

# ALGER

## Regulation Best Interest Disclosure

Effective June 30, 2020

### Introduction

Fred Alger & Company, LLC (“FAC”, “we” or “us”) is registered with the Securities and Exchange Commission as a broker dealer and is a member of FINRA. We are providing you with this Regulation Best Interest Disclosure because we are acting as a broker dealer with respect to a recommendation that we are making to you.

Certain of our employees are also employees of our investment adviser affiliates, Fred Alger Management, LLC (“FAM”) and Weatherbie Capital, LLC (“WC” and together with FAM, the “Advisors”). Unless otherwise expressly and orally stated at the time a recommendation is made to you, any recommendations such employees make will be in their capacity as employees of a broker dealer and not as employees of the Advisors.

### Scope and Terms of Your Relationship with FAC

#### Scope of our Services

We do not conduct public brokerage business and offer only limited brokerage services to retail investors. The principal types of brokerage services we engage in include:

- Serving as the underwriter and distributor to the Alger Family of Funds, open-end management investment companies registered under the Investment Company Act of 1940, as amended.
- Providing execution only services for securities listed on U.S. exchanges to clients of the Advisors. This means if the Advisor clients allow trading with an affiliate of the Advisors in their investment management agreement, we may implement the buying and selling of securities resulting from an Advisor’s discretionary authority.
- Recommending the buying and selling of securities in proprietary and non-proprietary brokerage accounts. This means we provide advice regarding the value and characteristics of securities or advisability of transactions in securities. We may make recommendations on proprietary equity products and non-proprietary products.
- Serving as the placement agent to our affiliated hedge funds, which means that we seek to raise capital by finding new investors for the hedge funds.

#### Account Eligibility

We generally do not have any requirements for retail customers to open or maintain a brokerage account with us or to establish a relationship with us, such as requiring a minimum account size. Some securities require investment minimums.

## **Account Monitoring**

We may voluntarily review the holdings in your brokerage account; however, for purposes of Regulation Best Interest, we do not provide an ongoing monitoring service or monitor your brokerage account, and Regulation Best Interest does not require us to do so.

For certain accounts, we may perform account reconciliation on a monthly basis to ensure the holdings in the custodial account match our records.

## **General Basis for Recommendations**

Prior to making any recommendations, we seek to understand your financial objectives. We do so through communication with you about your financial situation, as well as your unique needs and preferences, prior investment experience, risk tolerance, and other important information about you.

Periodically reviewing and refreshing your investment strategy with us is essential to ensuring your investment portfolio remains aligned with your risk tolerance and objectives. With that in mind, please notify us of any changes to your financial or personal circumstances.

## **Fees**

We generally do not charge account opening or maintenance fees. We make money from a few key sources.

- As an underwriter and distributor of the Alger Family of Funds, we receive distribution and/or service (12b-1) fees from the Alger Family of Funds.
- When we buy or sell a security as agent on behalf of the Advisors' clients, we may charge a commission on each transaction. This is an additional source of compensation for us.
- We may charge commissions for brokerage services at the time any security is purchased or sold in your account. We make more when there are more trades in your account. This means we have an incentive to encourage you to trade often. Transaction charges cover order tickets, execution and clearing costs that we pay the clearing firm.
- You may also incur additional fees and costs related to the investments in your account, such as custodian fees, account maintenance fees, wire and electronic fund transfer fees, surrender charges, fees related to mutual funds and variable annuities, such as management fees and other product related fees, such as redemption fees. We may reimburse some of these fees subject to your account agreement.

Further specifics regarding the fees charged for particular products appear in the product offering document, which will be delivered after a transaction in accordance with the delivery method you have selected, such as by mail or electronically.

## **Risks**

Risk is inherent in all investing. The following is a summary description of some of the risks involved in investing through FAC.

### *Diversification Risk*

Your account may be exposed to market risk due to many factors, including the movements in interest rates, indexes, market volatility, and security values underlying these instruments. Your portfolio may at certain times hold a few security positions that are relatively large in relation to its capital, with the result that a loss in any such position could have a material adverse impact on a client's portfolio.

