Alger Spectra Fund

3rd Quarter 2020 As of September 30, 2020

Investment Strategy
Primarily invests in growth equity securities of U.S. companies identified through our fundamental research as demonstrating promising growth potential, and engages in short selling (up to approximately 10% of the market value of the portfolio).

Portfolio Managers

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

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

Benchmark
Russell 3000 Growth

Ticker Symbol

Class A	**SPECX**
Class C	**ASPCX**
Class I	**ASPIX**
Class Y	**ASPYX**
Class Z	**ASPZX**

Highlights

- During the quarter, the largest portfolio sector weightings were Information Technology and Consumer Discretionary. The largest sector overweight was Consumer Discretionary and the largest sector underweight was Consumer Staples.
- The Communication Services and Consumer Discretionary sectors provided the greatest contributions to relative performance while Consumer Staples and Industrials were among the sectors that detracted from results.

Market Environment

The market rally that started in March continued in July and August with the S&P 500 Index recording a gain of more than 50% from the first quarter market low to early September. Investor sentiment abruptly shifted in September, but despite the ensuing market decline, the S&P 500 and Russell 3000 Growth indices gained 8.93% and 12.86%, respectively, for the third quarter. Markets were initially supported by Federal Reserve policy, large fiscal stimulus programs and strengthening economic data following the global recession triggered by the Covid-19 pandemic. After peaking in May, U.S. unemployment numbers improved while monthly retail sales (ex food services) climbed 5% year over year in June, July and August following earlier declines. Housing starts and the median sale price for existing homes also strengthened considerably while Federal Reserve officials signaled a willingness to maintain low interest rates. Investor optimism resulted in economically sensitive sectors such as Materials, Consumer Discretionary and Industrials leading for the quarter despite shifting sentiment in September driven, in part, by the inability of Congress to produce a late summer round of stimulus. The resulting volatility was intensified by profit taking.

During the quarter, we continued to observe broad themes that are creating attractive investment opportunities–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 Spectra Fund outperformed the Russell 3000 Growth Index during the third quarter of 2020.

Apple Inc., Alibaba Group Holding and salesforce.com, inc. were among the top contributors to performance during the third quarter.

- Apple is a leading technology provider in telecommunications, computing and services. Apple's iOS operating system is the company's unique intellectual property and competitive strength. This software drives extremely tight engagement with consumers and enterprises. This tight engagement is facilitating significant growth in high-margin services like streaming music, apps, and Apple Pay. Apple's continued development of high-margin services and earnings streams for wearable devices as well as the potential contribution of 5G phones to the company's growth supported the performance of Apple shares.
- Alibaba is the dominant ecommerce platform in the Chinese economy, where ecommerce remains underpenetrated and fast growing. It is also a leading player in China's cloud computing, big data analytics, digital media and entertainment markets. The performance of shares of Alibaba reflects investor excitement about its ability to exploit the large addressable market opportunities in ecommerce and cloud computing because of state-enacted barriers blocking foreign competitive entry.

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Additionally, the accelerating pace of consumer spending in China is one of the world's greatest growth stories and Alibaba is a prime beneficiary.

- Salesforce.com is a leading software-as-a-service company with turnkey salesforce productivity and customer relationship management applications as well as a cloud-based development environment. Increased spending on technology by corporations digitizing their business models supported the performance of salesforce.com shares. We believe the return on investment (ROI) from deploying salesforce.com technology is compelling because the company's products make enterprises more productive and profitable while fostering growth. This attractive ROI has resulted in the company's continuing high unit volume growth.

Short exposure to satellite radio company Sirius XM Holdings also contributed to performance. Satellite radio is a legacy technology facing increased competition from streaming services, such as Apple Music, as the delivery of vehicle infotainment and audio consumption increasingly moves to streaming services. During the quarter, Apple Music Radio entered the competitive landscape while Sirius announced that its chief executive officer and chief financial officer were leaving the company. We believe shares of Sirius underperformed due to investors' concerns that streaming services such as Apple Music are well positioned to continue taking market share from satellite radio. As the share price of Sirius declined, the short exposure contributed to performance.

Long positions BioMarin Pharmaceutical, Inc., Vertex Pharmaceuticals Incorporated and GW Pharmaceuticals were among the top detractors from performance.

