

# Alger Mid Cap Focus Fund

**1st Quarter 2025** As of March 31, 2025

## Ticker Symbols

Class A	ALOAX
Class C	ALOCX
Class I	AFOIX
Class Y	ALOYX
Class Z	AFOZX

## Investment Strategy

Invests in a focused portfolio of approximately 50 holdings of primarily mid cap companies identified through our fundamental research as demonstrating promising growth potential. Seeks long-term capital appreciation.

## Portfolio Management



**Amy Zhang, CFA**  
Executive Vice President  
Portfolio Manager  
*30 Years Investment Experience*

## Benchmark

Russell Midcap Growth

## HIGHLIGHTS

- During the first quarter of 2025, the largest portfolio sector weightings were Information Technology and Industrials. The largest sector overweight was Information Technology and the largest sector underweight was Consumer Discretionary.
- The Communication Services and Consumer Discretionary sectors contributed to relative performance while Information Technology and Health Care 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 Mid Cap Focus Fund underperformed the Russell Midcap Growth Index during the first quarter of 2025. HEICO Corporation, Spotify Technology, and Palantir Technologies Inc. were among the top contributors to performance.

- Heico is a leading manufacturer of Federal Aviation Administration (FAA) approved jet engine and aircraft component replacement parts. Its Flight Support Group (FSG) provides FAA-approved aircraft and engine replacement parts, while the Electronics Technologies Group (ETG) serves industries such as aerospace, defense, homeland security, space, and medical with specialized electronic components. We believe the company is well-positioned to benefit from the steady aging of the global commercial aerospace fleet, resulting in increased consumption of aftermarket parts. Additionally, ongoing production issues from two major aircraft manufacturers have reduced the projected new plane deliveries, further supporting our view that the average age of the global fleet is likely to remain elevated over the next few years. During the quarter, shares contributed positively to performance after the company reported strong fiscal first-quarter results, driven by continued strength in the FSG segment as commercial flight hours remained robust. Furthermore, management highlighted a recovery within the ETG segment, supported by increased demand from the U.S. Department of Defense.

Standardized performance is available on page 3.

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- 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.
- Palantir Technologies builds advanced platforms for data integration, management, and security, enabling interactive, AI-assisted analysis for its users. Its core offerings include Palantir Gotham, designed for government clients, and Palantir Foundry, tailored for commercial customers. Originally focused on U.S. intelligence agencies, Palantir has expanded into defense contracts with western governments and entered the commercial market in 2016. During the quarter, the company reported strong fiscal fourth-quarter results, with revenues surpassing analyst estimates due to heightened demand from both U.S. commercial and government clients. Management also raised its fiscal 2025 revenue outlook, citing robust demand in its Artificial Intelligence Platform (AIP), which continues to gain adoption across various industries. Collectively, these developments drove a notable rise in Palantir's share price, positively contributing to performance during the quarter.

AppLovin Corp., Marvell Technology, Inc., and Astera Labs, Inc., were among the top detractors from performance.

- AppLovin is an advertising technology company offering a digital platform that helps mobile app developers market, monetize, and analyze their apps. We believe the company is experiencing a positive lifecycle change, driven by its AI-powered software engine. While currently focused on mobile gaming, AppLovin is expanding into other market segments. Its Demand Side Platform (DSP) supports ad placements, user acquisition, inventory matching, and performance analytics. Further, we believe AI is central to AppLovin's growth, driving a large majority of the company's revenue through its recommendation and targeting engine. In our view, AppLovin gains a competitive advantage, delivering higher-value app installs by leveraging data from its game portfolio and developer partners. We believe this scale and data advantage enhances its network effect, improving its technology and boosting market share in mobile gaming. As developers use the platform, the company collects data that continuously refines its algorithms, creating more value and attracting more developers to the ecosystem. During the quarter, shares detracted from performance after a report from a short-selling firm questioned AppLovin's business practices. In response, the company defended its operations and hired an independent law firm to investigate the claims. Despite these challenges, AppLovin's focus on AI and machine learning continues to enhance its advertising capabilities, positioning the company for sustained growth in the mobile app ecosystem, in our view.

- Marvell Technology is a leading semiconductor company that designs advanced standard and customized chips, specializing in complex system-on-chip solutions combining analog, mixed-signal, and digital processing technologies. Marvell's extensive portfolio covers computing, networking, optics, storage, and security applications, serving diverse markets including enterprise, cloud, telecommunications, automotive, and industrial sectors. The company has strategically transformed into a leader in data center silicon through targeted acquisitions and divestitures. Although Marvell reported strong fiscal fourth-quarter operating results that exceeded consensus estimates, shares declined after management's fiscal first-quarter revenue guidance fell short of analyst expectations. Additionally, broader market concerns about increased tariffs on semiconductor products and a general downturn in AI-related stocks further pressured Marvell's share price, detracting from quarterly performance. Despite the challenging quarter, we believe Marvell's robust intellectual property portfolio positions it well to capitalize on long-term growth trends in cloud computing, 5G infrastructure, advanced automotive systems, enterprise networking, and security, supporting sustained sales and earnings growth.
- Astera Labs is a semiconductor company specializing in connectivity solutions for data-centric systems, including cloud computing, artificial intelligence, and machine learning. Its products optimize data flow and performance in servers, GPUs, and AI accelerators, addressing bottlenecks in high-performance computing environments. The company's Intelligent Connectivity Platform (ICP) integrates advanced semiconductor hardware with the proprietary COSMOS software suite, delivering customizable and cost-effective solutions. Backed by strong relationships with leading cloud and AI providers, we believe Astera is well positioned in rapidly growing markets, demonstrating high profitability and industry-leading gross margins. During the quarter, the company reported strong fiscal fourth-quarter operating results, where revenues beat analyst estimates. However, shares faced downward pressure following broader market dynamics, including concerns over emerging competition.

## 1st Quarter 2025

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

	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Class A (Incepted 7/29/21)</b>							
Without Sales Charge	-13.29	-13.29	-2.90	-1.90	—	—	-4.95
With Sales Charge	-17.82	-17.82	-8.01	-3.64	—	—	-6.34
<b>Russell Midcap Growth Index</b>	-7.12	-7.12	3.57	6.16	—	—	(Since 7/29/21) 1.40
<b>Total Annual Operating Expenses by Class</b> (Prospectus Dated 2/28/25, unless otherwise amended)	Without Waiver: With Waiver:	A: 1.19% —					

**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](http://www.alger.com) or call 800.992.3863.

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The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®," are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. The S&P indexes are a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Fred Alger Management, LLC and its affiliates. Copyright 2025 S&P Dow Jones Indices LLC, a subsidiary of S&P Global Inc. and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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: HEICO Corporation, 4.9%; Spotify Technology SA, 3.34%; Palantir Technologies Inc. Class A, 4.19%; AppLovin Corp. Class A, 4.22%; Marvell Technology, Inc., 1.76%; Astera Labs, Inc., 0.47%.

**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 or for the Fund's most recent month-end performance data, call (800) 992-3863, visit [www.alger.com](http://www.alger.com), or consult your financial advisor. Read the prospectus and summary prospectus carefully before investing. Distributor: Fred Alger & Company, LLC. NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.**