

ALGER RESPONSIBLE INVESTING STRATEGY UPDATE

In this podcast, Portfolio Managers Chris Walsh and Greg Adams discuss how Alger's new ESG Strategy evolved from the Alger Green Strategy and review their process for managing the portfolio.

Kevin Collins: Hello, this is Kevin Collins, Client Portfolio Manager at Alger. I'd like to welcome all of you to our **Alger Responsible Investing Strategy** update with Portfolio Managers **Chris Walsh** and **Greg Adams**. In this podcast, we're discussing the new Alger Responsible Investing Strategy which evolved from the Alger Green Strategy. This strategy follows an ESG investing mandate, which stands for Environmental, Social, and Governance. The change, from Green to ESG, allows Chris and Greg the opportunity to construct a strategy that draws upon all the strengths of our analyst team, while remaining both responsible and diversified. Chris Walsh is a Senior Vice President, Portfolio Manager with 19 years of investment experience, including the Alger Green Strategy since 2007. Greg Adams is Senior Vice President, Portfolio Manager, and Director of Quantitative and Risk Management at Alger, and he has 29 years of investment experience. So, let's talk about the strategy. Greg, my first question for you is: why should investors consider Alger for ESG and responsible investing strategies?

Greg Adams: Thanks, Kevin. The expertise we have as a leading growth equity manager over 50 years and our expertise managing responsible strategies since 2000. Our investment philosophy is exactly the same as with the other Alger products, targeting positive dynamic change, high unit value growers, positive lifecycle change, that focus on innovation, and the same team of analysts doing the differentiated research that you know. And I think one of the key things about ESG versus other kinds of socially responsibility strategies is this is not about negative screens - excluding tobacco, excluding other vice type stocks, defense stocks - that type of thing. ESG factors take into account lots of different environmental, social, and governance metrics and rank stocks based on that. So, we use those ESG factors to help shape our weightings in the portfolio. Where ESG fits in really well with Alger is that companies that are embracing ESG tend to be more innovative, progressive companies.

Kevin Collins: Chris, you've been at the helm of the Alger Green Strategy for many years and have now transitioned that strategy to ESG. How does responsible investing differ from the Green Strategy?

Chris Walsh: Thanks, Kevin. I think switching to the ESG mandate from Green allows us to focus on more of the Alger analysts' best ideas. When we were running the Green Fund, we came across a lot of names that didn't quite fit the criteria and were left out. Conversely, the ESG universe is much more broad. And it really opens up the entire investing universe to us, to allow us to capture a much bigger percentage of the analysts' best ideas. Also, the green mandate concentrated on certain subsectors: tech, industrials, and consumer. So, a lot of the holdings were kind of biased towards those subsectors. Now, we have a much more diversified product that will allow us to invest in some different areas where we might not have.

Kevin Collins: Greg, Chris has been managing our Green portfolio for a while now. With this new strategy you're leveraging your quantitative and risk management expertise. What was the inspiration for your co-managing this strategy?

Greg Adams: Well, we're looking at some optimization techniques based off the ESG ratings and potentially what's our optimal portfolio given our analyst ideas. And I think we both feel that when you're running portfolios, it's always good to have another person to bounce things off of and to back you up as well.

Kevin Collins: What investment parameters do you have for maintaining the portfolio's overall ESG quality?

Greg Adams: Overall, we're focused on the Russell 1000 growth universe. And then from a quality point of view, there are ESG ratings and they are letter based. So the highest rating is AAA and it goes down to CCC being the bottom rating. So we're committed to having 80 percent of the portfolio with the ESG rating above BB. Right now, over 90 percent of the portfolio is in that.

Kevin Collins: How does the process differ from strategies that also call themselves ESG or responsible?

Greg Adams: Where Alger has a very strong opinion, we're not necessarily going to be deterred just because of a lowest ESG rating, especially if we're seeing improvement, or if they're doing things in other areas that are more ESG appropriate. We can have up to 10 percent in B rated securities, up to five percent in CCC. And then up to five percent in

Not Rated, if we feel that it's a strong ESG candidate.

Chris Walsh: We try to look at a company on the overall rating. So, we don't just say this is a good environmental stock so we want to own it. The important thing is that first of all, it's a stock that we want to own regardless of the ESG score.

Kevin Collins: Do you find that investors today are familiar with ESG and ESG ratings?

Chris Walsh: I think they are becoming much more aware. It's a growing concept for many people.

Greg Adams: And certainly outside the U.S. In Europe, it's very well-known and understood and I think it is migrating here to the U.S. increasingly.

Kevin Collins: Can you walk us through how you incorporate ESG factors in your portfolio construction process?

Chris Walsh: Similar to all the other Alger funds, this strategy is focused on the bottoms up research done by all our analysts, and then Greg and I take it a step further. We sit down with the analysts, and we go through the ESG ratings and talk to the analysts about that. And if it fits with the portfolio, and we like the pitch, we will buy it. But if you wanted to pitch us GE and it didn't have a good ESG rating, we might say well how about this competitor? Can we replace it with that?

Kevin Collins: In reference to the ESG Scoring providers, is there a "gold standard" in terms of who provides these scores?

Greg Adams: We're using MSCI, and I think they've been doing this for the longest. We also look at Sustainalytics versus MSCI ratings, and the overlap is very high. Chris and I both have access to the Sustainalytics ratings so we do look at those as well.

Kevin Collins: Chris, traditionally, the Alger Green Strategy skewed towards Large Cap companies. Will the Alger Responsible Investing Strategy behave similarly?

Chris Walsh: Well, it is benchmarked against the Russell 1000, so that is a larger cap benchmark. But we are more diversified than the other funds in terms of market cap. So we do go down market cap and we look at the best ideas from all the funds, mid-cap, small cap, and we do have holdings from each of those. So, I think this will be more diversified in terms of market cap, but it will still be on the large cap side.

Kevin Collins: And finally, tell me about your process of working together on this strategy.

Chris Walsh: We talk about everything together, and we're in each other's office multiple times a day. Did you see this piece of news? What do you think about this? We have a big position, what do you want to do with it? So, we are always in communication.

Greg Adams: Absolutely.

Kevin Collins: Chris, Greg, thank you both so much for your time. And thank *you* for listening. For more information on the Alger Responsible Investing Strategy, please visit www.alger.com

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As of 11/30/2016, the following companies represented the noted percentage of the Alger Responsible Investing Funds assets: General Electric Company 1.39%.

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