Alger Small Cap Focus Fund

2nd Quarter 2021 As of June 30, 2021

Investment Strategy
Primarily invests in a focused portfolio of approximately 50 holdings of small cap companies identified through our fundamental research as demonstrating promising growth potential.

Portfolio Managers

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

Benchmark
Russell 2000 Growth

Ticker Symbol

Class A	**AOFAX**
Class C	**AOFCX**
Class I	**AOFIX**
Class Y	**AOFYX**
Class Z	**AGOZX**

Highlights

- During the quarter, the largest portfolio sector weightings were Health Care and Information Technology. The largest sector overweight was Health Care. The portfolio had no exposure to Financials, Materials, Real Estate or Utilities sectors.
- The Health Care and Industrials sectors provided the greatest contributions to relative performance while the Information Technology and Consumer Discretionary sectors were among the sectors that detracted from results.

Market Environment

The quarter started with investors continuing to favor value equities in anticipation that the grand reopening of the economy and huge amounts of fiscal stimulus would boost the earnings of cyclical stocks. Against that backdrop, fears lingered that stronger-than-expected economic growth, driven in part by government stimulus and increases in consumer spending, could spark inflation. Those concerns appeared to be validated by the May Consumer Price Index climbing 5% year over year, its highest reading since August of 2008. In its June meeting, the Federal Reserve, after previously commenting that inflation pressures may be transitory, adopted a less dovish approach to inflation, signaling that it may raise interest rates in 2023 rather than 2024 and discussing an eventual tapering of its bond buying program, which created uncertainty about the potential duration of the economic recovery. This uncertainty caused a strong rotation into growth stocks as investors sought companies that can generate secular growth earnings, such as technology businesses, as the post Covid-19 economic recovery wanes. For the quarter, the Russell 3000 Growth Index gained 11.38% compared to the 5.16% return of the Russell 3000 Value Index. Small cap growth stocks as measured by the Russell 2000 Growth Index generated a 3.92% return.

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 Small Cap Focus Fund outperformed the Russell 2000 Growth Index during the second quarter of 2021.

Shockwave Medical, Inc., CareDx, Inc. and Heska Corp. were among the top contributors to performance during the second quarter.

- Shockwave Medical is focused on developing and commercializing products to transform the way calcified cardiovascular disease is treated. Shockwave technology treats atherosclerotic cardiovascular disease through the use of its differentiated and proprietary local delivery of sonic pressure for the treatment of calcified plaque, which is known as intravascular lithotripsy (or IVL). The IVL technology is minimally invasive and easy-to-use and significantly improves patient outcomes in both peripheral artery disease and coronary artery disease. During the second quarter, shares of Shockwave performed strong after the company reported better-than-expected earnings for the first three months of 2021, with revenue exceeding consensus expectations. Shockwave issued initial 2021 guidance that was also materially better than consensus expectations. The company is showing strong traction from the launch of its IVL technology for treating coronary artery disease, while demand for the use of IVL in peripheral artery disease remains strong.
- CareDx provides high-value and differentiated diagnostic surveillance products for patients receiving organ or stem cell transplants. Its diagnostic tests can increase the chances of successful transplants by facilitating a better match between donors and recipients of stem cells and organs. In post-transplant diagnostics, CareDx offers tests for monitoring signs of rejection in kidney and heart transplant patients. Shares of CareDx outperformed due to stronger-than-expected first quarter testing volumes, revenues and earnings.

Strong testing volumes were driven by continued adoption of CareDx's heart and kidney rejection tests. In addition, a new reimbursement policy by Medicare will allow CareDx's lung transplant rejection test to be commercialized early next year, which is sooner than previously expected.

- Heska sells diagnostic tools and specialty products including blood testing and supplies, digital imaging technology, software and single-use items primarily for cats and dogs. Heska also offers private label vaccine and pharmaceutical production primarily for cattle and other small mammals. The company has a unique go-to-market strategy, which allows customers to pay for its instruments over time and has helped Heska build a strong recurring revenue stream and continue capturing market share in the attractive veterinary diagnostics market. Shares of Heska outperformed due to impressive first quarter financial results, with strong utilization volumes by the company's veterinary customers. In addition, Heska has several potential near-term growth drivers, including the launch of its Element AIM fecal and urinalysis instrument, entry into offering digital cytology services, increased growth from European customers and higher customer utilization of its products.

