

Form ADV Part 2A  
Brochure

**Fred Alger Management, Inc.**

360 Park Avenue South

New York, NY, 10010

Phone: (212) 806- 8800

Fax: (212) 806-2994

[www.alger.com](http://www.alger.com)

Brochure Date: September 6, 2012

This brochure provides information about the qualifications and business practices of Fred Alger Management, Inc. If you have any questions about the contents of this brochure, please contact us at (212) 806-8800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Fred Alger Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration of Fred Alger Management, Inc. with the SEC does not imply any level of skill or training.

## **(2) Material Changes:**

There have been no material changes to Part 2A of Fred Alger Management, Inc.'s Form ADV. In the future, you can look to this section of the brochure for a summary of material changes made since the last update.

### **(3) Table of Contents:<sup>1</sup>**

(4)Advisory Business .....	4
(5)Fees and Compensation .....	6
(6)Performance Based Fees and Side-by-Side Management .....	11
(7)Types of Clients .....	11
(8)Methods of Analysis, Investment Strategies and Risk of Loss .....	12
(9)Disciplinary Information.....	20
(10)Other Financial Industry Activities and Affiliations.....	19
(11)Code of Ethics, Participation in Client Transactions and Personal Trading.....	25
(12)Brokerage Practices.....	27
(13)Review of Accounts .....	31
(14)Client Referrals and Other Compensation.....	32
(15)Custody .....	33
(16)Investment Discretion.....	34
(17)Voting Client Securities .....	34
(18)Financial Information .....	35
(19)Requirements for State-Registered Advisers .....	35
Privacy Policy.....	36

---

<sup>1</sup> The SEC requires advisers to use a certain format and certain headings for this Brochure. To the extent that a particular item does not apply to Alger Management's business, we will indicate that it is not applicable.

## (4) Advisory Business

Fred Alger Management, Inc. (“Alger Management”) has been an independent, privately owned firm since its inception in 1964. Alger Management is wholly-owned by Fred Alger & Company, Incorporated (“Alger Inc.”), which is wholly-owned by Alger Associates, Inc. (“Alger Associates”). Nicole D. Alger, Hilary M. Alger, and Alexandra D. Alger own in the aggregate in excess of 99% of the stock of Alger Associates.

Alger Management provides both discretionary and non-discretionary investment advisory services for institutional investors through separate accounts and U.S. and foreign registered and privately offered mutual funds; and to retail investors through wrap programs (described below) and U.S. and foreign registered mutual funds. Equity investments include both exchange-listed securities and over-the-counter securities of U.S. and foreign companies. Alger Management also provides investment advice with respect to other securities, including convertible securities, options and warrants, to a lesser extent corporate debt securities, mutual fund shares, United States Government and Agency securities, currency contracts and options contracts for various securities and securities indices.

### Our Philosophy

Since Alger’s founding, we have targeted companies undergoing Positive Dynamic Change, which we believe offers the best long-term growth potential for our clients. By Positive Dynamic Change, we mean those companies experiencing:

**High Unit Volume Growth:** These are companies that are experiencing growing demand for their product(s), have a strong business model, enjoy market dominance, and generate free cash flow. We track the growth phases of the company closely, aiming to own its stock during the company’s highest growth period.

**Positive Life Cycle Change:** These are companies that are experiencing slow growth or have a muddled focus and a positive catalyst drives them to an accelerated growth phase. Positive catalysts include new management, product innovation, a new acquisition, or new regulations. Through rigorous, original, fundamental research, we strive to uncover companies with the strongest fundamentals and the ability to leverage change strategically.

Alger Management offers multiple investment strategies, including Analyst, Capital Appreciation, China Domestic, China-U.S. Growth, Dynamic Return, Emerging Market, Green, Growth & Income, Growth Opportunities, Health Science, Large Cap Growth, Large Cap Growth II, Large Cap Quantum Core, Mid Cap Growth,

Mutual Fund Balanced, Small Cap Growth, Small Mid Cap Growth, Small Mid Cap, Spectra, SRI Large Cap, and 130/30.

Within the strategies offered by Alger Management, clients may impose restrictions on investing in certain securities, certain types of securities, or with respect to the percentage of ownership in any single security. Alger Management also offers socially and environmentally responsible screens that can be utilized to avoid certain types of securities at a client's request. Alger Management will not enter into an advisory relationship with any prospective client whose investment objectives may be considered incompatible with Alger Management's investment philosophy or strategies or who seeks to impose unduly restrictive guidelines.

### **Wrap Fee Programs**

Clients may access a number of Alger's investment strategies through programs sponsored by unaffiliated financial intermediaries, advisers or planners in which Alger Management serves as an investment adviser ("wrap programs"). The wrap programs for which Alger Management serves as a portfolio manager are listed in Section 5.I(2) of Alger Management's Form ADV Part 1.

In a typical wrap program, each client enters into an agreement with the sponsor of the wrap program, and each investment manager available in the program maintains a sub-advisory agreement with the sponsor of the wrap program. Alger Management offers advisory services through the following types of wrap programs:

#### *Single Contract Program*

- Alger Management enters into an agreement with the wrap program sponsor to provide discretionary advisory services to the sponsor's clients.

#### *Dual Contract Program*

- Fees and services are unbundled and Alger Management enters into an investment advisory agreement directly with the client, who then enters into a separate contract with the sponsor which covers custodian, brokerage and other service provider fees.

#### *Model Portfolio Program*

- Alger Management provides a model portfolio to the wrap program sponsor to duplicate on behalf of the client.

In Single and Dual Contract Wrap Programs, sponsors offer clients a package of services which includes investment management services provided by Alger Management. Clients may have direct access to Alger Management personnel.

Generally in these cases, clients pay the sponsor a single fee (the wrap fee) and Alger Management receives a percentage of the wrap fee for its services from the sponsor. Alger Management's fee schedule is discussed in more detail in Item 5: Fees and Compensation, below.

In a Model Portfolio Program, Alger Management enters into an agreement with the sponsor to provide an initial model portfolio, which the sponsor then seeks to replicate for its clients. Alger Management will then regularly provide updated model portfolio information to sponsors. Investors participating in a Model Portfolio Program generally will have less access to Alger Management personnel.

In managing accounts in a wrap program, Alger Management generally seeks to invest in fewer securities and have lower turnover than it does for separate accounts or mutual funds it advises. Alger Management also tries to avoid investing in illiquid or foreign securities in wrap program accounts and such accounts will not participate in allocations of initial public offerings. Alger Management is also sensitive to the tax status of the investor, and attempts to minimize the tax impact of portfolio transactions. As a result of these sensitivities, Alger Management generally takes more time to review and implement recommendations to transact for wrap program accounts, and as such wrap program accounts generally trade after other accounts. Accordingly, Alger Management does not generally aggregate transactions on behalf of wrap fee accounts with other accounts or funds it advises (see Item 12: Brokerage Practices for details about Alger Management's trade aggregation practices). Further, Alger Management maintains relationships with multiple sponsors and transactions through different sponsors are also not aggregated. Rather, Alger Management employs a random rotation among sponsors to ensure that trading does not systematically favor any particular sponsor.

These practices may have a negative effect on the wrap program account's performance, which may be lower than the performance of a separate account or mutual fund using the same strategy.

### **Client Assets Under Management**

As of December 31, 2011, Alger Management managed \$14,384,691,228 of client assets on a discretionary basis, and \$534,624,209 of client assets on a non-discretionary basis.

### **(5) Fees and Compensation:**

Alger Management offers investment advice to its clients including separate accounts, U.S. and foreign registered investment companies (mutual funds), and privately offered investment vehicles. Alger Management is usually paid an

advisory fee, calculated as a percentage of assets under management. Alger Management's standard fee schedules for the accounts it manages are described below. Fees are negotiable, and as a result, potential or existing clients may pay higher or lower fees than noted below and one client may pay a higher fee to Alger Management than a second client who is receiving substantially similar services. A client may be offered a fee that varies from the standard fee schedule for, among other reasons, the level of investment management activity and supervision required, the size of the client's account, the length of the relationship, the nature of the discretionary service provided, the types of investment guidelines and restrictions applicable to the account, the level of client service required, or when Alger Management is adding a new strategy or trying to increase assets in an existing strategy.

Employees of Alger Management and its affiliates may hire Alger Management, and may be charged reduced or no management fees. Wrap account clients are generally billed by the wrap program sponsor and are discussed more fully below.

Alger Management generally does not charge fees in advance to clients. With respect to the clients that are billed in advance, if the advisory contract is terminated before the end of the billing period, Alger Management will refund a pro-rata portion of the advisory fee. Clients are generally billed in arrears either on a monthly or quarterly basis with billing generally based on either the account's total market value at the end of each quarter, or on the average of each month-end or quarter-end market value. Mutual fund advisory fees are billed on a monthly basis based on average daily net assets.

### Fee Schedule

Large Cap Equity		Mid Cap Equity	
0.65%	First \$25 million	0.85%	First \$25 million
0.55%	Next \$25 million	0.75%	Next \$25 million
0.45%	Next \$50 million	0.65%	Next \$50 million
0.35%	Over \$100 million	0.55%	Over \$100 million
Small Cap Equity		SMid Cap Equity	
1.00%	First \$25 million	0.90%	First \$25 million
0.85%	Next \$25 million	0.80%	Next \$25 million
0.75%	Next \$50 million	0.70%	Next \$50 million
0.70%	Over \$100 million	0.60%	Over \$100 million
Capital Appreciation Equity (clients under \$100 million in initial funding)*		China Equity	
0.65%	First \$50 million	1.20%	First \$25 million
0.55%	Next \$50 million	0.90%	Next \$25 million
0.45%	Next \$150 million	0.80%	Over \$50 million
0.35%	Over \$250 million		
Health Sciences Equity		Spectra Equity (clients under \$100 million in initial funding)*	
1.00%	First \$25 million	0.74%	First \$50 million
0.85%	Next \$25 million	0.64%	Next \$50 million
0.75%	Next \$50 million	0.54%	Next \$150 million
0.70%	Over \$100 million	0.44%	Over \$250 million
Growth & Income Equity (clients under \$100 million in initial funding)*			
0.55%	First \$25 million		
0.50%	Next \$25 million		
0.45%	Next \$50 million		
0.375%	Next \$150 million		
0.30%	Over \$250 million		

\*A different fee schedule applies to clients whose initial funding is in excess of \$100 million.