- BioMarin develops and commercializes biotech therapies for people with serious and life-threatening rare diseases and medical conditions. During the quarter, we were optimistic that the company's hemophilia drug Valrox would eventually be approved by the U.S. Food and Drug Administration (FDA). Furthermore, with the Covid-19 pandemic restricting the development of competing therapies in hemophilia, we felt that Valrox could be entrenched as the standard of care in gene therapy for hemophilia, especially given the demonstrable significant cost saving associated with this long duration therapy. However, the FDA unexpectedly requested two years of data from the ongoing Phase 3 trial for Valrox, which will delay a potential approval of the drug and hurt the performance of BioMarin shares during the third quarter.
- Vertex Pharmaceuticals has become the world's leading cystic fibrosis company by introducing the first drug that treats the underlying disease as opposed to just the symptoms. A handful of genetic abnormalities account for the bulk of cystic fibrosis patients. Vertex's treatment targets these abnormalities and allows genes associated with the disorder to function more normally. Last fall, the FDA approved Trikafta, a combination of three drugs that target genetic defects. Despite recent positive revenue and earnings surprises and the company raising its forward guidance, the stock price declined during the quarter, perhaps because of general pharmaceutical pricing risk as the presidential election approaches. While the lifesaving capability of Vertex's products is reflected in high prices, we note that the pricing of orphan drugs has historically not been targeted by elected officials.
- GW Pharmaceuticals is producing cannabinoid-based pharmaceuticals without tetrahydrocannabinol, or THC, which is a mood-altering component in marijuana. These cannabinoids enable the identification of unique chemotypes that have positive effects on different diseases, including epilepsy, inflammatory disorders and psychosis. GW's near-term focus is developing Epidiolex for use with treatment resistant epilepsy, with up to 40% of epileptic patients continuing to have seizures after using three or more different drugs. The sales growth of Epidiolex has been disappointing because the virtual nature of diagnosis and prescribing drugs during the Covid-19 pandemic is challenging the adoption of this newer type of therapy; shares of GW Pharmaceuticals thus underperformed during the third quarter.

Short exposure to global logistics company FedEx Corporation also detracted from performance. We believe the company is facing increased competition from Amazon.com expanding its own logistics network. Unlike Amazon.com, FedEx hasn't announced plans to provide same-day delivery. Shares of FedEx outperformed after the company posted a better-than-expected quarter driven by surging increases in ecommerce and tight airfreight markets. The company has offered no specific forward guidance, but it has provided generally positive commentary, explaining that it has started to focus on better pricing. We have exited the position.

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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. A significant portion of assets will be invested in technology and healthcare companies, which may be significantly affected by competition, innovation, regulation, and product obsolescence, and may be more volatile than the securities of other companies. Investments in the Consumer Discretionary sector may be affected by domestic and international economies, consumer's disposable income, consumer preferences and social trends. Foreign securities involve special risks including currency fluctuations, inefficient trading, political and economic instability, and increased volatility. Short sales could increase market exposure, magnifying losses and increasing volatility. Leverage increases volatility in both up and down markets and its costs may exceed the returns of borrowed securities.

The views expressed are the views of Fred Alger Management, LLC ("FAM") and its affiliates as of October 2020. 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. and are subject to change.

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%.

On September 24, 2008, the Fund's name was changed from Spectra Fund 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 August 23, 1978 to February 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. Performance of the Fund's Class I Shares prior to September 24, 2008 reflects the performance of the Fund's Class A Shares, as adjusted with currently applicable sales charges and operating expenses, which differ from historical charges and expenses

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 the performance of Russell 3000 companies with lower price/book ratios and lower forecasted growth values. The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. Index performance does not reflect deduction for fees, expenses, or taxes. Investors cannot invest directly in an index.

The following positions represented the noted percentages of Alger Spectra portfolio assets as of September 30, 2020: Amazon.com, Inc., 7.38%; Apple Inc., 7.17%; Alibaba Group Holding Ltd. Sponsored ADR, 4.33%; salesforce.com, inc., 3.32%; BioMarin Pharmaceutical Inc., 0.14%; Vertex Pharmaceuticals Incorporated, 1.19%; and GW Pharmaceuticals PLC Sponsored ADR, 0%. Short positions Sirius XM Holdings and FexEx Corp. represented the equivalent of -0.23% and 0.0% of assets, respectively.

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. Member NYSE Euronext, SIPC. NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.