Guardant Health, Inc., Viant Technology, Inc. and Eargo, Inc. were among the top detractors from performance.

- Guardant Health is a pioneer in liquid biopsy testing. The company established itself as a leader in the large and underpenetrated blood-based oncology testing market with its comprehensive genomic profiling test, Guardant360. Guardant Health has also leveraged its extensive research and development as well as its commercial infrastructure to develop and sell additional tests. In February, the company launched its minimal residual disease/recurrence monitoring test, Guardant Reveal. The company also plans to launch a blood-based early cancer detection test, called LUNAR-2. Notably, these tests could potentially address a total market that exceeds $50 billion and that is only the U.S.

  We believe Guardant Health's underperformance in the second quarter resulted from two factors. First, the company generated solid but unexciting results for the first quarter, which included only modestly beating expectations and only reiterating its full-year guidance. Given the company's premium valuation, the results were not strong enough to support Guardant's share price. Second, Guardant Health outperformed high growth Tools & Diagnostics companies in the first quarter and there was likely a mean reversion dynamic at play in the most recent quarter.

  We continue to have high conviction in Guardant Health with the company positioned to potentially benefit from multiple trial updates, including for Guardant Reveal and LUNAR-2, and several reimbursement decisions. We believe the company is also positioned to build additional momentum in its core business with the decline of Covid-19 cases in the U.S.

- Viant provides software that enables advertising buying with its programmatic solutions. Viant's main product is its demand side platform, Adelphic, which is an enterprise software platform used by marketers and ad agencies to centralize the planning, buying and measurement of their advertising across most channels. Viant's customers can buy ads across platforms including desktop, mobile, connected TV, linear TV, streaming audio and digital billboards. The stock underperformed during the quarter due primarily to announcements by big tech to remove third party cookies and the Identifier for advertisers, which is a random device identifier assigned to users' devices. Unlike other DSP providers, Viant utilizes a "people-based identification" solution that relies on identity-based data as opposed to cookies or anonymous device identifiers. This gives consumers more visibility and control over their data, inclusive of an opt-out capability. Given the ongoing challenges to individual-level tracking and the rise of connected TV, this people-based approach should continue to gain traction with marketers.

- Eargo introduced its first innovative hearing aid solution into the hearing loss market in 2017 – the first and only virtually invisible, rechargeable, FDA-regulated, completely in-canal device for the treatment of hearing loss, according to the company's Securities and Exchange Commission S-1 filing. Eargo's innovative product and go-to-market approach addresses key pain points of the traditional hearing aid industry that have limited adoption of hearing aids to date, such as accessibility, cost and stigma. The industry generated $8 billion in U.S. hearing aid sales in 2019 and is only 27% penetrated. Eargo had a strong quarter with 74% year over year earnings growth while showing continued improvements in its insurance market, which has less than 2% penetration and a product return rate decreasing to the low 20% rate from the mid-30% rate in 2019. While the company raised its guidance, investors were likely hoping to see a more significant guidance raise. We think management's prudent approach to guidance in its first full year as a public company is appropriate. Furthermore, Eargo falls in the bucket of high-growth, high-multiple stocks and was a beneficiary of Covid-19, which is characteristic of companies that broadly underperformed in the first half of the second quarter.

2nd Quarter 2021

The views expressed are the views of Fred Alger Management, LLC ("FAM") and its affiliates as of June 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 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.

The Board of Trustees of the Alger Small Cap Focus Fund has authorized a partial closing of the Fund effective July 31, 2019. Class A, C, I and Z Shares will be available for purchase by existing shareholders who maintain open accounts and new investors that utilize certain retirement record keeping platforms identified by Fred Alger & Company, LLC, the Fund's distributor. Class I and Z Shares will also be available for purchase by investors who transact with certain brokers identified by the distributor. Please check with your financial advisor regarding the availability of Class I and Z Shares for purchase at their firm. Class Y Shares will remain open to all qualifying investors.

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 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 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. Index performance does not reflect deduction for fees, expenses, or taxes.

The following positions represented the noted percentages of portfolio assets as of June 30, 2021: Shockwave Medical, Inc., 2.39%; CareDx, Inc., 2.79%; Heska Corporation, 2.86%; Viant Technology, Inc. Class A, 0.4%; Guardant Health, Inc., 1.99%; and Eargo, Inc., 1.58%.

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.