## Wrap Program Fee Structures

In both Single/Dual Contract and Model Portfolio programs, clients typically pay a single all-inclusive wrap fee to the wrap program sponsor that covers, among other things, advisory, brokerage execution and custodial services. For its services, Alger Management receives a portion of the wrap fee the sponsor charges to clients. Alger Management's fee generally ranges between .30% and .75% of an account's market value annually.

Alger Management generally does not negotiate brokerage commissions or other costs related to the execution of trades in a wrap program account, because those charges are generally included in the single fee paid by the client to the sponsor. Alger Management generally assumes that the execution of trades through the sponsor at no additional expense will provide best execution as compared to placing the trade with a broker-dealer other than the sponsor. In the event that Alger Management was to pick a broker-dealer other than the sponsor, the client would typically pay a commission, concession, or dealer mark-up or mark-down in addition to the wrap fee paid to the sponsor.

## Custodial and Brokerage Fees

Each client (other than wrap clients described above) must select a custodian (generally a bank or broker-dealer) to provide custodial services in connection with the management of its account. The cost of these services is not included in Alger Management's fees described above. Clients will be responsible for paying any such additional costs charged by custodians. These costs include, but are not limited to:

- Margin interest
- Costs relating to exchanging foreign currencies
- Odd lot differentials
- Regulatory fees (*e.g.*, fees charged by the SEC)
- Transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, and settlement fees, and other fees or taxes required by law.

The advisory fees charged by Alger Management generally do not include the costs, expenses or commissions that a broker or dealer may charge in connection with transactions executed on behalf of an account. These brokerage costs are generally borne directly by clients. Alger Management's fees also do not cover mark-ups and mark-downs that broker-dealers may receive, dealer spreads that broker-dealers may receive when acting as principal in certain transactions, the amount of any annual retirement plan fees or the fees and expenses a client may incur as a shareholder of a mutual fund.

## **Brokerage Through Alger Inc.**

Alger Inc., an affiliate of Alger Management, is a registered broker-dealer. Alger Inc. does not conduct public brokerage business and serves, in part, as a broker-dealer for trades placed on behalf of Alger Management clients. Any such trading is at the client's discretion and trades may be directed wholly or in part to non-affiliated broker-dealers. To the extent that Alger Inc. charges commissions to Alger Management clients for such trades, Alger Management does not reduce its advisory fees to offset such charges. Alger Management may, in certain circumstances, charge a higher advisory fee than it would have otherwise charged, and provide its clients with brokerage services through Alger Inc. at no commission charge. Consistent with its obligation to provide best execution, it is anticipated that the commissions, rates and fees charged by Alger Inc. will be commercially reasonable. The use of Alger, Inc.'s brokerage services is described more fully in Item 12: Brokerage Practices and information about Alger Management's conflicts related to its affiliates is described more fully in Item 10: Other Financial Activities and Affiliations, below.

## **Investment Vehicle Fees**

Investors may access Alger Management's capabilities through pooled investment vehicles advised or sub-advised by Alger Management. In such cases, Alger Management or its affiliates receive advisory, performance-based, shareholder servicing, administration, co-administration and/or distribution fees directly from the vehicles, from the investors in the vehicles, and/or from other investment advisers' mutual funds for which Alger Management acts as an adviser or sub-adviser. The fees and other contractual arrangements for each of these vehicles are described in the prospectus or other offering documents for each such vehicle and differ from the separate account fees described above.

Subject to requirements of applicable law and the consent of each client, Alger Management may invest its client assets in pooled investment vehicles managed by Alger Management or its affiliates. In the event of investment of a client's assets in such pooled vehicles, Alger Management will take steps to avoid having the client pay duplicative fees. There can be no assurance, however, that duplicative fees will not be charged.

## **Compensation for the Sale of Securities and Other Investment Products**

While Alger Management and its employees generally do not receive compensation for sales of Alger Management advised investment products, Alger Inc. serves as the principal underwriter for mutual funds advised by Alger Management and as a broker-dealer for securities transactions placed on behalf of Alger Management clients and accounts. The compensation received by Alger Inc. for its brokerage services is discussed above.

When acting as the principal underwriter, Alger Inc. generally receives an asset based fee for distribution or shareholder servicing from the funds advised by Alger Management.

Alger Inc. sales personnel may receive as compensation a portion of the fees earned by Alger Management as well as a portion of the fees received by Alger Inc. Such compensation may be higher for some products or services than others and thus the incentive to sell those products may be greater. Alger Management and Alger Inc. carefully consider and attempt to limit and manage these conflicts of interest when setting up investment products, guidelines for the selection of share classes, sales incentives, and compensation practices.

To the extent Alger Management offers its services through investment products such as mutual funds, clients may purchase or sell these products through brokers or agents that are not affiliated with Alger Management. Alger Management may enter into revenue-sharing arrangements with certain of these brokers or agents and such arrangements differ depending on the broker-dealer or agent. A purchase or sale through a given broker or agent therefore may result in greater profit to Alger Management than a purchase or sale through another, depending on the particular revenue-sharing arrangement.

## **(6) Performance Based Fees and Side-by-Side Management:**

Alger Management currently charges a performance fee to two accounts. Three individuals are responsible for managing both of these accounts. These individuals also manage non-performance fee based mutual funds and accounts. In situations where portfolio managers oversee funds and accounts that are subject to a performance fee, and also manage non-performance fee based funds and accounts, an inherent conflict of interest is present. In theory, there is a greater incentive for these portfolio managers to favor the performance fee relationship since Alger Management's fee rate will increase based upon the performance of these accounts, whereas Alger Management's fee rate with respect to non-performance fee based accounts remains the same regardless of the fund's performance.

Alger Management recognizes this issue and has developed policies and procedures to ensure that these portfolio managers do not systematically and continuously favor the accounts that are subject to the performance fee.

## **(7) Types of Clients:**

Alger Management offers investment advice to banks and thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, "family offices" and other entities. Alger Management also offers

investment advice to individual investors through mutual funds and separately managed accounts (wrap fee programs).

Alger Management's clients also include various taxable and tax-exempt institutions, publicly and privately offered pooled investment vehicles, regulated investment companies, and publicly offered pooled investment vehicles registered outside the United States.

### **Minimum Account Size:**

Alger Management requires a minimum asset size of \$10 million for separate account advisory services. Alger Management may, at its discretion, waive the asset minimum for clients with multiple relationships with Alger Management, specialty asset class assignments, or who are willing to pay the fee equivalent of the minimum asset size. Alger Management may also waive the asset minimum when it is adding a new strategy or trying to increase assets in an existing strategy. Alger Management generally requires a minimum asset size of between \$100,000 and \$300,000 for wrap program accounts (see Item 5: Fees and Compensation).

Minimum investments for mutual fund shares and interests in the privately offered pooled investment vehicle are listed in the offering material for each such vehicle.

## **(8) Methods of Analysis, Investment Strategies and Risk of Loss**

### **Our Process**

Alger Management's investment process is based on independent, bottom-up, fundamental research. Alger Management's analyst-driven process has been the hallmark of our research since our founding in 1964. Our analysts are sector specialists who follow companies along the entire market capitalization spectrum of their sector. Alger Management analysts use multiple sources of information in their investment management analysis, including meetings with company management, industry seminars, frequent discussions with customers, suppliers, and the company's competitors, financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, company press releases, annual reports, prospectuses, and assorted SEC filings. When an analyst initiates coverage of a company, he/she generally constructs a full financial model for the company, which generally includes:

1. Income statement, balance sheet and cash flow models
2. Discounted cash flow analysis using risk-appropriate discount rates
3. Price-to-earnings ratio analysis vs. industry and historical ranges
4. Scenario-based analyses: best, worst, and most likely case - each with price ranges and price targets

After construction of the financial model, the analyst generally assigns a rating using Alger Management's proprietary **Alger Rating System**. The Alger Rating System evaluates companies based on the following four factors:

1. Revenue growth
2. Earnings power
3. Market dominance
4. Balance sheet strength

Each of these four factors is assigned a score on a scale of 1-5 (1=worst; 5=best). This rating system provides the analyst with a checklist of key factors that should be considered in the analysis of each company.

Another proprietary tool is the **Alger Psych Line**. The Alger Psych Line enables Alger Management's experienced analysts to "quantify the subjective." Company contacts or corporate announcements are generally rated a "+1" or "-1." A "+1" indicates a positive impression; a "-1" indicates a negative impression. This innovative tool allows the analyst to systematically utilize subjective data in the company analysis.

At the buy stage of Alger Management's investment process, the analyst generally presents an executive summary of his/her investment thesis to the portfolio managers. This presentation includes a summary stock analysis including the rationale for purchase, financial models and risk measurements, the Alger Rating, Alger Psych Line data and any other data that may be pertinent to Alger Management's buy decision. The portfolio manager and analyst then discuss the investment thesis and underlying assumptions. The research analyst will argue to the portfolio manager that:

- Their understanding of the investment thesis is thorough and consistent with the Alger Management investment philosophy
- The company is experiencing High Unit Volume Growth or undergoing Positive Dynamic Change
- They have very high level of conviction about the investment idea

In addition, the analyst will be expected to consider this new idea relative to existing ideas within the portfolio and determine whether action should be recommended to existing positions as a result of adding this new position.

