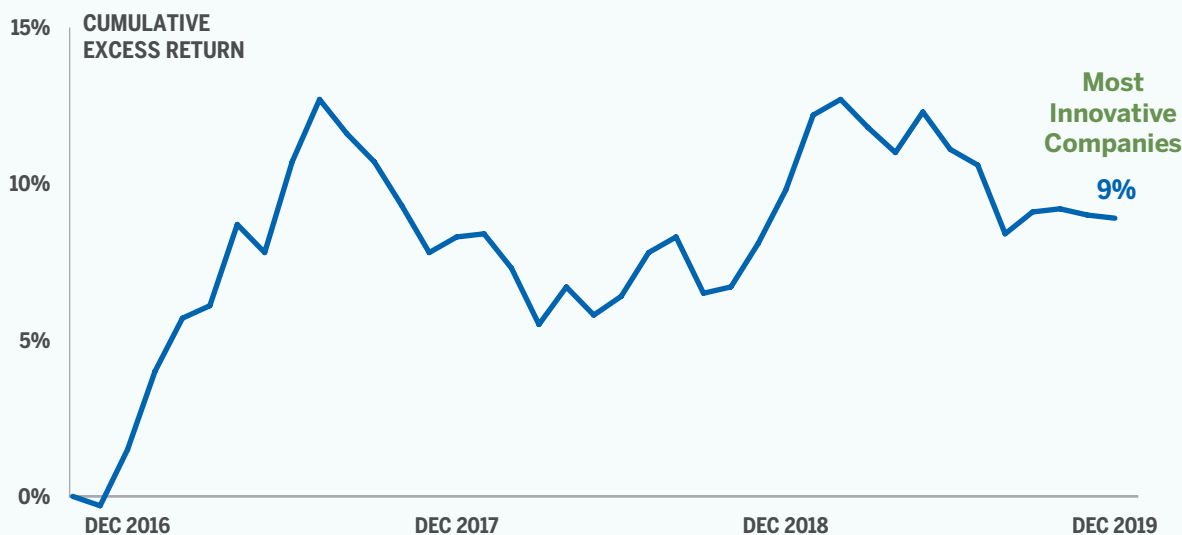


Innovation First

What should investors prioritize when evaluating equity investments? Election results? Fed policy? Trade wars? There is reason to believe that analyzing which companies are most innovative may be a winning investment strategy.

Innovative Companies Have Consistently Performed Well



Source: Alger using FactSet Alpha Testing. Most Innovative Companies are the highest quintile of R&D % of sales in the S&P 500, normalized for sector exposure. The performance data quoted represents past performance, which is not an indication or a guarantee of future results.

- Data has indicated that innovation is accelerating across many areas of the economy. As a result, new products and services are diffusing through society faster, disrupting businesses at a greater pace. Companies investing the most into research and development have been outperforming.
- Domestically focused companies that should have benefitted from trade barriers and the corporate tax rate reduction have actually underperformed.
- In the long run, investing in innovation can triumph over short-term policy decisions. History shows that there were areas of innovation and growth throughout recessions, depressions and panics over the past 150 years (see Alger on the Money "[The Resilience of Innovation](#)").
- Investors may want to consider secular growth companies irrespective of exogenous factors.

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