Alger Small Cap Focus Fund

3rd Quarter 2021 As of September 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 Manager

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 third 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 Energy and Consumer Discretionary sectors were among the sectors that detracted from results.

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. Small cap growth, as measured by the Russell 2000 Growth Index, declined 5.65%.

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

Repligen Corporation, Monolithic Power Systems, Inc. and Paycom Software, Inc. were among the top contributors to performance.

- Repligen is a leading provider of advanced bioprocessing technologies and solutions used in manufacturing biologic drugs. Repligen's main product areas are in filtration, which involves removing cellular metabolic waste during fermentation; chromatography, which purifies the final biologic drugs; growth factor products, which are used during manufacturing; and process analytics, which is used to analyze the purity of drug substances. The performance of Repligen shares benefited from the company announcing in July that it generated strong second quarter results. Repligen posted impressive organic growth resulting from strong demand for its core products and COVID-19 vaccine manufacturing. In addition, Repligen closed the acquisition of Polymem SA in July to significantly expand its filtration manufacturing capacity and add new technologies. The company also announced the acquisition of Avitidei, which could strengthen its protein and growth factor business.

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- Monolithic Power Systems is a semiconductor company that designs, develops and markets high-performance power solutions. Its core strengths include deep system-level applications knowledge, strong analog design expertise and innovative proprietary process technologies, which enable the company to deliver highly integrated products that are energy efficient, cost effective and easy to use. Monolithic serves the consumer, computing and storage, industrial, automotive and communications end markets. Its strong process technology and use of partners to produce silicon wafers is a unique combination that provides the company with an unencumbered ability to innovate and offer nimble yet scaled manufacturing. Shares of Monolithic outperformed after the company said it produced very strong second quarter results and provided third quarter guidance that exceeded consensus expectations. Monolithic's revenue growth accelerated in an environment in which most analog and broader semiconductor peers have struggled with industry-wide supply constraints. The company is benefiting from its continuous investments in capacity and its ability to carry inventories during previous times of weak demand. The results also underscore the success the company is having with winning contracts to provide sockets, which connect computer motherboards to CPUs. We believe the results increased investor confidence that the company can sustain this strong revenue growth, which is well above the industry average, over the next one to two years.
- Paycom Software is a leading provider of comprehensive, cloud-based human capital management ("HCM") software delivered as software as a service (SaaS). Paycom provides functionality and data analytics that businesses need to manage the complete employment lifecycle, from recruitment to retirement, with a focus on businesses with 50 to 5,000 employees, which represent 72% of U.S. employees. Its HCM functions include talent acquisition, time and labor management, payroll, talent management and human resources. The stock outperformed as a result of the company reporting a robust second quarter that exceeded consensus expectations across key metrics, including its recurring revenue, despite a tight labor market. Paycom continues driving strong growth via its leading technology while the pandemic has created increased demand for its self-service capabilities for employees that are increasingly being embraced by businesses. Its best-in-class sales organization, which includes a dedicated team for smaller employers and direct sales reps for large companies also supported the company's second quarter results. We believe the second quarter illustrates how Paycom is currently positioned to capture market share, deliver attractive revenue growth and profit margins, and producing upside earnings surprises.

CareDx, Inc., Shake Shack, Inc. and Nevro Corp. were among the top detractors from performance.

- CareDx provides high-value and differentiated diagnostic surveillance products for patients receiving organ or stem cell transplants. CareDx's 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 underperformed during the third quarter due to concerns about potential competitive product launches in 2022. One competitor announced plans to launch a cell-free DNA heart transplant test and another competitor announced plans to launch a kidney transplant test. We believe CareDx has a very strong competitive offering and is well positioned to avoid having its products disrupted by new entrants. Additionally, we believe CareDx's markets remain underpenetrated and the company is working to expand its lung transplant testing product.
- Shake Shack is a modern day "roadside" burger stand serving a classic American menu of premium burgers, hot dogs, crinkle-cut fries, shakes, frozen custard, beer and wine. Founded by Danny Meyer's Union Square Hospitality Group ("USHG"), Shake Shack was created by leveraging USHG's expertise in sourcing premium ingredients, community building, hospitality, fine dining and restaurant operations. There are currently 339 locations, including restaurants in 32 U.S. states and the District of Columbia and 116 international locations in cities like London, Hong Kong, Shanghai, Singapore, the Philippines, Mexico, Istanbul, Dubai, Tokyo, Seoul and more.

  Shares of Shake Shack underperformed in the third quarter due to a slower-than-expected recovery in urban locations and a lower-than-expected margin outlook. Sales at Urban locations were still down 18% year over year in July compared to a 23% decline in May, a modest improvement but less than expectations. We believe a delay in return to work has caused a temporary stalling in the company's margin recovery, but this should improve as urban mobility increases and tourism from foreigners normalizes. On margins, the company guided to 15%-17% restaurant-level margins, which was below expectations of 18.9%. This margin outlook factored in higher wage inflation, which the company will begin to offset with a 3.5% price increase in the coming months. We believe margin recovery can potentially follow a sales recovery so near-term revenue choppiness may result in margin weakness but we believe the company is well positioned for when the environment normalizes as the pandemic winds down. Ultimately, we believe the pandemic accelerated Shake Shack's digital efforts, so the company is currently positioned to benefit from a strong online presence. Digital was only 12% of sales in the early months of 2020, but that increased to 47% as of the second quarter of this year.
- Nevro has developed and commercialized a proprietary high frequency spinal cord stimulation (SCS) system. More broadly, this technology is known as neuromodulation, which involves treating pain with electrical stimulation. Today, Nevro's technology is primarily used to treat chronic lower back and leg pain. However, the company received FDA approval to use its system for the treatment of chronic pain associated with painful diabetic neuropathy (PDN) in July, which represents a potentially significant market opportunity. We believe Nevro's underperformance resulted from the company producing weaker-than-expected results for the three-month period ended June 30 and, more importantly, issuance of guidance for the third quarter that was well below investor expectations. The company also withdrew full-year revenue guidance due to limited visibility regarding COVID-19 related recovery trends and timelines. For the third quarter guidance, Nevro attributed its disappointing outlook to the impact of the pandemic and a slow recovery in procedure volumes as patients appear to be holding off on physician office visits and surgeries. However, investors have also been concerned that Nevro may be losing share to competitors and that SCS market growth has moderated. We have sold the position.

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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 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 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 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 September 30, 2021: Repligen Corporation, 3.85%; 3.12%; Paycom Software, Inc., 2.88%; Monolithic Power Systems, Inc., 2.88%; CareDx, Inc., 2.01%; Shake Shack, Inc. Class A, 1.47%; Avitidei, 0.0%; Polymem SA, 0.0%; and Nevro Corp., 0%.

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.

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