If the portfolio manager determines the investment idea is appropriate for his/her portfolio, Alger Management then initiates a buy program.

A sell decision is made by the portfolio manager and/or a sell recommendation is generally made by the sector analyst when any one of the following three conditions exists:

1. A stock has reached its price target
2. A more attractive opportunity is presented by an analyst
3. A company's fundamentals have failed to meet its price targets and/or there has been a reevaluation of the original rationale for purchase

## **Risk Controls**

Alger Management endeavors to control and monitor portfolio risk by seeking to ensure that all its portfolios are comprised of high quality growth stocks where its analysts have a high degree of conviction. Alger Management's investment philosophy and proprietary research capabilities allow Alger Management to perform a substantial amount of research. This research and knowledge enables Alger Management to try to mitigate risk by thoroughly understanding every stock in its portfolios. Through careful stock selection, diversification of holdings and our investment process, Alger Management seek to maintain the desired portfolio characteristics that our portfolio managers expect while managing overall risk.

Alger Management's portfolio managers and analysts monitor all stocks held in client accounts. The portfolio manager monitors changes at the portfolio, industry and economic level and analysts focus on the specific companies. However, Alger Management is a bottom-up stock selector, and therefore the portfolio weighting in a particular industry or an economic sector is generally the result of individual stock selection.

Alger Management has appointed a Director of Quantitative & Risk Management who analyzes each portfolio and considers a number of measures, including attribution analysis, to help the portfolio managers to fully understand the risk parameters of their portfolios. Alger Management also uses other tools to monitor the risk profile of portfolios versus their relevant benchmarks. Alger Management does not look to actively manage the portfolios' factor exposures, but uses the reports to understand portfolio characteristics and highlight any unintentional exposure.

Notwithstanding the extensive risk control measures Alger Management has in place, it is important for clients to consider the risk of loss associated with investing in securities, and the particular risks associated with their accounts. All clients should recognize that investing in securities involves the risk of loss.

## **General Risks**

As with any account that invests in stocks, an investment held in an account advised by Alger Management will fluctuate in value, due to changes in the market prices of its investments. The loss of your investment is a risk of investing. Also, the account's investments may not grow as fast as the rate of inflation and stocks tend to be more volatile than some other investments you could make.

Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile. An investment advised by Alger Management may be better suited to investors who seek long-term capital growth and can tolerate fluctuations in their investment's value.

Unless barred by the investment guidelines applicable to an account, Alger Management may use derivative instruments, such as options, futures and options on futures (including those relating to stocks indexes and foreign currencies), and forward contracts. A small investment in derivatives could have a potentially large impact on the account's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. If Alger Management incorrectly predicts the price movement of a security or market, the account may lose money or a hedge may be ineffective.

Investors should also consider the following risks:

#### *Risks of Investing in Small and Medium-Cap Issuers*

- Small and medium-capitalization issuers in which accounts invest may have limited product lines, financial resources, or management depth. Investing in securities issued by such companies may pose a greater risk than investing in securities issued by larger, more established issuers.
- It may be significantly more difficult to liquidate small cap securities at a time and price acceptable to the client, owing to potentially less frequent trading of these securities.

#### *Risks of Levered Accounts*

- The cost of borrowing money to leverage may exceed the returns for the securities purchased.
- Securities purchased may actually go down in value; thus, an account's value can decrease more quickly than if the account had not borrowed.

#### *Risks of Foreign Investment*

The performance of accounts that invest in foreign securities will be influenced by political, social and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include:

- Exposure to currency fluctuations
- Less liquidity, less developed or less efficient trading markets
- Lack of comprehensive company information, political instability and differing auditing and legal standards.

- Securities of issuers located in emerging markets can be more volatile, and less liquid, than those of issuers in more mature economies.

The foregoing is not a comprehensive list of potential risks. As a result of Alger Management's disciplined investment process, portfolio managers are likely to engage in active trading of portfolio securities. Accounts may incur increased transaction costs and brokerage commissions, both of which can lower the actual return on an investment. Active trading may also increase short-term gains and losses, which may affect the taxes a client has to pay.

### **Additional Risks Associated with Certain Alger Management Strategies**

Some of the specific types of strategies Alger Management employs can create additional risks beyond those already discussed. Listed below are these strategies and a description of these additional risks.

#### *Emerging Markets Strategy*

The performance of accounts invested primarily in emerging markets securities will be influenced by political, social and economic factors affecting investments in emerging country issuers. Many of the risks associated with investments in emerging country issuers are substantially similar to the risks associated with any foreign investment.

Accounts invested primarily in emerging markets securities may invest heavily in issuers and may be particularly exposed to the economies, industries, securities and currency markets of countries, which may be adversely affected by protectionist trade policies, a slow U.S. economy, political and social instability, regional and global conflicts, terrorism and war, including actions that are contrary to the interests of the U.S.

#### *Green/Socially Responsible Strategy*

Accounts invested primarily utilizing environmental sustainability or socially responsible investment criteria may limit the number of available investment opportunities, and as a result, at times the accounts' returns may be less than those of accounts that are not subject to such special investment considerations. Moreover, companies that promote environmentally sensitive or socially responsible programs may not perform as well as companies that do not pursue such goals.

#### *Health Sciences Strategy*

The value of accounts that concentrate their investments in a particular sector, such as the health sciences sector, may be more volatile than that of accounts that do not similarly concentrate their investments. Furthermore, because many of the

industries in the health sciences sector are subject to substantial government regulation, changes in applicable regulations could adversely affect companies in those industries. In addition, the comparative rapidity of product development and technological advancement in many areas of the sector may be reflected in greater volatility of the stocks of companies operating in those areas.

## **(9) Disciplinary Information**

In connection with allegations of violations of federal and state securities laws relating to undisclosed arrangements allowing certain investors to engage in market timing between 1998 and 2003, Alger Management and its affiliates entered into settlements with the SEC and the office of the New York Attorney General ("NYAG"). In addition to penalties and censures, Alger Management agreed to implement certain corporate governance practices and disclosures. A cease and desist order related to this matter is still pending in West Virginia. Detailed information relating to the three separate actions stemming from this matter is included in Part I of Alger Management's Form ADV, Alger Inc.'s Form BD, and below.

On October 11, 2006, neither admitting nor denying the findings, respondents Alger Management, Alger Inc. and Alger Shareholder Services, Incorporated ("Alger Shareholder Services") entered into an assurance of discontinuance with NYAG to settle allegations that various subsidiaries and affiliates of Alger Associates, Inc. had violated the Martin Act (article 23-a of the General Business Law), Executive Law section 63(12), and the General Business Law section 349. The assurance of discontinuance found that, during the period 1998 through September 2003, Alger Management, Alger Inc. and Alger Shareholder Services allegedly facilitated market timing and late trading by numerous select investors, and allegedly failed to adhere to the company's policies or procedures to prevent the misuse of material non-public information about certain Alger Funds' portfolio holdings.

The NYAG assurance of discontinuance provides that: (1) Alger Inc. shall pay, jointly and severally with Alger Management, \$30 million in disgorgement and/or restitution plus a civil money penalty of \$10 million, for a total payment of \$40 million; (2) Alger Inc. and Alger Management shall retain an independent distribution consultant; (3) Alger Inc. and Alger Management shall cease and desist from engaging in any acts in violation of the Martin Act, Executive Law section 63(12), and the General Business Law section 349; (4) Alger Management agrees to reduce management fees for certain funds distributed to investors by \$1 million per year through 2011, for a total of \$5 million in fee reductions over five years; (5) Alger Management agrees not to manage or advise a fund unless the fund implements certain corporate governance practices, including having at least 75% of trustees meet independence standards, having an independent chairman, and appointing a senior officer who meets independence standards to, among others,

monitor compliance with applicable federal and state securities laws, state laws respecting conflicts of interest, and fiduciary duties and codes of ethics and compliance policies, and manage the negotiation process for management fees; and (6) Alger Management agrees to develop procedures for the disclosure to investors of fees and costs in actual dollars on a fund-by-fund basis.

Pursuant to offers of settlement by Alger Management and Alger Inc. in which they neither admitted nor denied the findings, the SEC entered an order on January 18, 2007 (the “Order”) finding that Alger Management and Alger Inc. violated certain federal securities laws. The Order states that Alger Management violated, and Alger Inc. aided and abetted a violation of, sections 206(1) and 206(2) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Alger Management and Alger Inc. violated section 17(d) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) and Rule 17d-1 thereunder, and Alger Inc. violated section 15(c) of the Securities Exchange Act of 1934 (the “Securities Exchange Act”), with respect to undisclosed arrangements with numerous select investors that allegedly allowed them to engage in market timing. The Order also found that Alger Inc. violated rule 22c-1 by allowing one of its investors to engage in late trading. The Order further states that as a result of the activity above, Alger Management violated Section 34(b) of the Investment Company Act with respect to the filing of registration statements and prospectuses with the SEC.

The SEC order provided that Alger Management and Alger Inc. are censured; Alger Management shall cease and desist from committing or causing any violations and any future violations of sections 206(1) and 206(2) of the Advisers Act, and sections 17(d) and 34(b) of the Investment Company Act and rule 17d-1 thereunder. Alger Inc. shall cease and desist from committing any violations and any future violations of section 15(c) of the Securities Exchange Act, and section 17(d) of the Investment Company Act, and rules 17d-1 and 22c-1 as adopted under section 22(c) of the Investment Company Act, and causing any violations and any future violations of sections 206(1) and 206(2) of the Advisers Act.

