

# Alger Spectra Fund

4th Quarter 2023 As of December 31, 2023

## Ticker Symbols

Class A	<b>SPECX</b>
Class I	<b>ASPIX</b>
Class Y	<b>ASPYX</b>
Class Z	<b>ASPZX</b>

## 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). Seeks long-term capital appreciation.

## Portfolio Management



**Patrick Kelly, CFA**  
Executive Vice President  
Portfolio Manager,  
Head of Alger Capital Appreciation  
and Spectra Strategies  
*26 Years Investment Experience*



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



**Dr. Ankur Crawford**  
Executive Vice President  
Portfolio Manager  
*19 Years Investment Experience*

## Benchmark

Russell 3000 Growth

*Standardized performance is available on page 3.*

## Highlights

- During the fourth quarter of 2023, the largest portfolio sector weightings were Information Technology and Communication Services. The largest sector overweight was Energy and the largest sector underweight was Consumer Staples.
- The Health Care and Communication Services sectors contributed to relative performance while Consumer Staples and Information Technology were among sectors that detracted from relative performance.

## Market Environment

In the final quarter of 2023, U.S. equities experienced a strong rally, where the S&P 500 Index finished up 11.69%. The fourth quarter was one of considerable easing in financial conditions, notably in the final two months of the year. This shift was primarily driven by Federal Reserve (Fed) officials acknowledging in October that the tightening financial measures implemented throughout 2023 had reduced the need for further rate hikes. Moreover, disinflation traction remained a high-profile market theme throughout the quarter, where the October Core Consumer Price Index report came in below consensus. Further, the October Core Personal Consumption Expenditure Price Index, the Fed's preferred inflation measure, also fell to the lowest level since March 2021.

In late November, the Fed pivot theme gained momentum when Fed Governor Christopher Waller said continued disinflation over the next several months could lead to rate cuts in 2024. The December Federal Open Market Committee (FOMC) meeting reinforced this dovish stance, as the median 2024 dot plot implied 75 bps worth of easing. Additionally, consumer resilience, strong third quarter corporate earnings and an anticipated rebound in earnings growth in 2024 were other contributors to the fourth quarter market rally. Elsewhere, falling oil prices led to underperformance within the Energy sector relative to the S&P 500 Index, while the Real Estate sector saw strong relative outperformance given the slide in interest rates, where the 10-year treasury note fell 70 bps to 3.88%. For the quarter, growth stocks, as measured by the Russell 3000 Growth Index, rose 14.09%.

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, in our view, potentially enabling significant increases in productivity. 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 Spectra Fund outperformed the Russell 3000 Growth Index during the fourth quarter of 2023. Microsoft Corporation, Amazon.com, Inc., and NVIDIA Corporation, were among the top contributors to performance.

- Microsoft is a beneficiary of corporate America's transformative digitization. Microsoft's CEO expects technology spending as a percent of Gross Domestic Product (GDP) to jump from about 5% now to 10% in 10 years and that Microsoft will continue to capture market share within the technology sector. The company operates through three segments: Productivity and Business Processes (Office, LinkedIn, and Dynamics), Intelligent Cloud (Server Products and Cloud Services, Azure, and Enterprise Services), and More Personal Computing (Windows, Devices, Gaming, and Search). During the quarter, the company reported strong fiscal first quarter results, where revenues and earnings beat analyst estimates, driven in large part to growing AI demand. Regarding Intelligent Cloud segment, management noted Azure optimizations were similar to the previous quarter, but new AI and traditional workloads are helping drive greater consumption growth, which resulted in their first reacceleration since March 2022. We believe the strong Azure performance suggests diminishing cost optimization headwinds and growing strength in AI service consumption

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- Amazon.com is a well-known online retailer and cloud computing leader. The company's Amazon Web Services (AWS) business provides utility-scale cloud offerings that facilitate corporate America's transition to digital systems. During the quarter, shares contributed to performance as Amazon reported strong fiscal third quarter results, where the company beat sales and earnings estimates. Moreover, AWS growth remained steady, contributing to Amazon's better-than-expected operating income despite concerns around cloud cost optimizations, showing signs of increasing net new cloud workloads. While management noted that customers remain price-conscious and focused on deals, demand remains strong across all segments, leading the company to raise their fiscal fourth quarter revenue and operating income guidance.
- Nvidia Corporation is a leading supplier of graphics processing units (GPUs) for a variety of end markets, such as gaming, PCs, data centers, virtual reality and high-performance computing. The company is leading in most secular growth categories in computing, and especially artificial intelligence and super-computing parallel processing techniques for solving complex computational problems. Simply put, Nvidia's computational power is a critical enabler of AI and therefore critical to AI adoption, in our view. During the period, shares contributed to performance as Nvidia reported solid fiscal third quarter results well above analyst expectations, driven by strong demand from data centers. Growing AI data center workloads are driving demand for the increased interconnections and fully accelerated software stacks, thereby enabling leading application performance and fast result times.
- Schlumberger provides technology for reservoir characterization, drilling, production, and processing to the oil and gas industry. During the quarter, the company reported fiscal third quarter operating results that were slightly above consensus estimates, driven by growth in international markets, namely Saudi Arabia, Kuwait, and Egypt. However, shares detracted from performance as declining oil prices weighed on the stock throughout the quarter, along with concerns around a lower North America rig count.
- Trade Desk is a demand-side platform (DSP) that allows advertisers to buy digital ad inventory across various ad formats and channels in the open internet and streaming / connected TV platforms, such as video, audio, digital out-of-home, native display, and social. The company separates itself from competitors through its real-time bidding capabilities and extensive data sources that blends third-party data and advertisers' own first-party data resources. During the quarter, the company reported fiscal third quarter operating results that were in line with consensus estimates but lowered their fiscal fourth quarter guidance. Management cited some weakness driven by temporary ad pause given geopolitical tensions (i.e., Middle East) and vertical-specific macroeconomic trends (i.e., Automotive and Media strikes) seen in October and early November. We believe near-term caution from advertisers is likely to pass once macroeconomic conditions normalize.

