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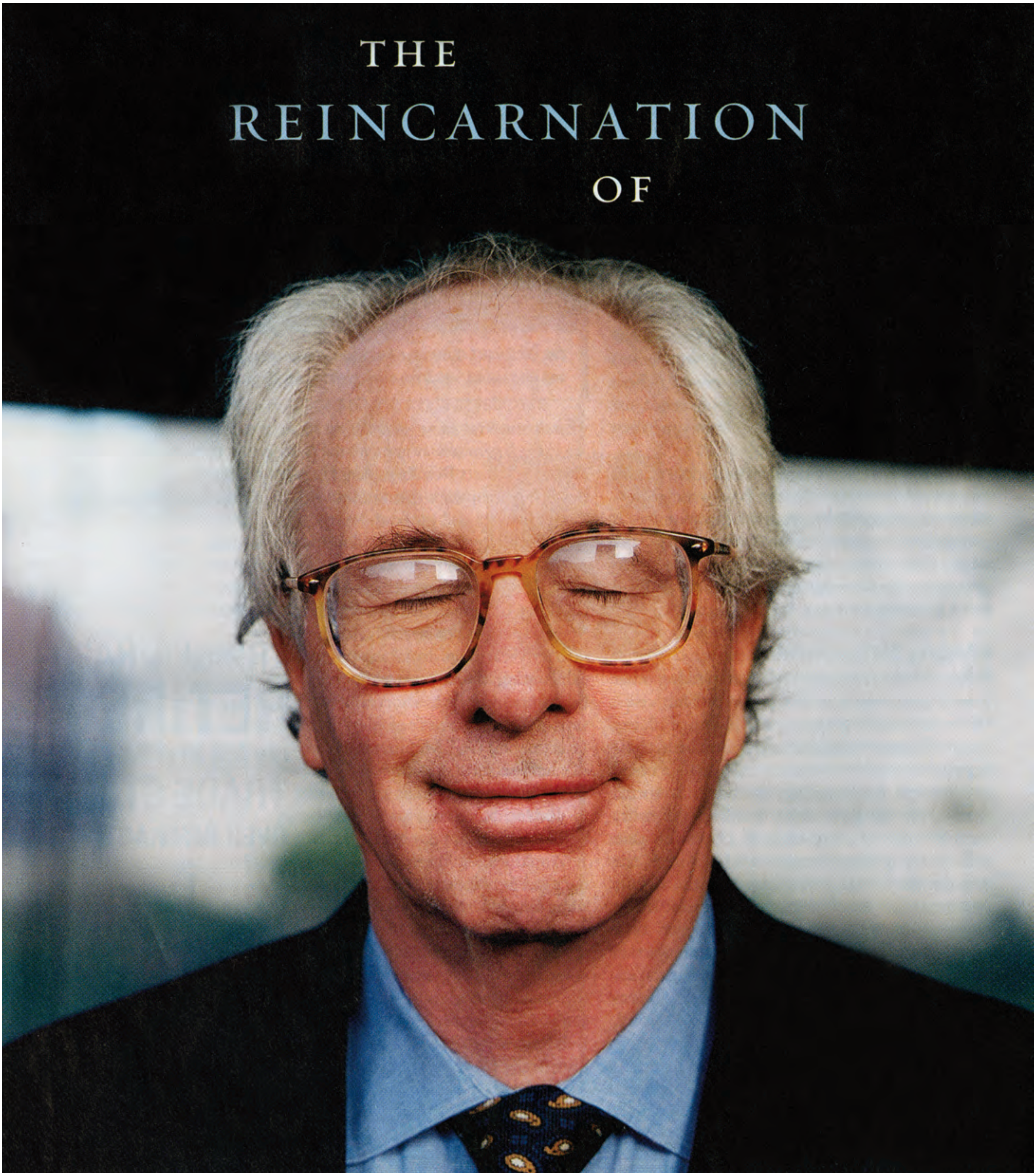
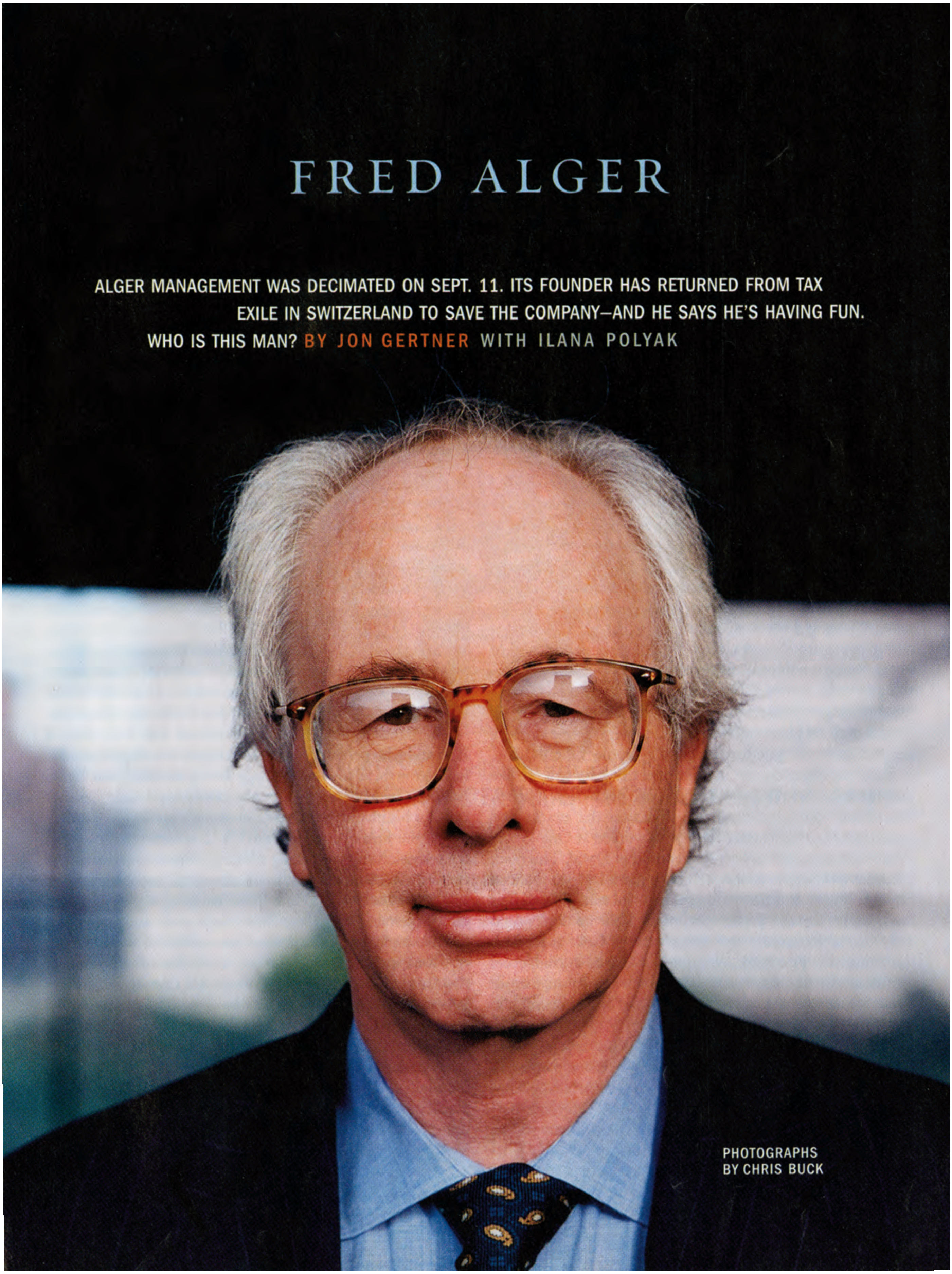
EXCERPT



