

# Alger Mid Cap Focus Fund

**3rd Quarter 2025** As of September 30, 2025

## Ticker Symbols

Class A	ALOAX
Class C	ALOCX
Class I	AFOIX
Class Y	ALOYX
Class Z	AFOZX

## Investment Strategy

Invests in a focused portfolio of approximately 50 holdings of primarily mid cap companies identified through our fundamental research as demonstrating promising growth potential. Seeks long-term capital appreciation.

## Portfolio Management



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

## Benchmark

Russell Midcap Growth

*Standardized performance is available on page 3.*

## HIGHLIGHTS

- During the third quarter of 2025, the largest portfolio sector weightings were Information Technology and Industrials. The largest sector overweight was Information Technology and the largest sector underweight was Consumer Discretionary.
- The Information Technology and Financials sectors contributed to relative performance while Consumer Discretionary and Communication Services were among sectors that detracted from relative performance.

## MARKET ENVIRONMENT

In the third quarter of 2025, U.S. equity markets extended their upward trajectory with the S&P 500 Index up 8.12%. Strong equity market performance was propelled by a combination of improving economic conditions, solid corporate earnings, and growing expectations for monetary easing. A key driver was the shift in Federal Reserve (Fed) policy outlook: what began as a cautious stance going into the third quarter evolved into a more dovish tone as signs of labor market softening emerged. Fed Chair Powell's remarks at Jackson Hole reinforced this pivot, and the September 25-basis-point rate cut marked the resumption of monetary easing. While uncertainty remained about the pace of additional cuts, the prospect of lower rates supported equity valuations and investor sentiment. At the same time, inflation—though still above the Fed's 2% target—showed signs of moderation, allowing markets to focus on the likelihood of policy support rather than restrictive measures.

Corporate earnings provided another strong tailwind, as second-quarter results broadly exceeded expectations, and third quarter guidance remained upbeat despite some tariff-related cost pressures. Many firms successfully mitigated these headwinds through pricing strategies and operational efficiencies, while consumer spending stayed firm, buoyed by steady gains in household net worth and greater clarity around trade tariffs. Within the S&P 500 Index, the Information Technology sector outperformed, driven by continued enthusiasm for artificial intelligence (AI), along with robust demand for cloud and semiconductor products. In contrast, the Consumer Staples sector underperformed the index. While consumer resilience supported market optimism, there was growing acknowledgment that lower-income households are under significant strain, and even higher-income families are feeling pressure, as reflected in increased 'trade-down' shopping behavior.

During the quarter, we continued to observe secular themes that we believe are creating attractive investment opportunities—corporations are digitizing their operations, cloud computing is growing and supporting innovation, and AI is at an inflection point, potentially enabling significant increases in productivity. Moreover, U.S. business spending appears to be accelerating, driven by a confluence of factors—most notably burgeoning demand for AI infrastructure and tax incentives from the One Big Beautiful Bill, which allow companies to deduct 100% of eligible equipment and qualifying manufacturing-facility costs in the year placed in service, boosting near-term cash flow and after-tax returns.

## PORTFOLIO UPDATE

Class A shares of the Alger Mid Cap Focus Fund outperformed the Russell Midcap Growth Index during the third quarter of 2025. Robinhood Markets, Inc., Talen Energy Corp, and Astera Labs, Inc. were among the top contributors to performance.

- Robinhood is a consumer-focused financial platform offering commission-free trading in stocks, options, futures and crypto, alongside retirement investing and subscription benefits via Robinhood Gold. In 2025 the company also broadened into wealth management with Robinhood Strategies (expert-managed portfolios), and announced Robinhood Banking and Robinhood Cortex as part of a wider push to deliver advisory, banking and AI-driven tools within the app. With over 25 million accounts, Robinhood holds roughly 15–20% market share among brokerage accounts, but only about 0.3% of the \$70 trillion in U.S. household investable assets, according to management. Shares contributed positively to relative performance during the period after the company reported strong operating results, with revenues and earnings beating analyst estimates.

