

Alger Weatherbie Specialized Growth Fund



3rd Quarter 2021 As of September 30, 2021

Sub-Advisor

Weatherbie Capital, LLC

Investment Strategy

Primarily invests in growth equity securities of U.S. small and mid cap companies identified through our fundamental research as demonstrating promising growth potential.

Portfolio Managers



H. George Dai, Ph.D.
Chief Investment Officer
Senior Portfolio Manager
22 Years Investment Experience



Joshua D. Bennett, CFA
Chief Operating Officer
Senior Portfolio Manager
21 Years Investment Experience



Edward M.B. Minn, CFA
Managing Director
Portfolio Manager
16 Years Investment Experience

Benchmark

Russell 2500 Growth

Ticker Symbol

Class A	ALMAX
Class C	ALMCX
Class I	ASIMX
Class Z	ASMZX

Highlights

- During the third quarter, the largest portfolio sector weightings were Information Technology and Health Care. The largest sector overweight was Financials. The portfolio had no exposure to the Communication Services, Consumer Staples, or Utilities sectors.
- The Financials and Information Technology sectors provided the greatest contributions to relative performance. The largest detractors from relative performance were the Consumer Discretionary and Health Care sectors.

Market Environment

Optimism about economic growth earlier in the year resulting from the widespread administration of the COVID-19 vaccine and government fiscal stimulus faced strengthening headwinds during the third quarter of 2021. Inflation, after starting the year at 1.4%, reached a summer high of 5.4%. A surge in COVID-19 infections resulting from the Delta variant, however, led to some investors anticipating that economic headwinds caused by the spread of the disease would help limit inflation. As inflation fears moderated, other issues surfaced, including corporate warnings of pandemic-related supply chain disruptions, climbing interest rates, higher energy costs and a muddled outlook for budget discussions in Washington, D.C. Anticipation of the Federal Reserve tapering its quantitative easing program and concerns that real estate companies in China could default on debt payments also weighed upon investor sentiment. These factors resulted in September recording the first monthly decline of the S&P 500 Index since January 2021. For the quarter, the S&P 500 gained 0.58%. The 0.69% return of the Russell 3000 Growth Index outperformed the -0.93% return of the Russell 3000 Value Index as concerns about the economy largely reversed the rotation into value stocks that had prevailed prior to the quarter. SMid cap growth stocks, as measured by the Russell 2500 Growth Index, declined 3.53%.

As investor sentiment shifted during the quarter, we continued to focus on durable secular growth and companies that are capturing market share with innovative products. Corporations are digitizing their operations, cloud computing is growing and supporting innovation and artificial intelligence is allowing businesses to be more productive and efficient. In the Health Care sector, the new product pipeline is robust. We also continued to consider the Principles for Responsible Investment when analyzing companies.

Portfolio Update

Class A shares of the Alger Weatherbie Specialized Growth Fund outperformed the Russell 2500 Growth Index during the third quarter of 2021.

Upstart Holding Corp., Paylocity Holding Corp. and Globant SA were among the top contributors to performance.

- Upstart operates a cloud-based artificial intelligence (AI) lending platform. The platform aggregates consumer demand for loans and connects it to the company's network of AI-enabled bank partners. The technology connects consumers, banks and institutional investors through a shared AI lending platform. The company continues to improve its various AI-driven models, which has significantly widened the top of the application funnel, or the overall universe of loan applicants. Additionally, more accurate predictions on risk can lead to higher approval rates, which tap into larger lead pools and may ultimately translate into higher loan volume and revenue. Historically, higher approval rates and a widening of the top of the lead funnel have contributed roughly equally to revenue growth. Its share performance benefited from the company reporting that during the second quarter, its expanded marketing funnel contributed more than half toward revenues. Additionally, at the time of the company's December IPO, Upstart had 10 banking partners, which has grown to 25.



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- Paylocity is a leading software-as-a-service company that provides cloud-based payroll and human capital management in underserved small to mid-size markets. The majority of new sales activity is with employers that have 50 to 500 employees. Paylocity's earnings results released in August were positive with improved demand for its products. Sales momentum was also strong with a 28% year-over-year increase for the second quarter, which exceeded consensus expectations. In another positive development, the amount of time required to establish initial meetings, receive decisions from potential clients and complete implementations has returned to normal following previous challenges resulting from the pandemic. The company also reported that the number of employees on the platform has largely recovered, although not yet to 100% of the level prior to COVID-19.
- Globant provides software engineering for complex, high-value projects involving emerging technologies. We believe Globant offers investors an attractive risk/reward profile based on the company's potential for strong organic revenue growth over the long term. This stems from its pure play exposure to key secular trends involving social media, mobile internet, analytics and cloud computing as companies across the global economy embrace digital transformation. We believe this is resulting in an expanding addressable market for Globant's services. Globant has indeed experienced remarkable growth – it took 16 years for the company to reach 10,000 employees and just two years to reach its recent milestone of 20,000 employees. The company's emphasis on culture is an important element of ensuring it is able to attract and retain a large number of talented employees to serve the significant growth in demand for its services. For the second quarter, Globant reported results that exceeded expectations for sales and profit, raised expectations for the full year significantly and provided bullish commentary for growth in 2022.

