

# Alger Small Cap Focus Fund

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

## Ticker Symbols

|         |       |
|---------|-------|
| Class A | AOFAX |
| Class C | AOFCX |
| Class I | AOFIX |
| Class Y | AOFYX |
| Class Z | AGOZX |

## Investment Strategy

Invests in a focused portfolio of approximately 50 holdings of primarily small 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 2000 Growth

Standardized performance is available on page 3.

## HIGHLIGHTS

- During the third quarter of 2025, the largest portfolio sector weightings were Health Care and Industrials. The largest sector overweight was Health Care and the largest sector underweight was Financials.
- The Utilities and Financials sectors contributed to relative performance while Consumer Discretionary and Information Technology 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 Small Cap Focus Fund underperformed the Russell 2000 Growth Index during the third quarter of 2025. Nebius Group N.V., Talen Energy Corp, and Tutor Perini Corporation were among the top contributors to performance.

- Nebius is a leading provider of AI infrastructure and cloud-based solutions, delivering specialized GPU computing capabilities designed to support large-scale AI workloads for enterprise and research clients globally. We find Nebius compelling due to its impressive growth trajectory and expanding deployment of advanced Nvidia GPU technology within data centers across Europe and North America, positioning it as a key beneficiary of accelerating AI adoption. During the period, shares contributed positively, aided by continued demand for AI compute and a landmark multi-year agreement with Microsoft. Under this deal, Nebius will supply dedicated GPU infrastructure to power Microsoft's AI services, marking Nebius's first long-term contract with a major cloud service provider. We believe this partnership not only validates Nebius's technology and execution capabilities but also provides a significant revenue anchor, reinforcing its role as a critical player in the global AI infrastructure ecosystem.



### 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.
- Tutor Perini Corporation is a leading construction company providing a broad range of general contracting, construction management, and design-build services to private and public-sector clients globally. Tutor Perini's offerings include comprehensive project management—from pre-construction planning to detailed scheduling of labor, equipment, materials, and subcontractors—as well as self-performed construction services such as site preparation, concrete forming and placement, steel erection, electrical work, mechanical systems, plumbing, HVAC (heating, ventilation, and air conditioning), and fire protection. Shares of Tutor Perini contributed positively during the quarter after the company reported strong second-quarter results and increased its full-year 2025 earnings guidance. Management also reiterated expectations for a meaningful step-up in earnings in 2026, reflecting a supportive infrastructure spending backdrop and continued improvement in project execution, which together bolstered investor confidence.
- Wingstop, Inc., Portillo's, Inc., and Q2 Holdings, 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.
  - Portillo's is a fast-casual restaurant chain best known for Chicago-style hot dogs and Italian beef sandwiches, operating company-owned locations across the United States. During the quarter, shares detracted from performance after the company reported weaker-than-expected fiscal second-quarter results. Management also reduced full-year guidance for same-restaurant sales, citing softer traffic and underperformance at some newer restaurants. In our view, concerns about slower same-store momentum, moderated development pace, and industry pricing/promotional pressure overshadowed the brand's longer-term expansion narrative.
  - Q2 provides secure, cloud-based digital banking software to regional and community financial institutions, offering retail and commercial digital banking, lending, and related solutions delivered as subscriptions. During the quarter, the company reported solid second-quarter results and raised its full-year outlook. However, shares detracted from performance as investors focused on several mixed signals: management noted higher-than-typical churn, a slight sequential dip in gross margin related to cloud-migration costs, and muted growth in discretionary services, all of which tempered enthusiasm around the otherwise strong subscription momentum and guidance raise. Further, we believe the stock experienced a valuation reset amid mixed sell-side signals and elevated headline valuation metrics, which added pressure late in the quarter. In our view, Q2's long-term fundamentals remain intact, as the company is well positioned to benefit from the continued digitization of banking and expanding relationships with larger institutions.

## 3rd Quarter 2025

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

|                                                                                                         | QTR                             | YTD           | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception      |
|---------------------------------------------------------------------------------------------------------|---------------------------------|---------------|--------|---------|---------|----------|----------------------|
| <b>Class A</b> (Incepted 3/3/08)                                                                        |                                 |               |        |         |         |          |                      |
| Without Sales Charge                                                                                    | 8.61                            | 3.17          | 10.81  | 8.75    | -3.84   | 7.97     | 7.56                 |
| With Sales Charge                                                                                       | 2.90                            | -2.23         | 4.99   | 6.81    | -4.87   | 7.39     | 7.23                 |
| <b>Russell 2000 Growth Index</b>                                                                        | 12.19                           | 11.66         | 13.56  | 16.68   | 8.41    | 9.91     | (Since 3/03/08) 9.58 |
| <b>Total Annual Operating Expenses by Class</b><br>(Prospectus Dated 2/28/25, unless otherwise amended) | Without Waiver:<br>With Waiver: | A: 1.22%<br>— |        |         |         |          |                      |

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

Only periods greater than 12 months are annualized.

Prior to August 7, 2015, the Fund followed different investment strategies under the name "Alger Growth Opportunities Fund" and prior to February 12, 2015 was managed by a different portfolio manager. Effective August 7, 2015, the Fund's primary benchmark is the Russell 2000 Growth Index.

**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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**S&P 500® Index:** An index of large company stocks considered to be representative of the U.S. stock market. Index performance does not reflect deductions for fees, expenses, or taxes. **Russell 2000® Growth Index:** Measures the performance of the small-cap growth segment of the U.S. equity universe. Index performance does not reflect deductions for fees, expenses, or taxes. After March 24, 2025, FTSE Russell implemented a new methodology capping individual companies at no more than 22.5% of the index and capping companies that have a weight greater than 4.5% in aggregate at no more than 45% of the index. Index performance does not reflect deduction for fees, expenses, or taxes. 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. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

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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 September 30, 2025: Nebius Group N.V. Class A, 5.48%; Talen Energy Corp, 3.95%; Tutor Perini Corporation, 4.23%; Wingstop, Inc., 1.87%; Portillo's, Inc. Class A, 0%; Q2 Holdings, Inc., 1.94%; NVIDIA Corporation, 0%; and Microsoft Corporation, 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](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.**