



# Alger Mid Cap Focus Fund

**4th Quarter 2024** As of December 31, 2024

## 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  
29 Years Investment Experience

## Benchmark

Russell Midcap Growth

## HIGHLIGHTS

- During the fourth quarter of 2024, 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 Industrials sectors contributed to relative performance while Financials and Utilities were among sectors that detracted from relative performance.

## MARKET ENVIRONMENT

U.S. equities were positive in the fourth quarter, largely driven by a decisive U.S. presidential election outcome. Equity markets initially declined in October amid pre-election uncertainty and increased scrutiny of corporate artificial intelligence (AI) spending. However, U.S. equities rebounded sharply in November as Donald Trump's re-election and a GOP majority boosted investor sentiment, with expectations of deregulation and corporate tax reforms supporting corporate earnings growth. Market enthusiasm waned in December following the Federal Reserve's (Fed) FOMC meeting. While the Fed cut rates by 25 basis points (bps) as expected, it signaled caution about the "extent and timing" of future cuts, and its updated Summary of Economic Projections reduced 2025 rate cut expectations to 50bps (from 100bps) while raising economic growth and inflation forecasts.

U.S. Treasury yields surged during the quarter, with 2-year and 10-year yields rising by 60bps and 78bps, respectively, amid concerns over fiscal deficits, post-election tariffs, and inflation pressures. While higher yields weighed on interest rate-sensitive areas like homebuilders, the S&P 500 Index rose 2.41%, led by the Consumer Discretionary and Communication Services sectors. Consumer Discretionary stocks benefited from post-election optimism and stronger consumer spending, while Communication Services stocks gained on strength in streaming, gaming, and digital advertising. Conversely, the Health Care sector underperformed due to potential regulatory scrutiny under the Trump administration, while the Materials sector lagged due to a stronger U.S. dollar and rising yields.

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, in our view. In the Health Care sector, we believe that advances in surgical technologies and innovations within genomic sequencing offer compelling opportunities ahead.

## PORTFOLIO UPDATE

Class A shares of the Alger Mid Cap Focus Fund outperformed the Russell Midcap Growth Index during the fourth quarter of 2024. Palantir Technologies Inc., AppLovin Corp., and Axon Enterprise Inc, were among the top contributors to performance.

- Palantir Technologies builds advanced platforms for data integration, management, and security, enabling interactive, AI-assisted analysis for its users. Its core offerings include Palantir Gotham, designed for government clients, and Palantir Foundry, tailored for commercial customers. Originally focused on U.S. intelligence agencies, Palantir has expanded into defense contracts with western governments and entered the commercial market in 2016. During the quarter, shares contributed to performance after the company reported better-than-expected fiscal third quarter operating results, along with management raising its full year 2024 revenue guidance. Management noted that the recent launch of its AI platform (AIP), which leverages generative AI to optimize business operations, has driven significant growth and investor interest. Additionally, we believe Palantir could be a key partner for the U.S. government's new Department of Government Efficiency (DOGE), as its AI-driven platforms are ideally suited to help identify inefficiencies, allocate resources effectively, and achieve cost reductions.

Standardized performance is available on page 3.