The SEC order also provided that (1) Alger Management and Alger Inc. shall retain an independent compliance consultant to, among other things, review Alger Management and Alger Inc. compliance, supervisory, and other policies and procedures; (2) Alger Management and Alger Inc. shall adopt the recommendations of such consultant subject to a mechanism for resolving disagreements; (3) Alger Management and Alger Inc. shall undergo a third-party compliance review in 2008; (4) Alger Management and Alger Inc. shall retain an independent distribution consultant; and (5) Alger Management and Alger Inc. shall pay, on a joint and several basis, \$30 million in disgorgement plus a civil money penalty of \$10 million, for a total payment of \$40 million.

On August 31, 2005, the West Virginia Securities Commissioner in an ex parte summary order to cease and desist and notice of right to hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act, and ordered Alger Management and Alger Inc. to cease and desist from further violations of the Act by engaging in the market-timing related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the Commissioner. Alger Management and Alger Inc., through counsel, contacted the West Virginia Special Assistant Attorney General responsible for this matter who, prior to any hearing on this matter agreed to a delay in the proceeding pending discussion between the parties. On January 20, 2012, counsel to Alger Management and Alger Inc. contacted the Special Assistant Attorney General, who confirmed that this matter is still pending.

A complete description of all disciplinary events impacting Alger Management, its advisory personnel and affiliates can be found in Part I of Alger Management's Form ADV and Alger Inc.'s Form BD and is available upon request.

## **(10) Other Financial Industry Activities and Affiliations:**

Alger Management is owned by Alger Inc., a registered broker-dealer and a member of the New York Stock Exchange. Alger Inc. serves as the principal underwriter for the mutual funds advised by Alger Management and as a broker-dealer for securities trades placed on behalf of Alger Management clients and accounts. Alger Inc. does not conduct public brokerage business and substantially all of its transactions are for Alger Management clients if their investment guidelines and relevant regulations that govern their accounts allow it. Neither Alger Management nor any of its management personnel is registered or plans to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of these entities.

Please see the response to Item 12: Brokerage Practices for more complete information regarding Alger Inc.'s brokerage practices.

Alger Management is the investment adviser to The Alger Funds, The Alger Funds II, The Alger Portfolios, The Alger Institutional Funds, and Alger China-U.S. Growth Fund, each of which is a registered investment company. Alger Management is the investment manager for Alger Dynamic Return Fund, a privately offered pooled investment vehicle, and Alger SICAV, a publicly offered pooled investment vehicle registered in Luxembourg. Alger Management also serves as a sub-adviser to third-party registered investment companies. From time to time, Alger Management, its affiliates or a related person ("Alger Affiliates") may own significant stakes in one or more of the above.

Alger Affiliates also have other direct and indirect interests in the equity markets, directly or through investments in pooled products in which accounts directly and indirectly invest. Clients should be aware that this may cause Alger Affiliates to have conflicts that could disadvantage client accounts.

## **Conflicts as a Result of Alger Management's Other Affiliates**

### *Selection of Administrative and Other Service Providers*

Alger Management may choose to (and currently does) have Alger Affiliates provide administrative services, shareholder services, brokerage and other account services to its clients. While any such engagement would be on market terms, it will nevertheless result in greater benefit to Alger Management than hiring a similarly qualified unaffiliated service provider.

In connection with these services and subject to applicable law, Alger Affiliates, including Alger Management, may from time to time, and without notice to investors or clients, in-source or outsource certain processes or functions that it provides in its administrative or other capacities. Such in-sourcing or outsourcing may give rise to additional conflicts of interest, including which processes or functions to in-source or outsource, which entity to outsource to, and the fees charged by the Alger Affiliates or the third party.

### *Information Alger Management May Receive*

Alger Management and its affiliates may have access to the current status of certain markets, investments, and funds because of Alger Affiliates' brokerage and other activities. Alger Affiliates may therefore possess information which, if known to Alger Management, might cause Alger Management to seek to dispose of, retain, or increase interests in investments held by accounts, or acquire certain positions for the accounts. Moreover, Alger Management and its affiliates may come into possession of material, non-public information that would prohibit or otherwise limit its ability to trade on behalf of client accounts. A client not advised by Alger Management would not be subject to these restrictions. Alger Management maintains policies designed to prevent the disclosure of such information; however, such policies will not address situations described above.

## **Allocation Issues**

As Alger Management manages multiple client accounts, issues can and do arise as a result of how Alger Management allocates investment opportunities. In an effort to treat all clients reasonably in light of all factors relevant to managing an account, trades will generally be allocated pro rata among the accounts whenever possible. There are exceptions to this practice, however, as described below:

### *Unusual Market Conditions*

During periods of unusual market conditions, Alger Management may deviate from its normal trade allocation practices. During such periods, Alger Management will seek to exercise a disciplined process for determining its actions to appropriately balance the interests of all accounts.

### *Availability of Investments*

The availability of certain investments such as initial public offerings or private placements may be limited. In such cases, every account may not receive an allocation. As a result, the amount, timing, structuring or terms of an investment by one account may differ from, and performance may be lower than, investments and performance of other accounts.

Alger Management, as a general practice, allocates initial public offering shares and other limited availability investments pro rata among the eligible accounts. An account or accounts may not receive an allocation because it lacks available cash, is restricted from making certain investments, the account pays a performance fee, or due to co-investment by Alger Affiliates. When a pro rata allocation of limited availability investments is not possible or is not appropriate, Alger Management considers numerous other factors to determine an appropriate allocation. These factors include:

- Alger Management's good faith assessment of the best use of such limited opportunities relative to the objectives, limitation and requirements of the accounts
- Account investment horizons, investment objectives and guidelines
- Different levels of investment for different strategies
- Client-specific investment guidelines and restrictions
- Expected future capacity of accounts
- Fully directed status of brokerage accounts
- Tax sensitivity of accounts
- Suitability requirements and the nature of investment opportunity\*
- Account turnover guidelines
- Cash and liquidity considerations, including without limitation, availability of cash for investment
- Relative sizes and expected future sizes of applicable accounts
- Availability of other appropriate investment opportunities
- Minimum denomination, minimum increments, *de minimis* threshold and round lot consideration

\*Suitability considerations may include relative attractiveness of a security to different accounts, concentration of positions in an account, appropriateness of a security for the benchmark and benchmark sensitivity of an account, an account's risk tolerance, risk parameters and strategy

allocations, use of the opportunity as a replacement for a security Alger Management believes to be attractive for an account, and/ or considerations related to giving a subset of accounts exposure to an industry.

In some cases, it is possible that the application of these factors may result in certain accounts receiving an allocation when other accounts do not. Moreover, Alger Affiliates, or accounts in which Alger and/or employees have interests, may receive an allocation or an opportunity not allocated to other accounts or the mutual funds.

### *Differing Guidelines, Objectives and Time Horizons*

Because accounts are managed according to different strategies and individual client guidelines, accounts may not be able to participate in a transaction or strategy employed by Alger Management.

Actions taken by one account could affect others. For example, in the event that withdrawals of capital result in one account selling securities, this could result in securities of the same issuer falling in value, which could have a material adverse effect on the performance of other accounts that do not sell such positions.

Alger Affiliates may also develop and implement new strategies, which may not be employed in all accounts or pro rata among the accounts where they are employed, even if the strategy is consistent with the objectives of all accounts. Alger Affiliates may make decisions based on such factors as strategic fit and other portfolio management considerations, including:

- An account's capacity for such strategy
- The liquidity of the strategy and its underlying instruments
- The account's liquidity
- The business risk of the strategy relative to the account's overall portfolio make-up
- The lack of efficacy of, or return expectations from, the strategy for the account
- Any such other factors as Alger Affiliates deem relevant in their sole discretion

For example, such a determination may, but will not necessarily, include consideration of the fact that a particular strategy will not have a meaningful impact on an account given the overall size of the account, the limited availability of opportunities in the strategy and the availability of other strategies for the account.

### *Investing in Different Classes of the Same Issuer*

Conflicts also arise when one or more account(s) invests in different classes of securities of the same issuer. As a result, certain accounts may pursue or enforce rights with respect to a particular issuer in which another account has invested, and those activities may have an adverse effect on the account. For example, if an account holds debt securities of an issuer and another account holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, the account that holds the debt securities may seek a liquidation of the issuer, whereas the account that holds the equity securities may prefer a reorganization of the issuer. In addition, Alger Management may also, in certain circumstances, pursue or enforce rights with respect to a particular issuer jointly on behalf of one or more accounts or Alger Affiliates. The accounts may be negatively impacted by other accounts' activities, and transactions for the accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had Alger Affiliates or the other accounts not pursued a particular course of action with respect to the issuer of the securities.

### *Conflicts Related to Timing of Transactions*

When Alger Management implements a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies for another account, market impact, liquidity constraints, or other factors could result in the account receiving less favorable trading results. In addition, the costs of implementing such portfolio decisions or strategies could be increased or the account could otherwise be disadvantaged. Alger Management may, in certain cases, elect to implement internal policies and procedures designed to limit such consequences to the accounts, which may cause an account to be unable to engage in certain activities, including purchasing or disposing of securities, when it might otherwise be desirable for it to do so.

Moreover, each of the client accounts is subject to independent management. Given the independence in the implementation of advice to these accounts, there can be no warranty that such investment advice will be implemented simultaneously. Alger Management will not always know when or whether advice issued has been executed and, if so, to what extent. Alger Management will use reasonable efforts to procure timely execution. It is possible that prior execution for or on behalf of an account could adversely affect the prices and availability of the securities and instruments in which other accounts invest. In other words, an account, by trading first, may increase the price or decrease the availability of a security to a second account. In some instances, Alger Management is retained under a managed account or wrap program in which the client pays a single fee to the program sponsor, out of which fee the program sponsor pays Alger Management the management fee. The sponsor then executes trades without additional commission charges. Alger Management is directed by clients in these wrap programs to effect

transactions for their accounts through the program sponsor or the sponsor's broker-dealer affiliate. Please see Item 4: Wrap Fee Programs for more information.