FRED ALGER

ALGER MANAGEMENT WAS DECIMATED ON SEPT. 11. ITS FOUNDER HAS RETURNED FROM TAX EXILE IN SWITZERLAND TO SAVE THE COMPANY—AND HE SAYS HE'S HAVING FUN. WHO IS THIS MAN? BY JON GERTNER WITH ILANA POLYAK



PHOTOGRAPHS BY CHRIS BUCK

FRED ALGER REACHES across his desk, past the piles of stock charts and the framed photographs of his murdered brother and murdered secretary, to grab the book. He starts thumbing through the yellowed pages, knowing exactly what he's looking for among the profiles of investing luminaries: an old story about him from *Institutional Investor* titled "How to Finish First in the Great Performance Derby." The Fred Alger of that year—1969—was tough, successful and fantastically arrogant. He had just begun to carve out a legacy as an exceptional investor and steadfast advocate of growth stocks. He believed that he should be managing all the money in the world, and that in time he would. He worked with an old slide rule from a battered desk in a cramped office near Wall Street. Some years he posted returns of more than 50%. ✦ The Fred Alger of December 2001 locates the passage about the Fred of '69. "'Alger's hang-up,'" he reads from the book, "'is that he really doesn't care much about money.'" Still true? "Actually, it is," he replies. "It's kind of an interesting contrast between my brother and me. He was very interested in antique furniture and fast cars and fast boats and things like that. He would have his shoes made and his clothes made and would win awards for being the best-dressed man on Wall Street. By contrast, I take great pride in the fact that when I came back I outfitted myself at…let's see, where did I go? Somewhere on Madison Avenue?" At this, Alger is at a loss. He stands up and walks over to check the label on the suit coat hanging from his office door. "Paul Stuart!" he says triumphantly. He returns to his desk and sits down. "I bought three suits, five shirts, six pairs of underpants, five pairs of socks, six handkerchiefs, three pairs of khaki slacks, a raincoat, four ties, a pair of shoes—everything in under an hour!" Then Alger laughs—a light, throaty, heartfelt laugh. Under the circumstances, this is a little unsettling. There are ghosts all around this place, you feel like saying; we must talk quietly, talk seriously, respect the dead.

But Fred Alger doesn't act like you think he will, or like you think he should. Indeed, this man, neck-deep in grief, functioned with icy calm in the days after the attacks that wiped out 35 of his 55 employees who worked at One World Trade Center, including his younger brother David. This man, a former Marine, considers himself a patriot yet renounced his U.S. citizenship for tax reasons in the mid-1990s. This man, whose firm is worth upwards of $200 million, would rather eat a chicken BLT and drink a can of Coke at his desk than dine out. This man, sometimes described as cold, cruel and ruthless, nevertheless inspires such loyalty in former employees that many have come back to help him rebuild the company he created.

"This is a young person's game," says Alger, talking up the youthful managers and analysts who steer his company's $14 billion portfolio of 17 mutual funds and assorted pension funds and private accounts. But here you see another baffling contradiction. Long ago, Alger was an investing icon, one of the "go-go boys" of the 1960s who influenced a generation of money managers and built a hugely profitable—and fiercely independent—company. But the crusty boss who has come out of retirement in Geneva to retake the helm of Fred Alger Management is now 66. He carries the aura of another time. He has never sent e-mail. He has never even used a computer. And, as he explains, somewhere, mixed up at Ground Zero with the thousands of tons of rubble and remains and all the sorrowful reminders of the firm he and his brother built, is his old slide rule.

"DAVID LEARNED THE BUSINESS FROM ME"

In the wake of the Sept. 11 attacks, Alger Management, like so many other Wall Street businesses, entered the post-tragedy media loop. Almost all of the firm's analysts—nearly 20% of its employees—died on the 93rd floor that day along with David Alger, the energetic CEO who took over from Fred in 1995 and who personified the firm's aggressive disposition and its all growth, all the time strategy. In the months since, David has been widely eulogized in the business press, lauded not only for his investing prowess but also for his skillful mentoring of the firm's young analysts. Fred, meanwhile, has made the television rounds, talking falteringly through a medium he dislikes, to recount the company's ordeal and describe his efforts to bounce back. And to talk about the market. Emotions are difficult terrain. Stocks have always been a safer and more comfortable topic for him, a kind of conversational Switzerland.

Three months after the attack, a somber air still clings to the firm. And yet, in a way, you can see that Alger's surviving employees and investors have been extremely lucky. Nothing like this had ever happened to a mutual fund company before. But it was a stroke of luck that the firm's founder was ready to take charge along with the top-ranking executives, who by some cosmic quirk had been away from the Trade Center on Sept. 11. Moreover, the firm's large administrative offices in Jersey City had been unaffected. And a backup facility in Morristown, N.J.—set up for just such a disastrous occurrence—was ready to roll on Sept. 12.

Fred had been packing up his car after a vacation in Long Island when he heard the news. He spent the next day trying to get into Manhattan on the train; the day after that he went to Morristown and got down to business. Although Fred had remained chairman and involved himself in various company projects, he hadn't had a hand in day-to-day operations for some time. "I worried that since I've been away for 6½ years I might not be able to come back and run an investment management company," he recalls. "But when my foot crossed the threshold, it was a little like riding a bike." Alger also knew he had clear ideas about where the economy was headed. On that first day back, he took out a yellow legal pad and began writing. Point one: The economy will pick up by midyear. Point two: A new resolve to prevent other terrorist attacks would prove to be a big plus for the nation. Point three: The political accord in Washington suggested a new chance to address not only the country's security issues but many other problems as well. And all of this, for him, added up to a bullish outlook on the market. Over the next 18 months, Fred reasoned, it seemed unlikely that large industries would be growing at rates above 20%, but he thought gains on a lesser scale were definitely possible.

