Alger Capital Appreciation Fund

1st Quarter 2025 As of March 31, 2025

Ticker Symbols

Class A   ACAAX
Class C   ALCCX
Class Z   ACAZX

Investment Strategy

Primarily invests in growth equity securities of companies of any size identified through our fundamental research as demonstrating promising growth potential. Seeks long-term capital appreciation.

Portfolio Management

Patrick Kelly, CFA
Executive Vice President
Portfolio Manager
Head of Alger Capital Appreciation
and Spectra Strategies
28 Years Investment Experience

Dan Chung, CFA
Chief Executive Officer
Chief Investment Officer
Portfolio Manager
31 Years Investment Experience

Dr. Ankur Crawford
Executive Vice President
Portfolio Manager
21 Years Investment Experience

Benchmark

Russell 1000 Growth

Standardized performance is available on page 3.

HIGHLIGHTS

- During the first quarter of 2025, the largest portfolio sector weightings were Information Technology and Communication Services. The largest sector overweight was Industrials and the largest sector underweight was Consumer Staples.

- The Communication Services and Financials sectors contributed to relative performance while Information Technology and Industrials were among sectors that detracted from relative performance.

MARKET ENVIRONMENT

In the first quarter of 2025, U.S. equities experienced heightened volatility, driven by evolving fiscal, monetary, and trade policies. Contributing further uncertainty was the emergence of advanced artificial intelligence (AI) models from China, which demonstrated capabilities comparable to leading U.S. models but reportedly at significantly lower development costs. This prompted investors to reassess the substantial capital expenditures of U.S. large-cap technology companies, resulting in a sell-off in AI-related stocks and concerns over the potential returns on domestic AI initiatives.

Escalating trade tensions further compounded market apprehension. The Trump administration's announcement of significant tariff increases, to be announced on April 2, created substantial investor uncertainty. Anticipated retaliatory measures from trading partners further complicated business spending plans, and the expected pass-through of tariff-related costs raised inflationary concerns. Consequently, the S&P 500 Index entered into market correction territory on March 13, declining more than 10% from its prior all-time high on February 19. During the quarter, the Information Technology and Consumer Discretionary sectors were the worst performers within the S&P 500 Index, while the Energy and Health Care sectors outperformed. This period also highlighted concerns about market concentration, as the top ten companies accounted for approximately 37% of the S&P 500 Index at the start of 2025. As a result, the collective underperformance of these leading firms had a significant impact on the S&P 500 Index's -4.27% return for the quarter.

During the quarter, we continued to observe secular themes that we believe are creating attractive investment opportunities—corporations are digitizing their operations, cloud computing is growing and supporting innovation, and AI is at an inflection point, potentially enabling significant increases in productivity, in our view. In the Health Care sector, we believe that advances in surgical technologies and innovations within genomic sequencing offer compelling opportunities ahead.

PORTFOLIO UPDATE

Class A shares of the Alger Capital Appreciation Fund underperformed the Russell 1000 Growth Index during the first quarter of 2025. Spotify Technology SA, Sea Limited, and GFL Environmental Inc, were among the top contributors to performance.

- Spotify is a leading global streaming platform providing users access to an extensive library of music, podcasts, and other audio and video content. The company primarily generates revenue through its Premium subscription service, offering ad-free listening, offline access, and enhanced audio quality, and also from its ad-supported free tier, where advertisers reach Spotify's large user base. By recently integrating AI, Spotify enriches user experiences with personalized features such as AI Playlist and AI DJ, tailoring content specifically to individual preferences. We believe this strategic use of AI, combined with its expansion into various audio formats, positions Spotify for sustained growth in the evolving digital audio market. During the quarter, shares contributed positively after the company reported better-than-expected fiscal fourth-quarter results driven by strong user growth and margin improvement due to favorable trends in audiobooks and music content costs.

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- Sea Limited is a global consumer internet company operating three core businesses: Garena, a digital entertainment platform known for developing and publishing online games; Shopee, a leading e-commerce platform in Southeast Asia and Taiwan; and SeaMoney, which offers digital financial services including mobile wallets and payment processing. Shares of Sea Limited contributed positively to portfolio performance after the company reported strong fiscal fourth-quarter 2024 operating results, with better-than-expected sales beating analyst estimates, primarily due to robust performance in its e-commerce division, Shopee. Furthermore, management projects Shopee's gross merchandise value (GMV) to grow by approximately 20% for the full year of 2025, higher than analyst estimates.

- GFL is a waste and environmental services company undergoing a significant transformation of its balance sheet. Over recent years, the company pursued extensive mergers and acquisitions, resulting in substantial debt. GFL has since committed to reducing this leverage by the end of 2025 through divesting non-core assets and emphasizing strong free cash flow generation. We believe this deleveraging will attract increased investor attention as the company continues to strengthen its balance sheet and sharpen its focus on its core solid waste operations. During the quarter, shares contributed positively to performance after the company reported strong fiscal fourth-quarter operating results and successfully divested its environmental services segment to private equity buyers. This sale generated higher-than-expected proceeds, enabling management to reduce debt to levels comparable with industry peers. Additionally, at its analyst day, management outlined a clear strategy for sustained growth and margin expansion, supporting its industry-leading earnings trajectory. We believe GFL remains undervalued as a pure-play solid waste business with superior growth potential yet trading at a discount relative to peers.