The fact that personnel of certain Alger Affiliates are dedicated to one or more mutual funds, accounts or clients may be a factor in determining the timing of implementation and allocation of opportunities sourced by such personnel. Alger Affiliates may also consider reputational matters and other considerations. Differences in allocations will affect the performance of the accounts.

### *Cross Transactions*

From time to time and for a variety of reasons, certain Alger Management accounts may buy or sell positions in a particular security while another account is undertaking the opposite strategy. Trading in the opposite manner could disadvantage some of the accounts. Moreover, Alger Affiliates may have a potentially conflicting division of loyalties and responsibilities to both parties in such a case. For example, Alger Management will represent both the account on one side of a trade and another account on the other side of the trade (including an account in which Alger Affiliates may have a proprietary interest) in connection with the purchase of a security by such account. In an effort to reduce this negative impact, and when permitted by applicable law, the accounts may enter into "cross transactions." A cross transaction, or cross trade, occurs when Alger Management causes an account to buy securities from, or sell a security to, another client of Alger Management or Alger Affiliates. Alger Management will ensure that any such cross transactions are effected on commercially reasonable market terms and in accordance with applicable law, including but not limited to Alger Management's fiduciary duties to all accounts.

### *Valuation of Assets*

Alger Affiliates may have a conflict of interest in valuing the securities in its clients' investment portfolios. Alger Management is generally paid an advisory fee based on the value of the assets under management, so more valuable securities will result in a higher advisory fee. Alger Management may also benefit from showing better performance or higher account values on periodic statements.

Certain securities and other assets in which the accounts may invest may not have a readily ascertainable market value and will be valued by Alger Management in accordance with the valuation guidelines described in the valuation procedures adopted by the accounts. Such securities and other assets may constitute a significant portion of an account's investments. Alger Management's ability to misstate the value of securities is greater with respect to illiquid securities like those just described.

Alger Affiliates may hold proprietary positions in funds and pooled investment vehicles that Alger Management manages, including those listed at the beginning of this Item. One consequence of such proprietary positions is that Alger Management may be incented to misstate the value of illiquid securities.

### *Regulatory Conflicts*

From time to time, the activities of the accounts may be restricted because of regulatory or other requirements applicable to Alger Affiliates and/or their internal policies designed to comply with, limit the applicability of, or otherwise relate to such requirements. As a result, Alger Affiliates may implement internal restrictions that delay or prevent trades for the accounts, which could result in less favorable execution of trades and may impact the performance of some accounts.

Certain activities and actions may be considered to result in reputational risk or disadvantage for the management of the accounts as well as for Alger Affiliates. Similar situations could arise if Alger Affiliates serve as directors of companies the securities of which an account wishes to purchase or sell or is representing or providing financing to another potential purchaser. The larger Alger Management's investment advisory business and Alger Affiliates' businesses, the larger the potential that these restricted list policies will impact account performance is.

## **(11) Code of Ethics, Participation in Client Transactions and Personal Trading:**

Alger Management maintains a Code of Ethics that establishes standards and procedures for detecting and preventing the abuse of fiduciary duties by persons with knowledge of recommended investments and investment restrictions of Alger Management's clients. In general, the fiduciary principles that govern personal investment activities reflect, at the minimum, the following:

- The duty at all times to place the interests of clients first
- The requirement that all personal securities trades be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of a position of trust and responsibility
- The fundamental standard that one should not take advantage of their position

Among other things, the Code of Ethics addresses disclosure of information regarding client transactions, trading while in possession of material non-public information, and imposes obligations with respect to their personal securities trading.

With respect to personal securities transactions, employees are generally required to pre-clear personal trading and are required to instruct brokers with whom they open personal accounts to submit duplicate confirmations and periodic account statements to Alger Management's compliance department. Further, an Alger Management employee may not:

- Engage in a personal securities transaction within seven days of a trade by that employee's advisory client in the same security
- Purchase and sell or sell and purchase a security within sixty days at a gain
- Purchase securities in an initial public offering
- Engage in short sales
- Invest in futures and options
- Make an investment in a private placement (without prior approval)
- Serve on the board of directors of a publicly traded company

The Code of Ethics prohibits an Alger Management employee from accepting a gift with a value of \$100 or more from any person or entity that does business with Alger Management.

The Code of Ethics will be provided to any client or prospective client upon request.

### *Interest in Client Transactions*

Alger Management may and currently does recommend that its clients invest in securities in which one or more Alger Affiliates has a financial interest or position. As a result, Alger Management has conflicts related to its management of client accounts alongside Alger Management advised mutual funds and accounts in which Alger Affiliates personnel have interests (collectively, the "Alger Affiliates Accounts"). For example, Alger Management and Alger Affiliates hold investments in certain investment companies or other publicly or privately offered pooled investment vehicles for which Alger Management acts as an investment adviser and from which Alger Management receives advisory, administration and/or distribution fees. Alger Management might recommend that its advisory clients purchase shares of such investment companies or other pooled vehicles.

Additionally, to the extent Alger Management or Alger Affiliates own a significant percentage of the outstanding shares of an investment company or the interests in a pooled investment vehicle, Alger Management is deemed to control that entity, and may have enough shares to determine the outcome of any matters submitted for a shareholder vote. As noted above in Item 10: Other Financial Industry Activities and Affiliations, the investment company or pooled investment vehicle may be precluded or limited in its ability to make certain investments, participate in certain transactions because of the ownership interest of Alger Management or Alger Affiliates. Clients should be aware that Alger Management may be incented to make decisions for its own benefit or the benefit of an Alger Affiliate with respect

to mutual funds and other investment products in which it or said Affiliate owns significant stakes.

Alger Management considers these conflicts of interest when allocating investment opportunities and portfolio securities, selecting service providers or brokers, and setting up investment products, guidelines for the selection of share classes, sales incentives, and compensation practices. Alger Management has adopted numerous procedures in an attempt to limit or manage these conflicts of interest.

Alger Management may purchase or sell, for itself or Alger Affiliates, mutual funds or other pooled investment vehicles, commercial paper or fixed-income securities that it recommends to its clients. The results achieved by Alger Affiliates proprietary accounts may differ from those achieved for other accounts. Alger Management will manage the accounts in accordance with their respective investment objectives and guidelines. However, Alger Management may give advice, and take action, with respect to any current or future account that may compete or conflict with the advice Alger Management may give to other accounts including with respect to the return of the investment, the timing or nature of action relating to the investment or method of exiting the investment. For a more detailed discussion of Alger Management's conflicts related to its affiliates, please see Item 10: Other Financial Industry Activities and Affiliations.

*Recommending, Purchasing, or Selling Securities for Clients that an Alger Affiliate May Purchase or Sell for its Own Account:*

An Alger Affiliate may purchase or sell for its own account equity securities which it recommends to its clients. Alger Affiliates may provide seed capital to, or own significant shares of, any of the registered investment companies, or other publicly or privately offered pooled investment vehicles that Alger Management advises or that its affiliates offer. These investments may be for the purposes of establishing a track record for a new vehicle or for hedging purposes. Such funding may also occur in a separate account maintained in the name of Alger Affiliates. As such, it is possible for securities held or traded in client accounts to be similarly held in Alger Affiliates' separate account(s).

Alger Affiliates consider these conflicts of interest when making investments. Alger Management has adopted numerous procedures in an attempt to limit or manage these conflicts of interest.

## **(12) Brokerage Practices:**

Most clients for whom Alger Management serves as adviser leave the selection of brokers or dealers to effect securities transactions to Alger Management's discretion. Each securities trade will be placed with specific broker-dealers selected

by Alger Management with the overriding goal of seeking best execution, meaning the most favorable combination of price and execution under the circumstances. To the extent permitted by applicable law and account guidelines, however, Alger Management will direct a significant amount of the equity trades to Alger Inc. As such, it is anticipated that the commissions, brokerage fees, other fees, compensation or profits, rates, terms and conditions charged will be commercially reasonable, but will nonetheless be in Alger Managements and its affiliate's commercial interests and could have an adverse effect on the accounts.

In seeking best execution, Alger Management evaluates a wide range of criteria including price, the broker-dealer's execution capability, research or other soft dollar services, facilities, positioning and distribution capabilities, back office efficiency, ability to handle difficult trades, financial stability and reliability in serving Alger Management and its clients, as well as elements such as timing and order size.

Clients should be aware that Alger Management may be incented to act for its own benefit by engaging in excessive trading through its affiliated broker-dealer, Alger Inc. Alger Management also has a financial incentive to direct client accounts over which it has discretion to trade through Alger Inc., even in situations where such trading might not provide best execution. Alger Management has policies and procedures in place to prevent excessive trading, and Alger Management checks trades periodically to ensure that accounts are receiving best execution.

### Soft Dollars

Alger Management relies primarily on its own internal research group to provide primary research in connection with buy and sell recommendations. However, Alger Management may receive indirect research, whether a product or a service, in exchange for soft dollar credits (commissions earned on client trades). Such research generally will be used as a secondary source of research information. The research services that Alger Management may receive from brokerage firms include the following:

- Research on specific industries
- Research on specific companies
- Macroeconomic analyses
- Analyses of national and international events and trends
- Evaluations of thinly traded securities
- Computerized trading screening techniques and securities ranking services
- General research services (i.e. Bloomberg, Reuters)

Commissions for the combination of execution and research services may be higher than for execution services alone. Alger Management may pay higher commissions for receipt of brokerage and research services in connection with securities trades

that are consistent with the "safe harbor" provisions of Section 28(e) of the Securities Exchange Act. This benefits Alger Management because it does not have to pay for the research, products, or services. Such benefit gives Alger Management an incentive to select a broker-dealer based on its interest in receiving the research, products, or services rather than on its clients' interest in receiving the most favorable execution.