DAVID ALGER IN 2000. UNDER HIS WATCH IN THE 1990s, THE FIRM'S ASSETS UNDER MANAGEMENT GREW FROM $3 BILLION TO A HIGH OF $20 BILLION.

Gabor Ekecs

Next came the hardest part—reaching out to worried clients and repairing the firm's shattered ranks. Fred is quick to insist that with him back in charge investors are getting the same kind of leadership they got with David. "I think that David basically learned the business from me, and I ran the business for 31 years," he says. "All the basic principles were always in place, and he pursued them, followed them. I think it's pretty similar."

Still, in the days after the tragedy, American Skandia, the large insurance company that sells mutual funds and annuity accounts managed by other firms, gave its $800 million in business to Massachusetts Financial Services while it reviewed Alger's capabilities. Commonfund, a manager of nonprofit groups' assets, and the State of New Hampshire similarly put their Alger investments on hold. And AOL Time Warner, MONEY's parent company, halted contributions to the $10 million in employee 401(k) assets managed by Alger.

Undaunted, Fred and his deputies kept making calls and taking meetings, assuring investors over and over again that the firm was recovering and moving forward. In the end, Alger retained all 86 of its other institutional accounts, and has since convinced American Skandia and the State of New Hampshire to return. After the attacks, says Skandia's investment chair Michael Murray, Alger "understood our responsibility to our shareholders." But the firm's drive to rebound and show they could manage Skandia's business was impressive. As Murray puts it, "Their crisis management has been extraordinary."

"KEEPING MY GOLF GAME IN GOOD ORDER"

Fred doesn't seem surprised that the firm could mount a comeback. The point of his business—indeed, the point of his life—is to be No. 1 in every way possible, to crush every competitor decisively. The man who claims he doesn't care about money or status freely admits that he cares passionately about winning. And when his firm was threatened, he says, he did not have to think about whether he should return. Were his obligations to his brother a factor? His duty to employees? He doesn't know—would rather not venture a guess—other than to say he knew that he had to return. He is swerving away from sentimental territory.

Asked what will be the toughest thing about the coming year, Alger shrugs and says, "Keeping my golf game in good order." His shoulder has been freezing up lately, he explains, and he's been forced to work on his swing in his Manhattan hotel room.

It may be a bad joke or an awkward effort at spin control. It's hard to say exactly. But the response offers a window into his management style—betray no inner conflict, stay the course, move forward with brisk professionalism—while showing just how hard it is for him to talk about the extraordinary personal challenges he and the firm are confronting. There's something painful and endearing about the fact that Fred Alger is so poor at explaining himself. He admits this; he knows he has a knack for confusing listeners and twisting sentences into terrible contortions. "The joke at the firm," he says, "was that if a little old lady shows up with a million bucks, don't let me see her. We'll never get the business.… I just don't have that transference of trust.

"I don't know what it is," he adds. "It's just that you can't ask me a question—a simple question—and get the straightforward answer that you would like to get."

FRED AGREES THAT HIS BROTHER DAVID WAS THE BETTER WRITER, THE BETTER PUNDIT, THE BETTER SALESMAN. DAVID WAS BORN FOR CNBC.

With David, though, you could. Fred agrees that his brother was the better writer, the better pundit, the better salesman, perhaps even the better boss. David, younger by nine years, was born for CNBC; Fred was born for the board room. David acknowledged that he had learned everything he knew about investing from Fred—and it was Fred's idea to bring Alger into the retail mutual fund business in the mid-1980s after its pension business began to wane. But it was under David's management during the 1990s bull market that the firm really took off, scoring terrific returns and expanding its assets under management from $3 billion to a high of $20 billion. In 1995, for instance, David's Capital Appreciation fund hit a 78.2% return, the best in the country; in 1999, the firm's Spectra fund finished with a 72% return.

