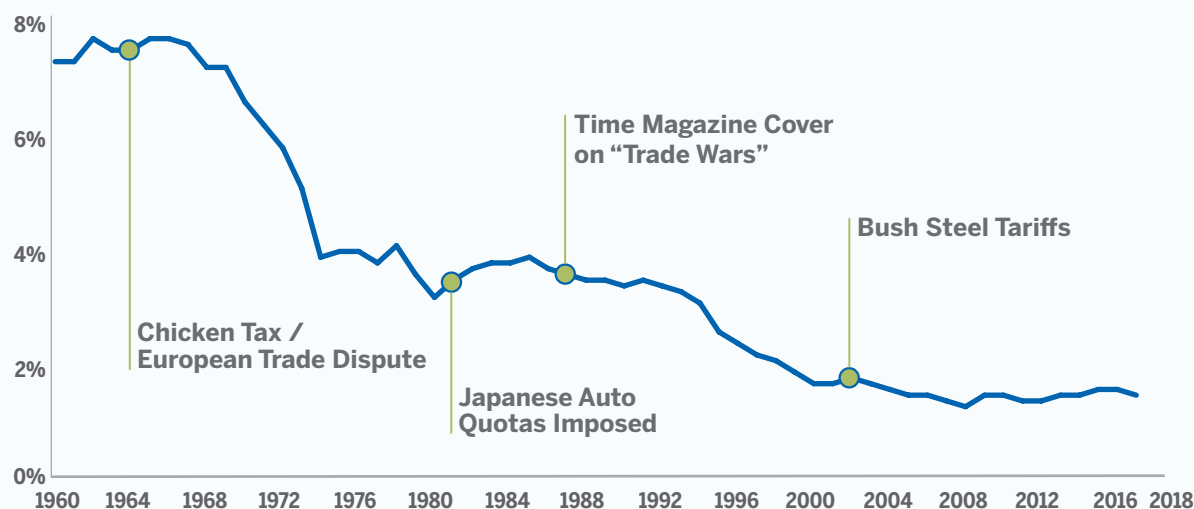


A Trend Too Strong to Ignore?

Various periods in history have been marked by fears of trade wars. Indeed, the cover of Time magazine on October 7, 1985, depicts Uncle Sam with arms outstretched as if to stop free trade dead in its tracks, amidst the caption, "Trade Wars." However, before and since that period, and for much of history, tariffs have declined as the world becomes more interconnected.

U.S. Tariff Rates



Source: U.S. International Trade Commission and Alger. Tariffs are calculated as duties collected divided by total imports.

- As the chart above shows, duties collected as a percentage of imports declined from 4% in 1987 to under 2% in 2017, which indicates that global governments tend to favor free trade.
- Yet there is likely to be more pain before mutually agreeable settlements can be made. As the fear of rising tariffs increases, investors may want to look to areas of the stock market that may be more insulated. Small cap stocks, for example, have outperformed large cap stocks by several hundred basis points this year, likely due to their more domestic focus (the Russell 2000 derives only 21% of its revenue from outside of the U.S. while the S&P 500's proportion is nearly double at 39%).
- In addition, certain industries may be less susceptible to trade issues than others. U.S. internet stocks have already been largely shut out of markets such as China and may thus be less affected by trade issues, while foreign governments may be more likely to target agriculture companies. This may create an attractive opportunity for active managers who can carefully select investments among the winners and losers.

The views expressed are the views of Fred Alger Management, Inc. ("FAM") and Alger Management, Ltd. ("AML") as of August 2018. These views are subject to change at any time and they do not guarantee the future performance of the markets, any security or any funds managed by Fred Alger Management, Inc. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities. FAM serves as sub-advisor to AML.

Risk Disclosures: Investing in the stock market involves gains and losses and may not be suitable for all investors. The value of an investment may move up or down, sometimes rapidly and unpredictably, and may be worth more or less than what you invested. Investing in companies of small capitalizations involves the risk that such issuers may have limited product lines or financial resources, lack management depth, or have more limited liquidity. Many technology companies have limited operating histories and prices of these companies' securities have historically been more volatile than other securities due to increased competition, government regulation, and risk of obsolescence due to the progress of technological developments.

Funds authorized by the Swiss Financial Market Supervisory Authority FINMA for distributing their shares publicly in Switzerland: for interested parties, fund regulations or the articles of incorporation, the key investor information document (KIID) and the full prospectus, in their current versions, as well as the annual and semi-annual reports are provided free of charge at the representative in Switzerland. ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich. Paying agent in Switzerland is Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zürich.

Alger Management, Ltd. (company house number 8634056, domiciled at 78 Brook Street, London W1K 5EF, UK) is authorised and regulated by the Financial Conduct Authority, for the distribution of regulated financial products and services. La Française AM International has a signed agreement with Alger Management Ltd., whereby La Française AM International is authorized to distribute Fred Alger Management, Inc. products in Europe.