Research or other services obtained in this manner may be used in servicing any or all of the accounts. This includes accounts other than those that pay commissions to the broker providing soft dollar benefits. To the extent permitted by applicable law, such products and services may disproportionately benefit certain accounts relative to the commission-paying account. For example, research or other services that are paid for through one client's commissions may not be used in managing that client's account, and may be used in managing another client's account.

Neither the research services nor the amount of brokerage given to a particular broker-dealer are made through an arrangement or commitment that would obligate Alger Management to pay selected broker-dealers for the services provided.

Alger Management has entered into certain commission sharing arrangements that it considers soft dollar arrangements, and that comply with the terms of Section 28(e) of the Securities Exchange Act. A commission sharing arrangement is an arrangement that allows Alger Management to aggregate commissions at a particular broker-dealer and have that broker-dealer pay various other broker-dealers from this pool for the research and research services the firms have provided to Alger Management. These arrangements allow Alger Management to limit the broker-dealers it trades with, while maintaining valuable research relationships.

In certain cases, a research service may serve additional functions that are not related to the making of investment decisions (such as accounting, record keeping or other administrative matters). Where a product obtained with commissions has such a mixed use, Alger Management will make a good faith allocation of the cost of the product according to its use. Alger Management will not use soft dollars to pay for services that provide only administrative or other non-research assistance.

### **Directed Brokerage**

Alger Management does not consider client referrals when it selects a broker-dealer for executing trades on behalf of the accounts it advises. When Alger Inc. acts as broker, dealer, or agent, or in other commercial capacities in relation to client accounts, Alger Inc. is subject to a conflict of interest, and may be incented to act in its own interests, which may have an adverse effect on clients. Fees or other compensation payable by the clients will not be reduced because Alger Inc. is receiving such fees.

Alger Management's procedures provide that no mutual fund advised by Alger Management may direct brokerage or any other payment (including commission, mark-up, mark-down, brokerage paid in a step-out transaction or other fee) to any broker in consideration of sales of shares of the Alger Family of Funds.

Separate account clients may direct brokerage to a specific firm. Because trades directed to specific brokers may not be aggregated with larger trades, transaction costs and execution quality may be adversely impacted. Alger Management will generally place orders for clients that have given us full brokerage discretion first, then for clients that have requested a specific broker. If Alger Management places orders on behalf of clients who direct brokerage later in time, this may negatively impact the price at which trades are completed for such clients.

### Trade Aggregation

If Alger Management believes that the purchase or sale of a security is in the best interest of more than one account, it may (but is not obligated to) aggregate the orders to be sold or purchased to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable laws and regulations. Aggregation of trades under this circumstance should, on average, decrease the costs of execution. In the event Alger Management aggregates a trade for participating accounts, the method of allocation will generally be determined prior to the trade execution. Although no specific method of allocation of trades is expected to be used, allocations are generally pro rata and if not, will be designed so as not to systematically and consciously favor or disfavor any account in the allocation of investment opportunities. The accounts aggregated may include registered and unregistered investment companies, Alger Affiliates Accounts, and separate accounts. Transaction costs will be shared by participants on a pro-rata basis according to their allocations.

As noted in Item 5: Fees and Compensation above, Alger Management may, in certain circumstances, charge a higher fee than it would have otherwise charged, and provide clients with brokerage services through Alger Inc. at no commission charge. In such cases, the client's account or accounts are generally not able to participate in aggregated transactions and may not be able to take advantage of lowered execution costs. When such accounts participate in aggregated transactions, they will not participate in the costs associated with that transaction. This will affect the clients' investment results. Alger Management may not be able to aggregate securities transactions for clients who direct the use of a particular broker-dealer. Clients who direct brokerage may not benefit from any improved execution or lower commissions from aggregated transactions. To the extent a transaction is excluded from an aggregated trade, Alger Management may place the transaction later in time and this may adversely impact the quality of such transaction. Please see Item 10: Other Financial Industry Activities and

Affiliations for more information on Alger Management's conflicts related to the timing of trades.

When orders are aggregated for execution, it is possible that Alger Affiliates will receive benefits from such trades, even in limited capacity situations. Alger Management maintains policies and procedures that it believes are reasonably designed to deal equitably with conflicts of interest that may arise in certain situations when purchase or sale orders for an account are aggregated for execution with orders for Alger Affiliates Accounts. Alger Management may aggregate trades for its clients and affiliates in private placements pursuant to internally developed procedures. In such cases, Alger Management will only negotiate the price of such investments, and no other material terms of the offering, and will prepare a written allocation statement reflecting the allocation of the securities. Alger Management does not generally aggregate trades on behalf of wrap fee program accounts at the present time.

Alger Management is not required to bunch or aggregate trades if portfolio management decisions for different accounts are made separately, or if it determines that bunching or aggregating is not practicable, or with respect to client directed accounts.

Even when trades are aggregated, prevailing trading activity frequently may make impossible the receipt of the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may be averaged, and a participating account will be charged or credited with the average price. Thus, the effect of the aggregation may operate on some occasions to the disadvantage of the account. In addition, under certain circumstances, the account will not be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order.

### **(13) Review of Accounts**

Alger Management's portfolio managers and client service teams review each client's portfolio guidelines when the account is opened, and when changes are made. Portfolio managers monitor individual portfolios on a daily basis, and work closely with Alger Management's traders in implementing investment management decisions. Alger Management's portfolio managers are responsible for reviewing all holdings to assure adherence to client guidelines. Alger Management's compliance department also monitors trades for each account to ensure that they comply with the guidelines of the accounts and are aligned with Alger Management's overall investment strategy.

On a quarterly basis, each client generally receives a report containing a portfolio listing showing cost and market value of all securities in the account, a detailed

listing of all trades in the account for the period, a listing of all realized gains and losses, a listing of dividends and interest received by the account, a listing of all security purchases and a listing of all security sales, account and benchmark performance. Certain clients also receive historical performance reports on a monthly basis. Clients may also receive specialized reporting at their request.

The Board of Trustees of the investment companies advised by Alger Management reviews numerous reports on a quarterly basis, as required by the Investment Company Act. In addition, special reports may be developed to meet specific client requirements or respond to client inquiries. In conformity with Section 11(a) of the Securities Exchange Act and Rule 11a2-2(T) thereunder, and Prohibited Transaction Exemption 87-3 under the Employee Retirement Income Security Act of 1974, reports are regularly furnished to clients regarding trades with Alger Inc. and broker-dealers having a correspondent relationship with affiliates.

## **(14) Client Referrals and Other Compensation**

### **Other Compensation**

Alger Management does not receive any compensation from third parties relating to advisory services provided to clients. Alger Management's Code of Ethics bars employees from accepting any gift or other thing of more than nominal value (\$100) from any person or entity that does business with Alger Management or Alger Inc. The Code of Ethics also requires employees to report any gift to the Chief Compliance Officer.

### **Compensation of Third Parties for Client Referrals**

#### **Referral Fees**

Alger Management pays fees to financial intermediaries, advisers, and financial planners, among other individuals and entities, in return for referring potential clients. Alger Management may also pay a fee to pension and corporate consultants of existing and potential clients. These consultants may recommend Alger Management to these potential clients. Alger Management may also pay Alger Affiliates for referring potential clients.

#### **Revenue Sharing**

Alger Affiliates may pay money from their own profits to outside parties whose clients invest in mutual funds advised by Alger Management. These payments may be made to any intermediary, broker, dealer, investment adviser or other party who effects investments in the funds by their clients. Alger Affiliates may pay these persons and entities up to 1% per annum of the investments' value. Such payments

are made from Alger Affiliates' legitimate profits. Individual payment agreements vary, and some intermediaries may have a greater incentive to recommend funds managed by Alger Management because the intermediary receives a higher fee as a result.

Alger Affiliates may also pay intermediaries who recommend Alger Management to their clients for separate account or wrap fee program services. Individual payment agreements vary, and some intermediaries may have a greater incentive to recommend Alger Management's services because the intermediary receives a higher fee as a result. These payments are made from Alger Management's advisory fees.

### Marketing Payments

Subject to applicable law, Alger Inc. may pay dealers and other financial intermediaries for, among other things, marketing the mutual funds, Alger Affiliates Accounts and other products. Such payments may relate to or result in the funds' and other investment products' inclusion on preferred or recommended fund lists or certain sales programs sponsored by the intermediaries. Alger Inc. may also participate in or partially sponsor industry and consultant sponsored conferences, and may pay for access to intermediaries' registered representatives or salespersons. Alger Inc. may also pay to assist in the training and education of intermediaries' salespersons.

### Intangibles

Alger Affiliates may have board, advisory, brokerage, or other relationships with issuers, distributors, consultants and others. These persons or entities may have investments in the mutual funds or other investment products, and may recommend or distribute the mutual funds or other products. Alger Affiliates may make charitable contributions to institutions, including those that have relationships with clients or personnel of clients. Personnel of Alger Affiliates may make political or charitable contributions.

As a result of the relationships and arrangements described in the preceding paragraphs, consultants, distributors, and other parties may have conflicts associated with their promotion of the mutual funds or other investment products or other dealings that create incentives for them to promote the mutual funds or other products or certain portfolio transactions.

## (15) Custody

Alger Management does not have custody of client assets. Because it has a related person that serves as general partner of a pooled investment vehicle, it may be

deemed to have custody of the assets of the pooled investment vehicle. Clients will receive account statements from both Alger Management and from their custodians. Clients should review these statements carefully, and compare them to each other.

## **(16) Investment Discretion**

Alger Management generally has the authority to make investment determinations on behalf of its clients. Such authority is generally set forth in the investment advisory agreement between Alger Management and its clients. As noted in Item 4: Advisory Business above, certain clients limit Alger Management's discretionary authority over their account.

Some wrap program sponsors retain Alger Management to provide model portfolios, which the wrap sponsor replicates for its clients' accounts. In these cases, Alger Management is not exercising investment discretion with respect to the account.

