Alger Spectra Fund

1st Quarter 2021 As of March 31, 2021

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
24 Years Investment Experience

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

Dr. Ankur Crawford
Executive Vice President
Portfolio Manager
17 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 first quarter of 2021, the largest portfolio sector weightings were Information Technology and Consumer Discretionary. The Consumer Technology sector was the largest sector overweight and Consumer Staples was the largest sector underweight.
- The Financials and Consumer Staples sectors provided the greatest contributions to relative performance while the Industrials and Information Technology were the most significant detractors from performance.

Market Environment

Mounting optimism about the reopening of the economy surged during the first quarter of 2021 and provided additional support to a rotation from high-quality growth stocks to value stocks and cyclical sectors such as Energy, Materials and Industrials. The following developments supported enthusiasm:

- Washington passed a $1.9 trillion coronavirus relief package that includes $1,400 checks for eligible individuals. At the same time, President Biden signaled his commitment to an approximately $2.3 trillion infrastructure stimulus program.
- The vaccination program kicked into high gear, with 2.5 million doses administered daily based on seven-day averages, which supported expectations of economic reopenings this year.
- The Federal Reserve provided pushback against speculation that it would taper its asset purchase program later this year. Federal Reserve officials also cautioned against placing too much emphasis on what may be transitory inflation pressures, which helped relieve concerns that the central bank may curtail monetary stimulus prematurely.

Analysts during the quarter increased their 2021 earnings growth estimates to an average of 25% for 2021, while stocks of companies such as airlines, casinos, energy companies and commodities producers that can benefit from an end to social distancing requirements and economic growth outperformed. Rising interest rates supported the performance of Financials. For the quarter, the S&P 500 Index returned 6.17% and the Russell 3000 Growth Index returned 1.19%.

We believe broadly embracing value stocks to gain exposure to cyclical companies may cause investors to miss opportunities among high-quality growth companies that are capturing market share with innovative products in markets that are recovering as a result of economic growth. Examples of these types of disruptive businesses include ride hailing companies, online travel planning services, restaurants with strong digital services such as internet-based food ordering and retailers that are generating their own direct sales channels via e-commerce.

At Alger, 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 become 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 underperformed the Russell 3000 Growth Index during the first quarter of 2021.

Alphabet Inc., Microsoft Corporation and NXP Semiconductors were among the top contributors to performance during the quarter.

1st Quarter 2021

- Alphabet is a leading search provider and as such a beneficiary in the share shift of advertising dollars from traditional mediums like television, radio and newspapers to digital platforms. The company is a leader in implementing artificial intelligence and in developing autonomous vehicles. It also provides cloud computing services and it owns the highly trafficked YouTube property. Alphabet issued a strong quarterly report highlighted by acceleration that exceeded prior strong growth trends in both revenue and profitability. Results of the company's search service and YouTube strongly exceeded expectations. The strength of search results, driven by e-commerce-related demand and YouTube results, were propelled by returning brand advertisement in a sequentially improving economy. The revenues acceleration was seen in cloud services as well as because of continuing corporate spending on digitization. Earnings exhibited strong operating leverage as costs were down year over year due to slowing headcount growth, as well as diminished travel and office space costs. While regulatory scrutiny remains an overhang, the intensity of investor concern has moderated recently as the late 2020 U.S. Department of Justice anti-trust case against the company had a narrow scope, primarily alleging that the company has improperly established agreements with various phone manufacturers, including Apple, to ensure that Google is the default search engine across devices. Investors have interpreted the lawsuit as potentially less damaging to Alphabet than other broader more threating possibilities.
- Microsoft is a Positive Dynamic Change beneficiary of corporate America's transformative digitization. Microsoft's enterprise cloud product, Azure, is rapidly growing and accruing market share. Recently, Microsoft reported that Azure grew 50% during the fourth quarter. This high unit volume growth is a primary driver of the company's higher share price, but Microsoft's operating execution has enabled notable margin expansion that has also helped to increase forward earnings estimates. Microsoft's subscription-based software offerings and cloud computing services have not been entirely immune to the pandemic-related economic slowdown but are resilient because they enhance customers' growth initiatives and help them to reduce costs. Additionally, investors appreciate Microsoft's strong free cash flow generation and its return of cash to shareholders in the form of dividends and share repurchases.
- NXP Semiconductors provides high performance semiconductor solutions for a wide variety of applications, including automotive, mobile communications, consumer technology, computing, wireless infrastructure, lighting and industry. We believe NXP has an attractive cyclical tailwind with the economic reopening due to its exposure to the automotive industry and the growth of the Internet of Things. NXP's shares performed strongly after the company said it has generated revenue growth and provided healthy forward guidance driven by an improving global macro that is evident in decreasing channel inventory levels and solid pricing.

