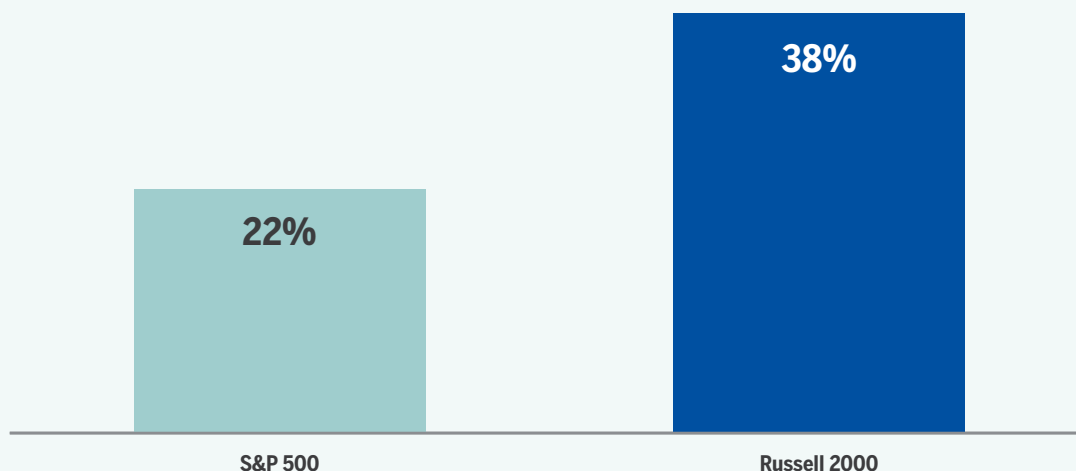


Small Caps for the Recovery

How can investors position themselves to potentially profit from an eventual stock market recovery? We believe that small caps may outperform their larger peers on the way up.

Small Caps Have Outperformed in Recoveries

Performance One Year after Recession Trough



Source: FactSet and Alger. S&P 500 vs. Russell 2000 average performance over past three recession troughs: 12 months following 10/31/90, 9/30/01, 2/28/09, respectively.

- Small caps have historically led market recoveries. Looking at the past three recessions from the market low and forward twelve months, the Russell 2000 Index has risen about 38% while the S&P 500 Index has only returned 22%, as indicated in the chart above.
- While small caps have dramatically underperformed year to date as investors have sought out the relative safety and liquidity of larger caps, their valuations have become depressed, making them potentially attractive.
- Small caps have underperformed so much that while they typically trade at a premium to large caps, they currently trade at a discount. That discount is the lowest it has been in two decades based on price-to-trailing earnings.
- Investors seeking to play offense in the eventual recovery may want to consider high-quality small caps.



The views expressed are the views of Fred Alger Management, LLC as of May 2020. These views are subject to change at any time and may not represent the views of all portfolio management teams. These views should not be interpreted as a guarantee of the future performance of the markets, any security or any funds managed by Fred Alger Management, LLC. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities.

Important Disclosures: This document is directed at investment professionals and qualified investors (as defined by MiFID/FCA regulations). It is for information purposes only and has been prepared and is made available for the benefit of investors. This document does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient, and is only intended for use by original recipients and addressees. The original recipient is solely responsible for any actions in further distributing this document and should be satisfied in doing so that there is no breach of local legislation or regulation. This document is not for distribution in the United States.

Any opinions expressed herein are those at the date this material is issued and may not represent the views of all portfolio management teams.

Data, models and other statistics are sourced from our own records, unless otherwise stated herein. We caution that the value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Investors should ensure that they fully understand the risks associated with investing and should consider their own investment objectives and risk tolerance levels. **Past performance is not indicative of future performance.** Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Certain products may be subject to restrictions with regard to certain persons or in certain countries under national regulations applicable to such persons or countries. NOTABLY, THIS MATERIAL IS EXCLUSIVELY INTENDED FOR PERSONS WHO ARE NOT U.S. PERSONS, AS SUCH TERM IS DEFINED IN REGULATIONS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) AND WHO ARE NOT PHYSICALLY PRESENT IN THE UNITED STATES.

Risk Disclosures: Investing in the stock market involves gains and losses and may not be suitable for all investors. Growth stocks tend to be more volatile than other stocks as their prices tend to be higher in relation to their companies' earnings and may be more sensitive to market, political, and economic developments. Investing in companies of small capitalizations involve the risk that such issuers may have limited product lines or financial resources, lack management depth, or have limited liquidity.

Important Information for All Investors: 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. FAM and/or Weatherbie Capital, LLC, U.S. registered investment advisors, serve as sub-portfolio manager to financial products distributed by Alger Management, Ltd.

Alger Group Holdings, LLC (parent company of FAM), is not an authorized person for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") and this material has not been approved by an authorized person for the purposes of Section 21(2)(b) of the FSMA.

Important information for Investors in Israel: This material is provided in Israel only to investors of the type listed in the first schedule of the Securities Law, 1968 (the "Securities Law") and the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995. The Fund units will not be sold to investors who are not of the type listed in the first schedule of the Securities Law.