## **(17) Voting Client Securities**

Clients are free to grant authority to or withhold authority from Alger Management to vote proxies.

If a client withholds authority from Alger Management to vote its proxies, the client should make arrangements directly with its custodian to receive proxy statements. While a client may seek Alger Management's guidance in this regard, proxy issues are often time-sensitive and it may not be practical to request Alger Management's input

If a client grants Alger Management authority to vote its proxies Alger Management exercises its proxy voting authority generally by following the recommendations of Institutional Shareholder Services Inc. ("ISS"). ISS generally makes its recommendations in accordance with ISS's pre-determined proxy voting guidelines. Alger Management has adopted these guidelines, which address matters such as operations, board of directors, proxy contests, anti-takeover defenses, mergers and corporate restructuring, state of incorporation, capital structure, executive and director compensation, social and environmental issues and mutual fund proxies. Alger Management has adopted policies and procedures designed to prevent conflicts of interest from influencing proxy voting decisions that it makes on behalf of clients, and to help ensure that such decisions are made in accordance with Alger Management's fiduciary obligations to its clients. Notwithstanding such proxy voting policies and procedures, actual proxy voting decisions of Alger Management may have the effect of favoring the interests of other clients or Alger Affiliates provided that Alger Management believes such voting decisions to be in accordance with its fiduciary obligations. In other words, regardless of what Alger Management's conflict of interest is, the importance placed

on exercising a client's right to vote dictates that Alger Management will cast the vote in accordance with its voting guidelines even if Alger Management, its affiliate, or its client, somehow, indirectly, benefits from that vote.

Alger Management maintains proxy statements received regarding securities purchased or held by Alger Management, records of its proxy voting policies and procedures (which are available upon client request), records of votes cast on behalf of each account; records of requests for proxy voting information; and any documents prepared that were material to making a voting decision.

## **(18) Financial Information**

Not applicable.

## **(19) Requirements for State-Registered Advisers**

Not Applicable. Alger Management is not a State-Registered Adviser.

<b>FACTS</b>	<b>WHAT DOES ALGER DO WITH YOUR PERSONAL INFORMATION?</b>
<b>Why?</b>	Financial companies choose how they share your personal information, which, under Federal law, means personally identifiable information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>• Social Security number</li> <li>• account balances, transaction history and credit information</li> </ul>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Alger chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Alger share?	Can you limit this sharing?
<b>For our everyday business purposes</b> — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> — with service providers we use to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes</b> —information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes</b> —information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b> — for all credit card accounts	No	We don't share
<b>For nonaffiliates to market to you</b> — for accounts and services endorsed by another organization	No	We don't share
<b>For nonaffiliates to market to you</b> — for accounts other than credit card accounts and Sponsored Accounts, such as insurance, investments, deposit and lending	No	We don't share

Who we are	
Who is providing this notice?	Alger includes Fred Alger Management, Inc. and Fred Alger & Company, Incorporated as well as the following funds: The Alger Funds, The Alger Funds II, The Alger Institutional Funds, The Alger Portfolios, and Alger China-U.S. Growth Fund.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies • Our affiliates include Fred Alger Management, Inc. and Fred Alger & Company, Incorporated as well as the following funds: The Alger Funds, The Alger Funds II, The Alger Institutional Funds, The Alger Portfolios, and Alger China-U.S. Growth Fund.
Non-affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

What we do	
How does Alger protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. For more information visit <a href="http://alger.com">alger.com</a> .
How does Alger collect my personal information?	We collect your personal information, for example, when you: • open an account or perform transactions • seek advice about your investments We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit some but not all sharing related to: • sharing for affiliates' everyday business purposes — information about your creditworthiness • affiliates from using your information to market to you • sharing for non-affiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Form ADV Part 2B  
(1) Cover Page:

**Fred Alger Management, Inc.**

360 Park Avenue South

New York, NY, 10010

Phone: (212) 806- 8800

Fax: (212) 806-2994

[www.alger.com](http://www.alger.com)

Brochure Supplement Date: September 6, 2012

This brochure supplement provides information about the following people:

Daniel C. Chung, CFA  
Gregory S. Adams, CFA  
Ankur Crawford, Ph.D.  
Jill Greenwald, CFA  
Patrick Kelly, CFA  
Maria Liotta  
Deborah A. Vélez Medenica, CFA  
Christopher R. Walsh, CFA  
Michael Young  
Steve Thumm

that supplements Fred Alger Management, Inc.'s ("Alger Management") brochure. You should have received a copy of that brochure. Please contact us at (212) 806-8800 if you did not receive Alger Management's brochure or if you have any questions about the contents of this supplement. Additional information about these people is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **(2) Educational Background and Business Experience**

Disclose the supervised person's name, age (or year of birth), formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years. If the supervised person has no high school education, no formal education after high school, or no business background, disclose this fact. You may list any professional designations held by the supervised person, but if you do so, you must provide a sufficient explanation of the minimum qualifications required for each designation to allow clients to understand the value of the designation.

**Daniel C. Chung, CFA**

**Chief Executive Officer, Chief Investment Officer, Portfolio Manager**

**Date of Birth: 8/18/62**

Daniel C. Chung is Chief Executive Officer and Chief Investment Officer. He is Portfolio Manager of the Mid Cap Growth, Health Science, Large Cap Growth, Small Mid Cap Growth, China-U.S. Growth, China Domestic, Analyst, 130/30, Dynamic Return, Mutual Fund Balanced and Growth & Income Strategies. Dan joined Alger Management in 1994 and has 18 years of investment industry experience. He was named Chief Investment Officer in September 2001, President in 2003, and CEO in 2006. Dan graduated from Stanford University and earned his J.D. from Harvard Law School in 1987. After completing law school, he served a one-year term as Judicial Clerk for the Honorable Justice Anthony M. Kennedy, United States Supreme Court. He joined Simpson Thacher & Bartlett LLP in New York City in 1989 and earned an L.L.M. from New York University. Dan is a CFA charter holder and a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Gregory S. Adams, CFA**

**Senior Vice President, Director of Quantitative & Risk Management**

**Date of Birth: 10/29/65**

Gregory Adams is a Senior Vice President and Portfolio Manager of the Growth & Income, Dynamic Return and 130/30 Strategies, and Director of Quantitative & Risk Management. Greg joined Alger Management in 2006 and has 24 years of investment industry experience. Previously, he was Director of Quantitative Research at Lord Abbett & Co., and was responsible for portfolio construction simulation and quantitative stock selection. Over the course of his career, Greg was Managing Director and Portfolio Manager at Deutsche Asset Management and The Chase Manhattan Bank. At Deutsche, he was lead Portfolio Manager for the U.S. Large Cap Core Funds, including Scudder's flagship Growth & Income Fund. Greg began his tenure at Chase in 1987 as an equity analyst and was promoted to Co-

Manager of the Chase Vista Balanced Fund and the Chase Vista Growth & Income Fund. In 1994, Greg was named Manager of the Chase Vista Large Cap Equity Fund. Greg earned a B.A. in American History from the University of Pennsylvania's School of Arts & Sciences. He graduated from The Wharton School with a B.S. in Economics and Finance. Greg is a CFA charter holder and a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Ankur Crawford, Ph.D.**

**Senior Vice President, Co-Portfolio Manager, Senior Analyst**

**Date of Birth: 7/21/75**

Ankur Crawford is Senior Vice President and Co-Portfolio Manager of the Mid Cap Growth Strategy. She is also Senior Analyst covering the technology and semiconductor industries. She joined Alger Management in September 2004 and has 7 years of investment industry experience. Prior to joining Alger Management, she earned a Ph.D. in Materials Science and Engineering from Stanford University. Previously, she worked as an engineer with Intel Corp. and a summer analyst with Merrill Lynch. She graduated from the University of California, Berkeley, with a B.S. in Mechanical Engineering and a B.S. in Materials Science and Engineering.

**Jill Greenwald, CFA**

**Executive Vice President, Portfolio Manager**

**Date of Birth: 5/4/64**

Jill Greenwald is Executive Vice President and Portfolio Manager of Small Cap, Small Mid Cap Growth, and Growth Opportunities Strategies. She first joined Alger Management in 1986 and has 25 years of experience. Jill, who returned to Alger Management in 2001, began her career in Alger Management's analyst program, rising from Research Associate to Senior Analyst. She joined Prudential Equity Investors in 1992 where she was a Director. In 1993, she joined Chase Asset Management where she rose from Analyst to Managing Director and Senior Portfolio Manager of Chase Vista Small Cap Equity Fund and Co-Manager of Chase Vista Small Cap Opportunities Fund. She joined J&W Seligman & Co. as a Senior Vice President, Investment Officer and Co-Manager of Seligman Emerging Growth in 1999. Jill graduated with a B.A. from Yale University and earned her M.B.A. at New York University. Jill is a CFA charter holder and a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Patrick Kelly, CFA**  
**Executive Vice President, Portfolio Manager**  
**Date of Birth: 3/17/75**

Patrick Kelly is Executive Vice President, Portfolio Manager of the Capital Appreciation, Spectra, Dynamic Return and 130/30 Strategies. He joined Alger Management in 1999 and has 14 years of investment industry experience. Previously, Patrick was an investment banking analyst with SG Cowen. He began his career at Alger Management as a Research Associate and completed Alger Management's in-house analyst training program. In early 2001, Patrick was promoted to Associate Analyst and Assistant Vice President, and in September of 2001 he was promoted to Senior Analyst. As a Senior Analyst, he was responsible for the Technology sector. Patrick was named Manager of Alger Management's multi-cap portfolios in September 2004. He graduated with honors from Georgetown University. Patrick is a CFA charterholder and a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Maria Liotta**  
**Senior Vice President, Portfolio Manager, Senior Analyst**  
**Date of Birth: 7/7/63**

Maria Liotta, Senior Vice President, Senior Analyst, Head of the Alger Healthcare sector team, Portfolio Manager of the Health Sciences Strategy, and Co-Portfolio Manager of the Mid Cap Growth Strategy, joined Alger Management in November 2010. Maria is responsible for developing and managing Alger Management's overall strategy in the healthcare sector, bringing additional depth and experience to the Alger Management's existing Healthcare team. Maria's extensive experience in the healthcare sector spans a broad array of roles, including portfolio manager for both long-only and long-short strategies. Previously, Maria was a Managing Director and Portfolio Manager at Merrill Lynch and The Galleon Group (from 2002-2007), where she was responsible for their long/short healthcare strategies. Most recently, she worked at Citigroup for their global equity healthcare franchise as an originator. Maria began her investment career as a healthcare equity analyst at Morgan Stanley and Raymond James. Prior to joining Wall Street, Maria was a partner in an Optometrist practice, in Pittsburgh, PA. Maria earned her B.S. from the University of Pittsburgh, her MBA from the Joseph M. Katz Graduate School of Business, and a B.S. in Optical Science and Doctor of Optometry from the Pennsylvania College of Optometry.