Our short position in a company that manufactures and supplies electrical, electronic, and active safety technology to the automobile industry positively impacted our performance. We initiated our short position anticipating earnings risks due to the United Auto Workers strike and concerns over reduced consumer demand for automobiles in a slower spending environment. These factors led to a decline in the company's share price, thereby contributing positively to our short position during the quarter.

Tesla, Inc., Schlumberger N.V., and Trade Desk, Inc. were among the top detractors from performance.

- Tesla is an electric vehicle manufacturer with a significant technological lead in its large and rapidly growing addressable market. Tesla is a transportation company that is setting the pace for industry innovation, in our view. During the quarter, the company reported weaker-than-expected fiscal third quarter earnings, where gross margins were negatively impacted by factory downtime and ramping production volumes at new manufacturing plants. However, the company noted that they remain confident by the amount of data that Tesla's established and growing fleet of vehicles has gathered, which may bode well for the company's full self-driving capabilities.

Our short position in a cloud software company specializing in endpoint security for enterprises negatively impacted our performance. With cloud computing being a pivotal aspect of corporate America's digital transformation, ensuring its security is vital. We took a short position based on the view that slowing growth in the company's core endpoint market, due to corporate budgets shifting towards AI adoption, would reduce IT spending in other areas. Additionally, we anticipated pressure from emerging competitors in the cybersecurity market. Contrary to our expectations, the company reported stronger-than-expected quarterly results, driven by new product growth that offset the deceleration in its core endpoint business. Consequently, the company's share price increased during the quarter, which negatively impacted our short position.

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## Average Annual Total Returns (%) (as of 12/31/23)

	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Class A</b> (Incepted 7/28/69)							
Without Sales Charge	14.80	41.34	41.34	-1.41	12.70	10.98	15.18
With Sales Charge	8.76	33.94	33.94	-3.17	11.49	10.38	15.06
<b>Russell 3000 Growth Index</b>	14.09	41.21	41.21	8.08	18.85	14.33	—
<b>Total Annual Operating Expenses by Class</b> (Prospectus Dated 3/1/23, unless otherwise amended)	Without Waiver:	A: 1.48%					
	With Waiver:	—					

Performance shown is net of fees and expenses.

Only periods greater than 12 months are annualized.

The first full calendar year that Fred Alger Management, LLC was the Fund's investment manager was 1975; therefore, since inception performance is reflected as of this date. 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. 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. Performance from February 13, 1996 through September 23, 2008 is that of the Fund's Class N Shares, adjusted to reflect applicable sales charges and operating expenses.

**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.**

**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 environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases and similar public health threats, 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. 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. Active trading may increase transaction costs, brokerage commissions, and taxes, which can lower the return on investment. At times, cash may be a larger position in the portfolio and may underperform relative to equity securities. **Investing in innovation is not without risk and there is no guarantee that investments in research and development will result in a company gaining market share or achieving enhanced revenue.** Companies exploring new technologies may face regulatory, political or legal challenges that may adversely impact their competitive positioning and financial prospects. Also, developing technologies to displace older technologies or create new markets may not in fact do so, and there may be sector-specific risks as well. As is the case with any industry, there will be winners and losers that emerge and investors therefore need to conduct a significant amount of due diligence on individual companies to assess these risks and opportunities.

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The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. The personal consumption expenditures index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services, constructed by the Bureau of Economic Analysis. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. Disinflation is when inflation is decelerating. 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® Growth Index performance does not reflect deductions for fees or expenses. The indices presented are provided for illustrative purposes, reflect the reinvestment of dividends and do not assess fees and expenses that would have the effect of reducing returns. Investors cannot invest directly in any index. The index performance does not represent the returns of any portfolio advised by Fred Alger Management, LLC and actual client results might differ materially than the indices shown. **Note that past performance is no guarantee of future results.** Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell 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 2024 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 are 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 stated percentages of Alger Spectra Fund assets as of December 31, 2023: Microsoft Corporation, 14.38%; Amazon.com, Inc., 7.88%; NVIDIA Corporation, 7.7%; Schlumberger N.V., 0%; Trade Desk, Inc. Class A, 0.71%; Tesla, Inc., 1.87%;

**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](http://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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