### *Equity Securities Risk*

Your investment will fluctuate in value, and the loss of your investment is a risk of investing. Your account value will fluctuate due to changes in the market prices of the holdings in your account. Also, your account's holdings may not grow as fast as the rate of inflation and stocks tend to be more volatile than some other investments you could make, such as bonds.

### *Investment Risk*

An investment through FAC is subject to investment risk, including the possible loss of the entire principal amount that you invest.

### *Market Risk*

Your investment through FAC represents a direct investment in the securities held in your FAC account. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. Your account value at any point in time may be worth less than what you invested.

### *Sector Risk*

Accounts invested in certain proprietary strategies may have a significant portion of their assets allocated to securities of companies conducting business within a single sector. Companies in the same sector may be similarly affected by economic, regulatory, political or market events or conditions, which may make the strategy's returns more vulnerable to unfavorable developments in that sector than a strategy that has a more diversified portfolio. Generally, the more broadly a strategy invests, the more it spreads risk and potentially reduces the risks of loss and volatility.

## **Conflicts of Interest Associated with a Recommendation**

The following is a description of material facts relating to potential conflicts of interest associated with a recommendation.

Our associated persons may have conflicts of interest beyond those disclosed here. They will orally disclose, where appropriate, any additional material conflicts of interest not later than the time they make a recommendation to you.

## **Conflicts Related to Our Compensation**

### *Proprietary Products*

We buy and sell products offered by our affiliates, which means that we have an incentive to offer these investments because our firm makes more money upon your purchase of our

proprietary products. Our investment professionals make more money if you buy these investments.

#### *Mutual Fund Payments*

As the underwriter and distributor of Alger Family of Funds accounts, we receive distribution and/or service (12b-1) fees. This means we have a financial incentive to offer certain investments or programs to you.

#### *Transaction Fees*

We charge commissions when any security is purchased or sold in your account. We make more when there are more trades in your account. This means we have an incentive to trade often.

#### *Affiliated Businesses*

We have affiliated businesses, the Advisors, that are investment advisers. This is a conflict of interest because the Advisors receive compensation for providing these other services to you. We have an incentive for you to purchase these other services.

#### *Employee Compensation*

Some of our financial professionals are compensated based on the amount of client assets they service. Although our financial professionals generally do not directly sell products to retail customers, they receive compensation based on the assets invested through third-party intermediaries through which retail investors may invest.

### **Conflicts as a Result of FAC's Affiliates**

#### *Selection of Administrative and Other Service Providers*

We may choose to (and currently do) have FAC, our affiliates or related persons (collectively, "Alger Affiliates") provide advisory services, administrative services, shareholder services, brokerage and other account services to certain of our clients. While any such engagement should be on market terms, it will nevertheless result in greater benefit to us than hiring a similarly qualified unaffiliated service provider.

In connection with these services and subject to applicable law, Alger Affiliates, including FAC, may from time to time, and without notice to investors or clients, in-source or outsource certain processes or functions that we provide in our administrative or other capacities. Such in-sourcing or outsourcing may give rise to additional conflicts of interest, including which processes or functions to in-source or outsource, which entity to outsource to, and the fees charged by the Alger Affiliates or the third party. We maintain policies designed to mitigate the conflicts described in these paragraphs; however, such policies may not fully address situations described above.

#### *Information FAC May Receive*

We may have or be deemed to have access to the current status of certain markets, investments, and funds because of Alger Affiliates' activities. Alger Affiliates may therefore possess information which, if known to us, might cause us to seek to dispose of, retain, or increase

interests in investments held by accounts, or acquire certain positions for the accounts. Moreover, Alger Affiliates may come into possession of material, non-public information that would prohibit or otherwise limit our ability to trade on behalf of client accounts. A client who does not hold an FAC account or who is not advised by the Advisors would not be subject to these restrictions. We maintain policies designed to mitigate the conflicts described in this paragraph; however, such policies may not fully address situations described above.