**Deborah A. Vélez Medenica, CFA**  
**Senior Vice President, Portfolio Manager**  
**Date of Birth: 9/5/68**

Deborah A. Vélez Medenica is Senior Vice President and Portfolio Manager of the Emerging Markets, China-U.S. Growth and China Domestic Strategies. Deborah, who has over 15 years of experience in emerging markets, joined Alger Management in December 2010 from PineBridge Investments. While at PineBridge and its predecessor, Deborah rose from investment analyst to portfolio manager to the head of emerging market equities. Prior to PineBridge, Deborah worked as an analyst for Baring Asset Management, Toronto Dominion Bank, and Cambridge Associates. Deborah graduated with an A.B. from Harvard Radcliffe College, earned her M.A. in International Economics and Latin American Studies from Johns Hopkins School of Advanced International Studies, and earned her M.B.A. at The Wharton School. In addition, Deborah is a CFA charterholder and a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Christopher R. Walsh, CFA**  
**Senior Vice President, Portfolio Manager, Senior Analyst**  
**Date of Birth: 10/17/74**

Christopher Walsh is Senior Vice President and Portfolio Manager of the Green Strategy. As Senior Analyst, Christopher has been responsible for the retailing, footwear, apparel manufacturing, auto/auto suppliers and restaurant industries since joining Alger Management in November 2001. Previous investment experience includes positions at Van Der Moolen Specialists USA as an equity analyst and at Prudential Securities as an associate retail analyst. Christopher has over 14 years of investment experience. He graduated with a B.S. from the University of Vermont, is a CFA charterholder and is a member of the CFA Institute. The CFA program is a globally recognized standard for measuring the competence and integrity of financial analysts.

**Michael Young**  
**Senior Vice President, Co-Portfolio Manager, Senior Analyst**  
**Date of Birth: 11/12/62**

Michael Young is Senior Vice President and Co-Portfolio Manager of the Mid Cap Growth Strategy. He is also Senior Analyst covering the energy sector. Michael joined Alger Management in 2008 and has 26 years of investment industry experience, specifically in the energy sector. Prior to joining Alger Management in 2008, Michael was self-employed from July 2007 to August 2008. Prior to June, 2007, Michael was a Senior Energy Analyst at Fidelity Management & Research. Preceding his time at Fidelity, Michael was the Senior Energy and Utilities Analyst

at State Street Global Advisors. His experience also includes work as a Senior Energy Analyst at major investment banks, including Deutsche Bank and Morgan Stanley Smith Barney. Michael earned a B.A. in Economics from Dartmouth College.

**Steve Thumm**

**Senior Vice President**

**Date of Birth: 1/18/60**

Steve Thumm is Senior Vice President and Head of Equity Trading. Steve first joined Alger Management in 1991, and returned in September 2001. Steve has over 25 years of investment industry experience. He serves as Portfolio Manager of Mutual Fund Balanced Strategy. Steve received his B.A. from Hofstra University.

### **(3) Disciplinary Information**

If there are legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, disclose all material facts regarding those events.

Items 3.A, 3.B, 3.C, and 3.D below list specific legal and disciplinary events presumed to be material for this Item. If the supervised person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in the supervised person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date the final order, judgment, or decree was entered, or the date any rights of appeal from preliminary orders, judgments or decrees lapsed.

Items 3.A, 3.B, 3.C, and 3.D do not contain an exclusive list of material disciplinary events. If the supervised person has been involved in a legal or disciplinary event that is not listed in Items 3.A, 3.B, 3.C, or 3.D but is material to a client's or prospective client's evaluation of the supervised person's integrity, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains currently material to a client's or prospective client's evaluation.

If you deliver a supplement electronically and if a particular disclosure required below for the supervised person is provided through either the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system or the IAPD, you may satisfy that particular disclosure obligation by including in that supplement (i) a statement that the supervised person has a disciplinary history, the details of which can be found on FINRA's BrokerCheck system or the IAPD, and (ii) a hyperlink to the relevant system with a brief explanation of how the client can access the

disciplinary history. The BrokerCheck link is [www.finra.org/brokercheck](http://www.finra.org/brokercheck); the IAPD link is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

3. was found to have been involved in a violation of an investment-related statute or regulation; or

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;

(b) barring or suspending the supervised person's association with an investment-related business;

(c) otherwise significantly limiting the supervised person's investment-related activities; or

(d) imposing a civil money penalty of more than \$2,500 on the supervised person.

C. A self-regulatory organization (SRO) proceeding in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

**Note:** You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving the supervised person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the supervised person to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See SEC rule 204-2(a)(14)(iii) and similar state rules.

Not applicable.

#### **(4) Other Business Activities**

A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated person of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.

None of the investment personnel included in this brochure is actively engaged in another investment related business.

1. If a relationship between the advisory business and the supervised person's other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.

None of the investment personnel included in this brochure is actively engaged in another investment related business.

2. If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the supervised person receives. Explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client’s needs.

None of these individuals is paid commissions or other compensation based on the sale of securities or other investment products.

B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person’s income or involve a substantial amount of the supervised person’s time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person’s time and income, you may presume that they are not substantial.

None of the investment personnel included in this brochure is actively engaged in another business involving a substantial amount of time and/or income.

## **(5) Additional Compensation**

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person’s regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

Alger Management’s supervised persons are not paid additional compensation by Alger Management to reflect sales. Alger Management’s Code of Ethics prohibits receipt of gifts with a value greater than \$100 from any person or entity that does business with Alger Management or its affiliates.

## **(6) Supervision**

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and

telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

Dan Chung, CFA, as Chief Investment Officer, works individually with each Portfolio Manager to ensure that investment portfolios are managed in line with their mandates. Dan's telephone number is (212) 806-8800.

Additionally, Greg Adams serves as Alger Management's Director of Quantitative & Risk Management. Greg regularly analyzes the portfolios and considers a number of measures, including attribution analysis, to help the Portfolio Managers understand the risk parameters of their portfolio(s).

Alger Management believes that the best portfolios are comprised of the best stocks. Through careful stock selection, diversification of holdings, and Alger Management's disciplined investment philosophy and process, Alger Management is able to control and monitor portfolio risk by ensuring that all of its clients' portfolios consist of only the highest quality growth stocks. Alger Management's investment philosophy and proprietary research capabilities allow it to mitigate risk by thoroughly understanding every stock in its portfolios.

#### Portfolio Monitoring

- The Chief Investment Officer and portfolio managers continuously monitor all of Alger Management's clients' portfolios and trading patterns.
- Transactions of each account are closely monitored to ensure that they are appropriate to the goals of the clients' portfolios and in compliance with Alger Management's overall investment outlook.
- Use of Alger Management's proprietary research system ensures that all its clients' portfolios are properly positioned and diversified.
- Portfolio managers and analysts continually monitor holdings and their trading patterns.
- Account performance is reviewed regularly by the portfolio managers and Alger Management's Client Service Team.

Additionally, Alger Management adheres to the following self imposed guidelines for portfolio risk management:

**Diversification:** Alger Management generally limits exposure in any one economic sector to 40% of a portfolio, exposure to any one industry to 20% of a portfolio, and exposure to any single security to 5% of the portfolio, at purchase. Alger Management may deviate from this policy to the extent one security represents a larger percentage of the applicable benchmark.

**Optimization:** Alger Management is continually optimizing its portfolios to ensure that they always reflect the best ideas of Alger Management's research team while maintaining the highest appreciation potential to the firm's internally generated price target. Alger Management believes that it is not good enough just to own the right stocks, but that client accounts must own the right weighting in each stock. While this may increase dollar turnover, name turnover is minimized.

**Liquidity:** Alger Management generally seeks to hold no more than 10 days' trading volume in a company for all of its clients' portfolios.

**Non-Proprietary Systems:** Alger Management's front-end portfolio management system, Charles River, integrates its pre-trade compliance and trading platforms. Additional portfolio monitoring tools such as FactSet, Bloomberg, and Baseline, are used to monitor news and prices of current positions and stocks that may affect current or future holdings.

**Attribution:** Alger Management uses FactSet and Northfield to monitor factor exposure and overall risk.

**Cash:** Alger Management aims to keep portfolios fully invested with cash a residual of its bottom-up stock selection process. On average, cash is approximately 5%.

Guidelines and limitations can be programmed to provide warnings as various restrictive limits are approached and alerts should limits be exceeded. The pre-trade aspect of the system operates on a real time basis with the post trade operating in an overnight mode. The system's test coding operates based on exclusion and concentration tests. The system is monitored during the day by the Compliance Department and each morning, all alerts and warnings are reviewed and resolved by the Compliance Department with all alerts placed in a log with a full description of the resolution. The log is then reviewed monthly at the Compliance Committee meeting.