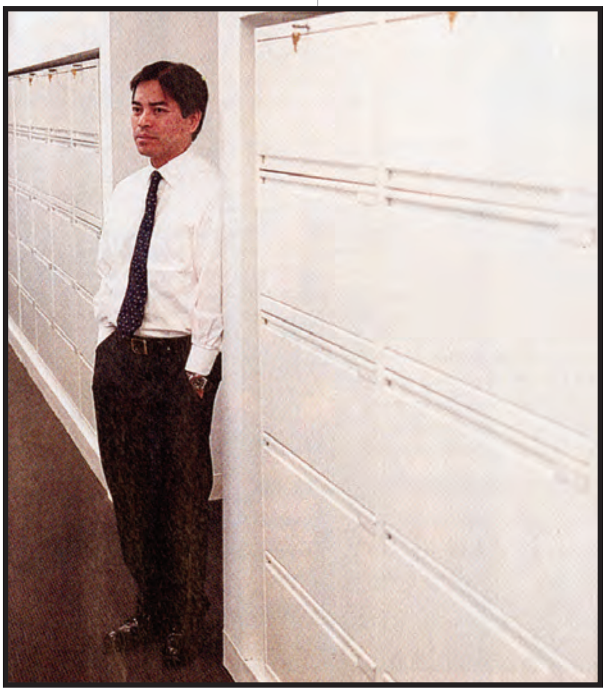
David liked to mingle with his troops on the floor and to surround himself with young people eager to learn the trade. Whereas David was tough but forgiving, Fred was tough and exceedingly remote. Fred didn't like to socialize with anyone from work. Not even his brother. Long ago he had taken a cue from his stint in the Marines—and from his upbringing. "The most demanding teachers were the best ones, the ones you remember," he says. Even David had to suffer through this deep-freeze. During his early years at the firm, David once recalled that he was treated like a bootblack. Under Fred's instruction, he said, he was "overworked, underpaid and abused."

Fred says he's grown softer as he's gotten older—not warm and fuzzy, he insists, and certainly not more tolerant of human fallibility. Just *softer*. This isn't readily apparent. In the aftermath of the attacks, Fred watched Howard Lutnick, the CEO of bond-trading firm Cantor Fitzgerald who lost his brother and hundreds of his employees, share his suffering with millions of Americans. He understood Lutnick's outpouring of grief. Yet by contrast, Fred says that some friends and colleagues told him he seemed unfeeling in his own television appearances—on *Good Morning America*, for instance, where he responded to Diane Sawyer's inquiries about his emotional state with talk of the U.S. economy. "I think what we've found is that people handle grief differently," Fred says. "I think I sort of was all business. But I don't think I was grieving less, just handling it differently."

Does he miss David? "Yeah, I do. I miss him," he says. "I don't miss him in a business sense..." he explains, trailing off.

He clears his throat and takes a few breaths. "I miss him because I was looking forward to growing older together." He clears his throat again. This is the part of Fred Alger that didn't show up on *Good Morning America*. He is having trouble speaking. He can barely get the words out.

"I mean, I really anticipated that he would retire, and we might build a compound together in Florida—I even had a place in mind—and, you know, play family tennis and watch the grandchildren grow up." He sits silently and collects himself. There is a long pause. "But that's clearly not going to be," he whispers.



CHIEF INVESTMENT OFFICER DAN CHUNG IN THE MORRISTOWN, N.J. OFFICE IN DECEMBER. HE HOPES THE FIRM'S REBOUND IS A LESSON TO INVESTORS NOT TO PANIC.

ALGER CONVINCED SEVEN ALUMNI TO RETURN TO THE FOLD. AS A RESULT, SAYS CHUNG, "THE CURRENT TEAM HAS MORE EXPERIENCE THAN THE PREVIOUS TEAM."

"IF YOU NEED ME, I WOULD BE HAPPY TO COME"

In the Morristown conference room that overlooks a colonial-era cemetery and a small public square, Fred is talking about the firm's bright future, its young stars, its return to new Manhattan offices in February. Immediately after the attack, Fred promoted the firm's most accomplished current portfolio manager, his son-in-law Dan Chung, to chief investment officer. And just days after the firm's executives regrouped in Morristown, Fred and his deputies began recruiting new employees. Over the years Alger has been one of the few Wall Street money-management firms with a rigorous training program for stock analysts, a practice that's unleashed a diaspora of Alger veterans on the mutual fund world. The ranks of Algerites include some of the best in the business—Tom Marsico of Marsico funds, Warren Lammert of Janus Mercury, Helen Young Hayes of Janus Worldwide, Jim Goff of Janus Enterprise—as well as scores of other stars who haven't yet become marquee names.

During late September and early October, Alger, Chung and company vice chairman Jim Connelly started talking with some of these graduates, ultimately convincing seven of them to come back to the fold. Dave Hyun, who had left Alger a year ago to work at Oppenheimer, returned to manage two of the company's major funds, Spectra and Capital Appreciation. For him, returning was an opportunity to honor his dead colleagues and to help their firm survive. For Amy Ryan, a senior retail analyst who returned to Alger after a 10-year stint at Prudential, it came down to a question of loyalty. A few weeks after the tragedy she called Fred to say, "If you need me back, I would be happy to come."