## 3rd Quarter 2025

- Talen Energy is an independent power producer operating in the PJM market across the Mid-Atlantic and Midwest, where constrained supply and rising demand from data centers running AI workloads—particularly in northern Virginia—are supporting higher power prices and capacity. Talen also leverages its Cumulus digital infrastructure platform, which includes a hyperscale data center campus adjacent to its Susquehanna nuclear facility, providing carbon-free, low-cost energy directly from the plant and creating incremental revenue opportunities. While fiscal second-quarter operating results were modestly below estimates due to extended outages at Susquehanna, management reaffirmed full-year guidance, reinforcing visibility around future demand and grid revenues. The company also hosted an investor day in September, where management introduced its 2027 and 2028 outlook, which served as a positive catalyst for the stock.
  - Astera Labs designs semiconductor solutions that help large-scale computing systems—such as those used in cloud services and artificial intelligence—move data quickly and efficiently. Its products reduce “bottlenecks,” which occur when data flow slows down inside servers or between chips, limiting overall performance. The company’s Intelligent Connectivity Platform combines specialized hardware with its COSMOS software to create flexible, cost-effective solutions for customers. These technologies are critical for connecting servers, GPUs, and AI accelerators. We believe Astera is well positioned in fast-growing markets like AI and cloud computing, supported by strong partnerships with leading technology providers. Shares contributed positively during the quarter after the company reported better-than-expected fiscal second-quarter results and raised next quarter revenue guidance. Management highlighted steady progress in expanding its networking business, which enables the rapid movement of large volumes of data—a critical requirement for AI computing. Near-term growth is being driven by the company’s P-series switches, hardware devices that direct data traffic within high-speed networks. Management expressed confidence that the upcoming X-series switches, designed for even faster and more efficient data handling, may become a major revenue contributor starting in 2026.
  - Constellation Software acquires and operates niche, mission-critical software businesses across a wide range of industries. The company follows a decentralized model, allowing subsidiaries to remain independent while focusing on long-term ownership and disciplined capital allocation. Shares detracted from performance after the company announced a late-September leadership transition: founder and long-time president Mark Leonard stepped down for health reasons (remaining on the board), and Mark Miller was appointed president. The abrupt change unsettled investors despite management’s emphasis on continuity. Additional pressure came from mixed analyst reactions and market debate about AI’s potential impact on competitive dynamics in software. Although management scheduled a shareholder Q&A to address concerns, headline risk and uncertainty overshadowed otherwise steady execution, weighing on the stock during the quarter.
  - Axon Enterprise is a leading provider of public safety technology spanning TASER conducted-energy devices, body-worn and in-car cameras, and cloud software that manages digital evidence and incident workflows for law-enforcement agencies. The company serves the vast majority of U.S. departments (≈18,000 agencies) and is broadening adoption globally as customers standardize on its integrated hardware-plus-software platform (e.g., TASER 10, Body 4, and Axon Cloud/Evidence.com). We believe Axon’s installed base, recurring software mix, and rapid product cadence create a durable, compounding model with multiple avenues for growth: (1) continued refresh cycles in TASER and sensors; (2) expanding cloud subscriptions embedded in agency workflows; and (3) increasing contribution from AI-enabled features that improve report accuracy, reduce time spent on paperwork, and elevate operational efficiency. Despite delivering better-than-expected fiscal second-quarter earnings, shares detracted from performance as strong year-to-date gains and a premium valuation left the stock vulnerable to profit-taking. The pressure intensified in late September when Axon announced plans to acquire an AI-powered 911 communications platform, prompting concerns about expense intensity and near-term spending. While the stock experienced a short-term pullback, we continue to view Axon favorably, showcasing enterprise AI in action with publicly disclosed time-savings data. Management commentary and robust bookings further reinforce our conviction in the company’s AI-driven cloud momentum and long-term growth outlook.
- Wingstop, Inc., Constellation Software Inc., and Axon Enterprise Inc were among the top detractors from performance.
- Wingstop is a global restaurant brand best known for its cooked-to-order, hand-sauced chicken wings. The company operates just over 2,000 locations worldwide, with most in the United States. Wingstop delivered strong fiscal second-quarter results, exceeding expectations despite facing tough comparisons from prior years. Sales momentum was supported by several factors, including new menu offerings, increased marketing, and continued growth in digital ordering, all of which have boosted brand awareness and profitability. However, shares declined later in the quarter following reports of softer sales trends, as the restaurant industry has experienced a growth slowdown due to broad based consumer price aversion and a rotation towards food-at-home. Despite the near-term industry slowdown, we continue to view Wingstop favorably for its long-term growth potential and near-term catalysts, including the rollout of Smart Kitchen initiatives and an enhanced loyalty program.

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## Average Annual Total Returns (%) (as of 9/30/25)

	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Class A (Incepted 7/29/21)</b>							
Without Sales Charge	14.46	18.98	31.73	22.41	—	—	3.17
With Sales Charge	8.47	12.75	24.81	20.22	—	—	1.84
<b>Russell Midcap Growth Index</b>	2.78	12.84	22.02	22.84	—	—	(Since 7/29/21) 6.06
<b>Total Annual Operating Expenses by Class</b>	Without Waiver:	A: 1.19%					
(Prospectus Dated 2/28/25, unless otherwise amended)	With Waiver:	—					

**Performance shown is net of fees and expenses.**

Only periods greater than 12 months are annualized.

**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. Performance figures assume all distributions are reinvested. Returns with sales charges reflect a maximum front-end sales charge on Class A Shares of 5.25%. Class A shares may be subject to a maximum deferred sales charge of 1.00%. For performance current to the most recent month end, visit [www.alger.com](http://www.alger.com) or call 800.992.3863.**

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The following positions represented the noted percentages of portfolio assets as of September 30, 2025: Robinhood Markets, Inc. Class A, 5.08%; Talen Energy Corp, 3.56%; Astera Labs, Inc., 2.01%; Wingstop, Inc., 1.9%; Constellation Software Inc., 0%; and Axon Enterprise Inc, 2.34%.

**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 or for the Fund's most recent month-end performance data, call (800) 992-3863, visit [www.alger.com](http://www.alger.com), or consult your financial advisor. Read the prospectus and summary prospectus carefully before investing. Distributor: Fred Alger & Company, LLC. NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.**