### **Interest in Client Transactions**

A conflict of interest will exist to the extent that FAC recommends that its clients invest in securities in which one or more Alger Affiliates has a financial interest or position. Additionally, FAC has conflicts related to recommending proprietary products for client accounts alongside accounts (including Advisor-advised mutual funds) in which Alger Affiliates personnel have interests (collectively, the “Alger Affiliates Accounts”). For example, Alger Affiliates hold investments in certain investment companies or other publicly or privately offered pooled investment vehicles for which FAC acts as placement agent or broker of record and from which FAC receives administration, distribution and/or shareholder servicing fees. FAC might recommend that its brokerage clients purchase shares of such investment companies or other pooled vehicles.

As noted above, the investment company or pooled investment vehicle may be precluded or limited in its ability to make certain investments, or participate in certain transactions because of the ownership interest of Alger Affiliates. Clients should be aware that FAC may be incented to make decisions for its own benefit or the benefit of an Alger Affiliate with respect to mutual funds and other investment products in which said Alger Affiliate owns significant stakes.

FAC and its associated persons consider these conflicts of interest when making recommendations. FAC has adopted numerous procedures in an attempt to limit or manage these conflicts of interest.

Alger Affiliates may invest in mutual funds or other pooled investment vehicles, and other equity or fixed-income securities that they recommend to clients. The results achieved by Alger Affiliates proprietary accounts may differ from those achieved for other accounts. FAC may give advice, and take action, with respect to any current or future account or investment that may compete or conflict with the advice FAC or the Advisors may give to other accounts (or for its own account) including with respect to the return of the investment, the timing or nature of action relating to the investment or method of exiting the investment.

### **Conflicts Related to Compensation of Third Parties**

#### *Marketing Payments*

Subject to applicable law, FAC may pay dealers and other financial intermediaries for, among other things, marketing proprietary products. Such payments may relate to or result in the products’ inclusion on preferred or recommended fund lists or certain sales programs sponsored by the intermediaries. FAC may also participate in or partially sponsor industry and consultant sponsored conferences, and may pay for access to intermediaries’ registered representatives or salespersons. FAC may also pay to assist in the training and education of intermediaries’ salespersons. Because our investment professionals make more money if you buy our proprietary products, we have an incentive to pay more for these marketing payments.

## *Intangibles*

Alger Affiliates may have board, advisory, brokerage, or other relationships with issuers, distributors, consultants and others. These persons or entities may have investments in our proprietary products, and may recommend or distribute these proprietary products. Alger Affiliates may make charitable contributions to institutions, including those that have relationships with clients, personnel of clients, dealers and other financial intermediaries and/or their registered representatives, and pension consultants.

As a result of these relationships and arrangements, consultants, distributors, and other parties may have conflicts associated with their promotion of our proprietary products or other dealings that create incentives for them to promote our proprietary products or certain portfolio transactions.

### **Conflicts Related to Timing of Transactions**

When a portfolio decision or strategy for an account is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for another account, market impact, liquidity constraints, or other factors could result in the second account receiving less favorable trading results. The costs of implementing such portfolio decisions or strategies could be increased or the other account could otherwise be disadvantaged. FAC may, in certain cases, implement internal policies and procedures designed to limit such consequences to the accounts, which may cause an account to be unable to engage in certain activities, including purchasing or disposing of securities, when it might otherwise be desirable for it to do so.

Moreover, each account is independent of other accounts. Given the independence in the implementation of recommendations to these accounts, there can be no warranty that such recommendations will be implemented simultaneously. FAC will use reasonable efforts to procure timely execution. It is possible that prior execution for or on behalf of an account could adversely affect the prices and availability of the securities and instruments in which other accounts invest. In other words, an account, by trading first, may increase the price or decrease the availability of a security to a second account.

In some instances, internal policies designed to facilitate trade aggregation may result in delays in placing trades, which may adversely affect trade execution. For example, a purchase for a particular account may be held while other portfolio managers are considering whether to make the same transaction for other accounts. Differences in allocations will affect the performance of the accounts.

### **Additional Information**

**You may request updated information and a copy of this Disclosure Document or our Customer Relationship Summary by contacting us at (212) 806-8800.**

The Customer Relationship Summary for FAM may be requested by contacting us at the above phone number and the Customer Relationship Summary for WC may be requested by contacting WC at (617) 951-2550.

Copies of this Disclosure Document, our Customer Relationship Summary, and the Advisors' Customer Relationship Summaries are also available on our website at [www.alger.com](http://www.alger.com).