By the time Alger staffers met with *MONEY* in late

November and early December, all of the top-level vacancies in the firm's investing group had been filled. Fred says, "I think we'll have the best research team in this company's history for the next year"—a fair contention in light of the team's expertise and track record. Says CIO Dan Chung: "The current team has more experience on average than the previous team." Small-cap specialist Jill Greenwald, for example, came back after nine years at J.W. Seligman and Chase Vista funds; aerospace analyst Ron Reel had worked at Alger for 21 years but emerged from retirement to pitch in; and Theresa McRoberts left the hedge fund where she was a partner to become Alger's senior health-care analyst, a job she held from 1994 to 1998.

But the uncomfortable irony that a firm poised on the brink of collapse just a few months ago is now new and improved takes some getting used to. The firm's executives maintain that Alger has been through the most trying time any fund company has ever experienced and has come out okay. This may be true, given that many of the Alger Funds turned in a strong performance in the three months after Sept. 11. (See "Should You Buy Alger Funds?" on previous page.) Yet it's likewise the case that the Alger funds will be scrutinized for stress fractures for years to come—held up to a higher standard, fairly or unfairly, than their competitors. Dan Chung sees the firm's rebound as a lesson to investors not to panic and pull out after even the most calamitous events. But as Spectra and Capital Appreciation manager Dave Hyun puts it, "We know that now we not only have to perform, we have to outperform."

Fred doesn't acknowledge any anxieties about this. "This was my dream, to create a strong company that would go on and last endlessly," he says. And now the dream, though momentarily threatened, is again intact. "The firm will never be sold," he adds. David's 20% share in Fred Alger Management will be bought back by the company—in effect, by Fred and his three daughters, who own the remaining 80%. Eventually, Fred will bequeath his ownership shares completely to his grandchildren. This is what justifies his expatriation, he insists. He admits that his tax exile is both unusual and highly controversial. Yet he defends his actions against what he terms "an increasingly aggressive IRS" and has no regrets. "At some point," he says, "family takes a place over country." He maintains that if he hadn't taken up citizenship in the Caribbean island of St. Kitts and residence in Switzerland, the firm would need to be sold upon his death in order to pay estate taxes. As a child of privilege who grew up in Grosse Pointe, Mich., he saw his parents fritter away the family fortune. The same thing won't happen again.

IN 1986, FRED TOLD *MONEY* HIS STREAK WOULD CONTINUE, "ASSUMING THE RULES DON'T CHANGE—FOR EXAMPLE, IF TERRORISM GETS OUT OF HAND."

"I WAS SHOCKED, BUT I WASN'T SURPRISED"

Will he stick around for one year or forever? Probably somewhere in between. There's no doubt that it would have been far more difficult—perhaps impossible—for the firm to come this far without Fred's return. There's also little doubt that the company, where most of Fred's wealth is tied up, is worth far more with him than without. He is able to stay here year round thanks to a three-year work visa he obtained in the weeks after Sept. 11; he can renew it for another three years if he thinks the firm needs him. "But this [needs to be] a business being run by bright people, 40 years old and younger," he says, "not by some old guy pulled up out of retirement."

If the course of his career is any indication, though, Alger is understating his savvy and resourcefulness. From the 1960s onward, he's had plenty of second chances and has made the most of them. He's come back from seismic shifts in the industry, years of poor returns during the 1970s recession—even a hugely expensive and controversial advertising campaign in the mid-1980s. The ads' performance claims brought on a raft of media inquiries, which besmirched his reputation. In large part, he survives with ideas; if one doesn't work he tries newer ideas, other ideas, more ideas. The firm's backup office in Morristown is a testament to this. Fifteen years ago, in November 1986, Fred Alger told a *MONEY* reporter: "Assuming that the rules don't change in the world—for example, if terrorism gets out of hand—I believe we can continue to turn in superior performance over the next five years. And I can't think why we wouldn't over the next 20 years." By the mid-1990s, he saw terrorism as an increasing threat that could endanger his city, firm and dream. So he and David created this safe haven in New Jersey, 40 miles away from Manhattan, that has helped save the company. "I was shocked by the attacks," Fred remarks. "But I wasn't surprised."