Short position Stratasys also contributed to performance. Stratasys is one of the larger 3D printing companies. While additive manufacturing (3D printing) is a revolutionary concept, it has only seen its primary adoption for manufacturing prototypes and test parts, not high-volume end-use parts. Unfortunately for incumbents like Stratasys, additive manufacturing has continued to attract capital and dozens of new entrants have emerged with new technologies targeting specific applications. Industry pioneers like Stratasys have seen key patents expire and have lost market share to new competition. As a result of these factors, Stratasys has not grown for five years. Some industry participants believe that Stratasys' plastic extrusion technology is simply too slow to be an acceptable solution for higher volume manufacturing. The short position contributed to portfolio returns when Stratasys' shares declined due to year-over-year revenue contraction, continuing market share losses, a talent exodus, the issuance of new shares via a secondary offering, and no significant progress on developing new opportunities in promising additive verticals like metal and dental.

Long positions Apple Inc., Amazon.com, Inc. and Qualcomm Inc. were among the top detractors from performance.

- 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 music, apps and Apple Pay. Apple's continued development of these high-margined services and earnings for wearable products such as the Apple Watch as well as the introduction of 5G phones is enhancing Apple's growth. The shares detracted from portfolio performance as estimates of iPhone production were cut due to easing demand for the 12 Pro model and a normalizing inventory level.
- Amazon continued to generate strong high unit volume growth by taking market share from brick and mortar retailing. In the recent quarter, retail sales surprised notably on the upside as coronavirus has accelerated the adoption of e-commerce. Some of these shoppers will remain loyal beyond the end of social distancing further pushing the permanent market share gain of e-commerce at the expense of brick and mortar. Amazon.com's guidance includes a modest deceleration in the retail sales growth but at still strong levels in the upcoming quarter. The same accelerated trend in adoption was also seen at Amazon's AWS as corporate America embraced cloud offerings in the new distributed workforce environment although profitability in this segment fell short of expectations due to Amazon.com investing in growth initiatives.

  Despite the continuing gains in these large addressable markets, Amazon's share price detracted from performance as investors wait to see how the significant 2020 growth comparisons generated during the economic shutdown affect Amazon's reported growth rates in 2021. Meanwhile, value versus growth equity returns in recent months indicate that investors possibly prefer to chase the transitory performance associated with pure play beneficiaries of economic re-openings while eschewing the potential compounding benefits garnered from high-quality, long-duration innovation led growers like Amazon.
- Qualcomm is a leading semiconductor company with strong positions in telecommunications end markets that position the company as a primary beneficiary of the innovative 5G network standard rollout. Qualcomm is acknowledged as having the best technology specs for 5G chipsets as evidenced by signing up all 75 major OEMs including Apple. Additionally, beyond handsets, Qualcomm has meaningful growth drivers, including the Internet of Things, automobiles, industrials and gaming that provide the company with potential for generating increased earnings.

1st Quarter 2021

While Qualcomm was a notable positive contributor to the portfolio's absolute and relative returns in 2020, during the first quarter, the share price declined and the position detracted from performance. Market demand for chips has been strong; however, Qualcomm hasn't been able to fully exploit the demand as it is capacity constrained. Expectations were high for Qualcomm and while the quarter generally exceeded consensus estimates and forward estimates did rise, the street was anticipating a stronger positive surprise. We believe the production capacity constraints should abate in the second half of this year.

Short exposure to Intel also detracted from performance. Intel designs and manufactures semiconductors for the computing and communications industries. Intel's proprietary intellectual strength and manufacturing prowess versus the competition is deteriorating, which is causing the company to lose market share and profit opportunities. The short position detracted from portfolio returns as the share price reacted positively to the announcement of Pat Gelsinger being hired as chief executive officer, a stronger-than-anticipated quarterly earnings report driven by unusually robust PC sales that we believe are unsustainable and the unveiling of "Intel Unleashed," a new long-term program to help improve manufacturing and spur innovation. This program involves opening two fabrication plants in Arizona, which confirms Intel's commitment to continue as an integrated design manufacturer. Importantly, Intel continues to experience issues with its next generation server chips which are disadvantaging Intel versus the competition.

Prior to February 11, 2021, the Fund was co-managed by a different portfolio manager.

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 March 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. 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 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 stated percentages of Alger Spectra Fund assets as of March 31, 2021: Alphabet Inc. Class C, 4.94%; Microsoft Corporation, 8.32%; NXP Semiconductors NV, 1.29%; Apple Inc., 5.85%; Amazon.com, Inc., 6.05%; and Qualcomm Inc, 1.57%. Short positions Stratsys Ltd. and Intel Corporation represented the equivalent of -0.00% and -0.22% 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. NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.

Fred Alger & Company, LLC. 360 Park Avenue South, New York, NY 10010 / www.alger.com
800.992.3863 (Retail) / 800.223.3810 (Institutional)