NVIDIA Corporation, Microsoft Corporation, and Amazon.com, Inc., were among the top detractors from performance.

- Microsoft is a beneficiary of corporate America's transformative digitization. The company operates through three segments: Productivity and Business Processes (Office365, LinkedIn, and Dynamics), Intelligent Cloud (Server Products and Cloud Services, Azure, and Enterprise Services), and More Personal Computing (Windows, Devices, Gaming, and Search). During the quarter, shares detracted from performance as Azure revenue growth missed analyst estimates, marking the third consecutive quarter of modest disappointment in this segment. However, AI-related sales growth exceeded expectations, accounting for 13% of Azure's quarterly growth. Management also maintained their fiscal third-quarter earnings guidance while highlighting improved operating profitability and lower tax rates. Despite the disappointing quarter, we remain confident in Microsoft's ability to sustain its leadership position in AI.

- Nvidia Corporation is a leading supplier of graphics processing units (GPUs) for a variety of end markets, such as gaming, PCs, data centers, virtual reality, and high-performance computing. The company is leading in most secular growth categories in computing, and especially artificial intelligence and super-computing parallel processing techniques for solving complex computational problems. In our view, Nvidia's computational power is a critical enabler of AI and therefore essential to AI adoption. During the quarter, shares detracted from performance due to several factors. In January 2025, investor concerns grew regarding the emergence of advanced AI models from China, reportedly developed at lower costs and with reduced computing requirements, raising doubts about Nvidia's market dominance. Additionally, U.S. President Donald Trump's announcement of new tariffs targeting industries increased worries about higher operational costs. Despite these headwinds, Nvidia reported robust fiscal fourth-quarter results, highlighted by significant revenue growth driven by its data center segment. On the earnings call, CEO Jensen Huang emphasized the increasing computational requirements of future AI models, noting, "The more computation, the more the model thinks, the smarter the answer," and adding that future reasoning models could demand substantially more compute resources. We believe Nvidia's leadership in scaling AI infrastructure—including advancements in inference and reasoning during inference—continues to drive adoption among enterprises and startups, ensuring sustained demand for its high-performance chips and software solutions. As older-generation chips are repurposed and new clusters deployed, we see Nvidia as well-positioned to capitalize on rising computational needs across AI applications.

- Amazon.com is a global technology company renowned for its expansive e-commerce platform, offering a vast array of products and services to consumers worldwide. Beyond online retail, Amazon generates revenue through its cloud computing division, Amazon Web Services (AWS), which provides scalable computing solutions to businesses and governments; subscription services like Amazon Prime, offering members benefits such as streaming content and expedited shipping; and advertising services that enable brands to reach targeted audiences on its platform. During the quarter, shares detracted from performance due to concerns surrounding U.S. President Donald Trump's impending tariffs on imported goods, raising fears about increased operational costs and weaker consumer spending. Additionally, management's lower-than-expected fiscal first-quarter sales forecast and substantial planned investments—including a $100 billion commitment to AWS and AI infrastructure in 2025—further pressured sentiment regarding near-term profitability. Despite the near-term share price weakness, we believe Amazon's fundamentals remain strong given its diversified business model, continuous innovation, and dominant positions in high-growth areas like e-commerce and cloud computing.

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Average Annual Total Returns (%) (as of 3/31/25)

	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A (Incepted 12/31/96)							
Without Sales Charge	-12.11	-12.11	12.71	10.82	17.42	13.23	10.77
With Sales Charge	-16.72	-16.72	6.81	8.84	16.16	12.62	10.55
Russell 1000 Growth Index	-10.00	-10.00	7.72	10.09	20.08	15.12	(Since 12/31/96) 9.85

Total Annual Operating Expenses by Class	Without Waiver:	A: 1.26%
(Prospectus Dated 2/28/25, unless otherwise amended)	With Waiver:	—

Performance shown is net of fees and expenses.
Only periods greater than 12 months are 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 sales charges reflect a maximum front-end sales charge on Class A Shares of 5.25%. Class A shares may be subject to a maximum deferred sales charge of 1.00%. For performance current to the most recent month end, visit www.alger.com or call 800.992.3863.

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The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. Russell 1000® Growth Index performance does not reflect deductions for fees or expenses. Index performance does not reflect deduction for fees, expenses, or taxes. Investors cannot invest directly in an index. The indices presented are provided for illustrative purposes, reflect the reinvestment of dividends and do not assess fees and expenses that would have the effect of reducing returns. Investors cannot invest directly in any index. The index performance does not represent the returns of any portfolio advised by Fred Alger Management, LLC and actual client results might differ materially than the indices shown. **Note that past performance is no guarantee of future results.**

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Alger pays compensation to third party marketers to sell various strategies to prospective investors.

The following positions represented the noted percentages of portfolio assets as of March 31, 2025: Spotify Technology SA, 1.08%; Sea Limited Sponsored ADR Class A, 2.1%; GFL Environmental Inc, 2.6%; NVIDIA Corporation, 11.48%; Microsoft Corporation, 12.76%; Amazon.com, Inc., 8.87%.

Before investing, carefully consider the Fund's investment objective, risks, charges, and expenses. For a prospectus and a 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. Distributor: Fred Alger & Company, LLC. NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.