For now, Fred says, it is good to be busy and to turn this terrible stroke of bad luck around. He has plans to take the firm into new businesses and has some other ideas he thinks are worth investigating. "Over the last several years," he says of one, "we've spent a fortune with IBM. We hired them to put together a database of every trade, of every stock, for the last five years. Every tick." Fred's idea is to take slices from the fathomless pile of information and see if any patterns can be discerned. Patterns of stocks going up in a certain way, or of stocks going down. Patterns that would give the firm an edge.

Some of the charts clutter his desk. He seems a little bit like an astronomer who listens to the noise of the universe. But his face is lit with the possibility of finding something. Earlier, he had said that he is having fun at work—another admission that seemed somehow inappropriate under the circumstances. Yet now you can see it's the honest truth. "So far we've seen nothing," Fred Alger says of the IBM study. He shrugs his shoulders. He laughs that light, throaty laugh. "But we keep trying."

SHOULD YOU BUY ALGER FUNDS?

What will happen to my money?" That's a fair question for both current and potential Alger investors to ask in light of the company's devastating, unprecedented loss. But Fred Alger and the firm's other surviving executives moved quickly, starting on Sept. 11 itself, to reassure clients that they were still in control and worthy of fiduciary trust. A testament to their success: Only four of the firm's 90 institutional clients put their Alger investments on hold in the immediate aftermath of the terrorist attacks, and two of those have already returned. ✦ In the days following the disaster, Fred Alger promoted some surviving staffers to new positions and called upon a network of far-flung alumni to join the rebuilding effort. But two men in particular—Dan Chung and David Hyun—have been given the greatest responsibility for making the firm's investing decisions. Chung, who had been the firm's lead technology analyst and a portfolio manager, became chief investment officer. Hyun, a former co-manager of **Spectra** before leaving for Oppenheimer in 2000, returned to become manager of Spectra and **Capital Appreciation**. Hyun and Chung also co-manage another major Alger fund, **LargeCap Growth**.

How will this newly configured Fred Alger Management perform? If the past three months are any indication, the answer is: very well. With $839 million in assets, Capital Appreciation gained 7.1% in the three months after Sept. 11, placing it in the top third of all large-cap growth funds. The $592 million no-load Spectra is up 7.4%, also in the top third of similar funds. And the $841 million LargeCap Growth fund is up 5.5%, just below the average of its peers.

The funds have been helped by a rally in technology stocks, a longtime Alger specialty, but the new management team has made some significant changes. (True to Alger tradition, however, they are all still run very similarly, sharing analysts and holding many of the same stocks.) After the Nasdaq collapse of 2000, the funds had taken a defensive stance, with big holdings in such stalwarts as Safeway, Citigroup and Philip Morris. But since Sept. 11, Chung and Hyun have been anticipating an economic recovery in 2002 and buying more aggressive stocks. The average price/earnings ratio of the stocks in Spectra and Capital Appreciation, for example, has risen from 24 times earnings earlier last year to 40 now (based on estimated 2002 earnings).

At the same time, Hyun says he's buying smaller companies (with market caps averaging $10 billion vs. $24 billion pre-Sept. 11) for Spectra and Capital Appreciation and diversifying the portfolios with more holdings (about 75 stocks per fund vs. 55 before). "You're not going to have one sector dominating the way you did in the '90s," says Chung.

The duo still like the health-care sector; it's the funds' heaviest weighting at 25% of assets. But they have pared back on medical-service companies and large-cap pharmaceuticals such as Eli Lilly in favor of biotechs like Genzyme and medical device makers. Hyun and Chung have similarly moved away from Internet infrastructure stocks and into semiconductors and data-storage companies. They've also added retail and apparel stocks, anticipating a pickup in consumer spending.

Though it may still be too early to tell whether the current crop of portfolio managers and analysts will carry on the Alger legacy of long-term outperformance, it is clear that the funds haven't suffered in new hands. Though these portfolios may not be the gunslinging growth rockets they were under David Alger, they could be worth a look despite their unusually high expenses.

Insurance company American Skandia handed back its $800 million investment to Alger. The State of New Hampshire has also returned to the fold, making Commonfund (a money-management firm for nonprofit organizations) and AOL Time Warner the remaining institutional holdouts. Commonfund CIO Todd Petzel says he needs more than a few months of returns before he'll jump back in. "When you lose as many key people as Alger did, it's difficult to presume that the oversight is going to be as thorough as it was before," he says.

