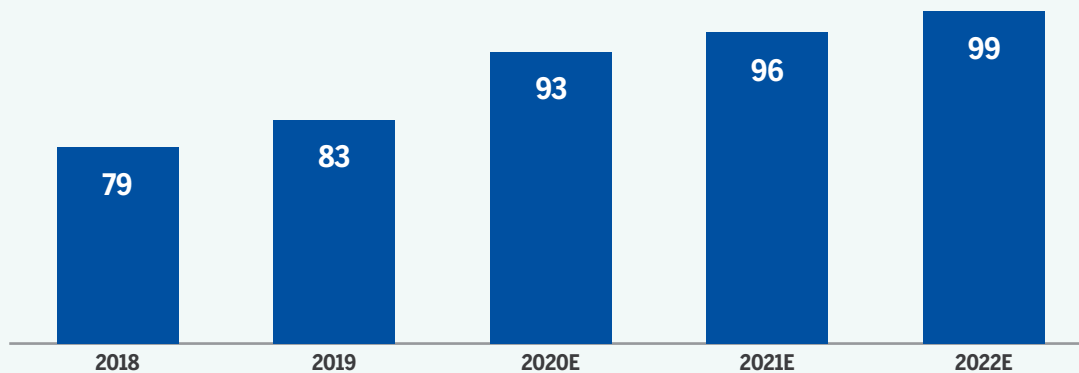


Winning the Game

Electronic gaming has come far since early home computer games such as Donkey Kong and PAC-MAN emerged in the 1980s. Today's games have been developed to run on a wide array of platforms and technologies and include features such as location-based capabilities, augmented reality and multiplayer features. Can investors win at this game?

Worldwide Video Game Revenue
\$ Billions



Source: Statista (Forecast adjusted for expected impact of COVID-19), July 2020.

- Gaming is a growing industry. That is especially true this year during the coronavirus pandemic. With more people staying home, worldwide gaming growth has accelerated dramatically, more than doubling from 5% last year to an estimated 11% this year, according to Statista.
- Mobile gaming has been growing rapidly with more people spending more time on their phones. There are about 1.5 billion mobile gamers globally, spending about \$35 per year per person. Additionally, console gaming could see a resurgence as the next generation of consoles comes out later this year.
- Free-to-play games with in-game transactions (e.g., to buy supplies or capabilities) is a fast-growing segment of the industry. Fortnite is a good example with an estimated 350 million users, up from 125 million two years ago, generating a forecasted \$5 billion in revenue this year.
- Investors can gain exposure to gaming in several different ways. The large platform companies that operate app stores generate billions of dollars of high-margin revenue from mobile games—with mobile gaming revenue on Apple's App Store and Google Play exceeding \$35 billion in the first half of this year alone, according to SensorTower. Outside the U.S., companies like Tencent have huge gaming franchises. Additionally, content developers like the big game publishers have been not only producing profitable hit titles, but they have been finding new ways to monetize their user base.



The following positions represented the noted percentage of assets managed by Fred Alger Management, LLC as of June 30, 2020: Epic Games Inc., private; Apple Inc., 4.2%; Alphabet Inc. Class C shares, 2.4%; and Tencent Holdings Limited, 0.1%.

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