Ollie's Bargain Outlet Holdings Inc., Nevro Corp. and Core Laboratories Nevro Corp. were among the top detractors from performance.

- Ollie's Bargain Outlet Holdings is a retailer of brand name merchandise such as food, houseware, books and stationery, bed and bath products, floor coverings, electronics and toys. Other products include hardware, personal health care items, candy, clothing, sporting equipment, pet and lawn goods, and garden items. Ollie's faced a challenging comparison to the second quarter of 2020, when it was one of the traditional brick-and-mortar retailers that benefited from the COVID-19 pandemic as food offerings made the company an essential service and the Ollie's Army brand loyalty program expanded. Ollie's posted a negative same store sales comparison for the second quarter of this year as expected, but other factors contributed to the stock's underperformance, including supply chain disruptions and a tight labor market.
- Nevro provides spinal cord stimulation (SCS) devices in the U.S. and internationally for patients suffering from chronic pain. The global SCS market exceeds \$2 billion and has been growing as a result of increased investment by the industry. The company released second quarter results that were in-line with its prior guidance but provided new guidance that was disappointing, including a sequential decline in revenues for the third quarter driven largely by COVID-19 related factors. We believe these factors are beyond management's control. However, Nevro has a near monopoly in the high frequency SCS market, strong clinical data and new product offerings underway. Additionally, the company's initial launch of a product targeting Painful Diabetic Neuropathy (PDN) has been encouraging.
- Core Laboratories is a unique oil services company that provides reservoir description and production enhancement services and products to the oil and gas industry. These services and products enable Core Laboratories' clients to improve well performance and increase resource recovery from producing fields. During the quarter, many oil service stocks were weak due, in part, to the potential for reduced demand because of the lingering pandemic. Core Laboratories has not been immune to this pressure with many industry projects experiencing temporary delays as a result of country- or region-specific COVID-19 related restrictions. We believe the company is positioned to potentially benefit from the eventual lifting of restrictions and work resumes on a more consistent basis.

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The views expressed are the views of Fred Alger Management, LLC ("FAM") and its affiliates as of September 2021. These views are subject to change at any time and may not represent the views of all portfolio management teams. These views should not be interpreted as a guarantee of the future performance of the markets, any security or any funds managed by FAM. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities. Holdings and sector allocations are subject to change.

Risk Disclosures: Investing in the stock market involves risks, including the potential loss of principal. Growth stocks may be more volatile than other stocks as their prices tend to be higher in relation to their companies' earnings and may be more sensitive to market, political, and economic developments. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness such as COVID-19 or other public health issues, recessions, or other events could have a significant impact on investments. A significant portion of assets may be invested in securities of companies in related sectors, and may be similarly affected by economic, political, or market events and conditions and may be more vulnerable to unfavorable sector developments. Investing in companies of small and medium capitalizations involve the risk that such issuers may have limited product lines or financial resources, lack management depth, or have limited liquidity. Assets may be focused in a small number of holdings, making them susceptible to risks associated with a single economic, political or regulatory event than a more diversified portfolio. Foreign securities and Emerging Markets involve special risks including currency fluctuations, inefficient trading, political and economic instability, and increased volatility.

Effective June 30, 2021, Matthew Weatherbie will no longer serve as portfolio manager to the specialized growth strategy. Prior to September 30, 2019, the Fund's name was "Alger SMid Cap Focus Fund." Prior to August 30, 2017, the Fund followed different investment strategies under the name "Alger SMid Cap Growth Fund" and before March 1, 2017 was managed by different portfolio managers. Prior to September 30, 2019, the Fund's name was Alger SMid Cap Focus Fund.

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. All returns assume reinvestment of dividends and are gross of withholding taxes where applicable. Returns with a maximum sales charge reflect a front-end sales charge on Class A Shares of 5.25%.

The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. The Russell 3000® Growth Index combines the large-cap Russell 1000® Growth, the small-cap Russell 2000® Growth and the Russell Microcap® Growth Index. It includes companies that are considered more growth oriented relative to the overall market as defined by Russell's leading style methodology. The Russell 3000 Growth Index is constructed to provide a comprehensive, unbiased, and stable barometer of the growth opportunities within the broad market. The Russell 3000 Value Index measures how U.S. stocks in the equity value segment perform by including only value stocks. The Russell 2500® Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. Investors cannot invest directly in any index. Index performance does not reflect deduction for fees, expenses, or taxes.

The following positions represented the noted percentages of portfolio assets as of September 30, 2021: Upstart Holdings, Inc., 0%; Paylocity Holding Corp., 6.28%; Globant SA, 3.46%; Nevro Corp., 3.32%; Ollie's Bargain Outlet Holdings Inc, 3.41%; and Core Laboratories NV, 2.88%.

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.