## 4th Quarter 2024

- AppLovin is an advertising technology company offering a digital platform that helps mobile app developers market, monetize, and analyze their apps. We believe the company is experiencing a positive lifecycle change, driven by its AI-powered software engine. While currently focused on mobile gaming, AppLovin is expanding into other market segments. Its Demand Side Platform (DSP) supports ad placements, user acquisition, inventory matching, and performance analytics. Further, we believe AI is central to AppLovin's growth, driving a large majority of the company's revenue through its recommendation and targeting engine. In our view, AppLovin gains a competitive advantage, delivering higher-value app installs by leveraging data from its game portfolio and developer partners. We believe this scale and data advantage enhances its network effect, improving its technology and boosting market share in mobile gaming. As developers use the platform, the company collects data that continuously refines its algorithms, creating more value and attracting more developers to the ecosystem. During the quarter, shares contributed to performance following better-than-expected fiscal third quarter results, reporting a 39% year-over-year (yoy) revenue growth, along with a substantial 182% yoy growth in free cash flow. The company has also been proactive in shareholder returns, authorizing \$2.30 billion for share repurchases.
  - Axon Enterprise is a global leader in providing public safety products and solutions, including TASER conducted energy devices, video hardware and analytics, and software designed to manage every stage of public safety incidents, from initial response to the judicial process. The company also offers select consumer products for personal protection. Axon's primary customer base is U.S. law enforcement, with established relationships across nearly all 18,000 law enforcement agencies in the country. Leveraging its strong foundation with TASER devices, Axon has successfully expanded into adjacent markets, creating a cycle of potential growth opportunities across its business segments. Moreover, the company is experiencing robust growth in all three of its main segments. The TASER segment is seeing strong demand with the launch of TASER 10, replacing the previous TASER 7 model. Their sensors segment is benefitting from the rollout of the Bodycam 4, Axon's latest body-worn camera, while their cloud segment continues to grow as more customers adopt its platform. During the quarter, shares contributed to performance after delivering strong fiscal third quarter operating results, with revenues and earnings exceeding analyst expectations. Management also raised its fiscal 2024 guidance, citing strong product demand, record bookings, early AI adoption, and improved operational efficiency driving sustained growth momentum. Additionally, Axon's AI-driven cloud products are gaining momentum, which we believe reinforces confidence in the company's market opportunities and long-term growth outlook.
- Monolithic Power Systems, Inc., Constellation Energy Corporation, and HEICO Corporation, were among the top detractors from performance.
- Monolithic Power Systems designs high-performance power management solutions, leveraging its expertise in analog design, proprietary process technologies, and system-level applications. Its fabless manufacturing model enables nimble innovation and scalability without requiring the high volumes typical of peers with internal manufacturing. The company serves diverse end markets, including enterprise data, where it has been the sole supplier of power management integrated circuits (ICs) for Nvidia's AI chips since early 2023, driving significant growth. However, recent reports of potential share loss on Nvidia's Blackwell platform due to technical issues, which management refutes, have raised some concerns. While management acknowledges the eventual introduction of additional suppliers, we believe these fears are overblown.
  - Constellation Energy is the largest producer of clean energy in the U.S., with 32,400 Megawatts of capacity, approximately 67% of which is nuclear generated. Its nuclear, hydro, wind, and solar facilities provide 10% of all clean energy on the U.S. grid and 22% of its clean baseload power. We believe the company stands to benefit from the increasing electrification of the U.S. economy. The rise of electric vehicles, data centers, and reshoring of American manufacturing is driving U.S. electricity load growth for the first time in nearly two decades. During the quarter, shares detracted from performance due to a combination of regulatory challenges and broader industry pressures. The Federal Energy Regulatory Commission (FERC) rejected an interconnection agreement between Talen Energy's Susquehanna nuclear plant and an Amazon data center, raising concerns about similar deals and regulatory hurdles for the nuclear industry. While this event was outside Constellation's control, we believe it does not alter the thesis that tight power markets should drive higher pricing for the company. In our view, the FERC rejection also underscores anticipated tightness in mid-Atlantic power markets, reinforcing the long-term value of Constellation's under-monetized assets.
  - Heico is a leading manufacturer of Federal Aviation Administration (FAA) approved jet engine and aircraft component replacement parts. Its Flight Support Group (FSG) provides FAA-approved aircraft and engine replacement parts, while the Electronics Technologies Group (ETG) serves industries such as aerospace, defense, homeland security, space, and medical with specialized electronic components. We believe the company is well-positioned to benefit from the steady aging of the global commercial aerospace fleet, resulting in increased consumption of aftermarket parts. Additionally, ongoing production issues from two major aircraft manufacturers have reduced the projected new plane deliveries, further supporting our view that the average age of the global fleet is likely to remain elevated over the next few years. During the quarter, shares detracted from performance after the company reported mixed fiscal fourth-quarter results. While earnings met analyst estimates, revenues fell short of consensus, accompanied by a modest revenue slowdown in commercial aerospace aftermarket revenue, which was largely expected. Despite this, we believe the company remains well-positioned for long-term growth potential within the commercial aerospace aftermarket.

## 4th Quarter 2024

## Average Annual Total Returns (%) (as of 12/31/24)

	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Class A (Incepted 7/29/21)</b>							
Without Sales Charge	10.72	31.46	31.46	-1.37	—	—	-1.27
With Sales Charge	4.90	24.54	24.54	-3.13	—	—	-2.82
<b>Russell Midcap Growth Index</b>	8.14	22.10	22.10	4.04	—	—	(Since 7/29/21) 3.71

**Total Annual Operating Expenses by Class**  
(Prospectus Dated 3/1/24, unless otherwise amended)

Without Waiver:	A: 1.14%
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 Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®," are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. The S&P indexes are a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Fred Alger Management, LLC and its affiliates. Copyright 2025 S&P Dow Jones Indices LLC, a subsidiary of S&P Global Inc. and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part is prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

Alger pays compensation to third party marketers to sell various strategies to prospective investors.

The following positions represented the noted percentages of portfolio assets as of December 31, 2024: AppLovin Corp. Class A, 5.22%; Palantir Technologies Inc. Class A, 5.54%; Axon Enterprise Inc, 4.52%; Monolithic Power Systems, Inc., 1.29%; Constellation Energy Corporation, 2.23%; HEICO Corporation, 3.92%; Talen Energy Corp., 0.0%; Amazon.com, Inc., 0.0%; Nvidia Corporation, 0.0%.

**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 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.**