Eric Kobren, editor of *FundsNet Insight* newsletter, on the other hand, is coming around. After placing sell ratings on the funds in the days after the attacks, he later upgraded the funds to holds, seeing how quickly Fred Alger moved to get the company back on track. "It's not like they were just sitting there with no one managing the store," he says. —ILANA POLYAK

ALGER FUNDS SNAPSHOTS

Fund	Assets (millions)	PERFORMANCE Since Sept.11	One Year[1]	Five Year[1]	Sales charge	Expense ratio	Telephone (800)
CAPITAL APPRECIATION	$839	7.1%	-23.2%	10.0%	5%	2.11	922-3862
LARGECAP GROWTH	841	5.5	-16.5	11.3	5	1.96	922-3862
SPECTRA	592	7.4	-22.3	11.4	None	1.82	711-6141
S&P 500		2.8	-15.2	10.6			

Note: [1]Annualized. Data as of Dec. 14. **Sources:** Morningstar, Lipper.

This reprint, originally published in the February 2002 issue of Money, is considered sales literature for the Alger funds mentioned only and not for any other products shown. For the period ending December 31, 2012, the Alger Spectra Fund Class A returned the following:

Average Annual Total Returns as of 12/31/12

Alger Spectra Fund Class A	4Q†	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
Without Sales Charge	-0.47%	18.79%	11.26%	4.14%	12.39%	11.29%	13.30%
With Sales Charge	-5.71%	12.54%	9.27%	3.02%	11.78%	10.99%	13.10%
Total Annual Fund Operating Expenses (Per Prospectus Dated 3/1/12)					*1.58%*		

† Not annualized

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Performance figures assume all distributions are reinvested. Returns with a maximum sales charge reflect a front-end sales charge on Class A Shares of 5.25%. The Fund may charge a redemption fee of 2% on shares purchased and redeemed (including by exchange) within 30 days of purchase that, if applied, would reduce the performance shown. For performance current to the most recent month end, visit www.alger.com or call 800.992.3863.

On 9/24/08, Spectra Fund's name was changed to Alger Spectra Fund, and the Fund's Class N shares were redesignated as Class A shares. The Fund operated as a closed end fund from 8/23/1978 to 2/12/1996. The calculation of total return during that time assumes dividends were reinvested at market value. Had dividends not been reinvested, performance would have been lower. Historical performance shown is that of the Fund's N shares, which were redesignated as Class A shares on 9/24/08.

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 the prices of growth stocks 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 all capitalizations involves the risk that smaller issuers may have limited product lines or financial resources, or lack management depth. There are additional risks when investing in an active investment strategy, such as increased short term trading, additional transaction costs and potentially increased taxes that a shareholder may pay, which can lower the actual return on an investment.

The Fund can leverage, and the cost of borrowing money to leverage could exceed the returns for the securities purchased or securities may actually go down in value; thus, the Fund's net asset value could decrease more quickly than if it had not borrowed. The Alger Spectra Fund is an active investment strategy that is able to invest in companies of all sizes and sell securities short. In order to engage in a short sale, the Fund arranges with a broker to borrow the security being sold short. In order to close out its short position, the Fund will replace the security by purchasing the security at the price prevailing at the time of replacement. The Fund will incur a loss if the price of the security sold short has increased since the time of the short sale and may experience a gain if the price has decreased since the short sale. The use of short sales could increase Alger Spectra's exposure to the market, magnifying losses and increasing volatility.

These views should not be considered a recommendation to purchase or sell securities. Individual securities or industries/sectors mentioned, if any, should be considered in the context of an overall portfolio and therefore reference to them should not be construed as a recommendation or offer to purchase or sell securities. References to or implications regarding the performance of an individual security or group of securities are not intended as an indication of the characteristics or performance of any specific sector, industry, security, group of securities or a portfolio and are for illustrative purposes only.

As of 12/31/12, the securities mentioned in this reprint represented the following as a percentage of Fund net assets: Amazon.com Inc. (1.83%), Ebay Inc. (2.09%), Google Inc. Cl A (1.99%), PVH Corp. (0.94%), HCA Holdings Inc. (0.57%), Universal Health Services Inc. (0.26%), LinkedIn Corp. (0.27%), Eastman Chemical Company (0.42%), Affiliated Managers Group Inc. (0.43%), JP Morgan Chase & Co. (0.10%), Blackstone Group LP (0.45%), Carlyle Group LP (0.30%), Morgan Stanley (0.97%), CBS Corp. New Class B (0.99%), News Corporation Class A (0.60%), Solutia Inc. (0%).

Before investing, carefully consider the Fund's investment objective, risks, charges, and expenses. For a prospectus or summary prospectus containing this and other information about the Fund, call (800) 992-3863, visit www.alger.com, or consult your financial advisor. Read it carefully before investing.
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