

Form ADV Part 2A  
Brochure  
(1) Cover Page:

## **Fred Alger Management, Inc.**

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**This brochure provides information about the qualifications and business practices of Fred Alger Management, Inc. (“FAM”). 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 FAM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration of FAM 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 FAM's Form ADV.

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

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<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 FAM's business, we will indicate that it is not applicable.

#### (4) Advisory Business:

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

FAM provides both discretionary and non-discretionary investment advisory services to institutional investors through separate accounts and U.S. and foreign registered and privately offered funds, as well as through a bank collective investment trust; and to retail investors through wrap programs and U.S. and foreign registered pooled investment vehicles. Investments primarily include exchange-listed and over-the-counter equity securities of U.S. and foreign companies. FAM also provides investment advice with respect to other securities, including options contracts on various securities and securities indices and warrants, and to a lesser extent private placements, convertible securities, corporate debt securities, mutual fund shares, United States Government and Agency securities and currency contracts. FAM is also registered as an investment adviser in Australia.

#### **Our Philosophy**

Since FAM’s founding, it has focused its investments in companies undergoing Positive Dynamic Change, which it believes offer the best long-term growth potential for its clients. By Positive Dynamic Change, FAM means those companies experiencing either:

**High Unit Volume Growth:** Vital, creative companies which offer goods or services to a rapidly-expanding marketplace. They include both established and emerging firms, exercising market dominance, offering new or improved products, or simply fulfilling an increased demand for an existing product line; or

**Positive Life Cycle Change:** Companies experiencing a major change which is expected to produce advantageous results. These changes may be as varied as new management, products or technologies, restructuring or reorganization, regulatory change, or merger and acquisition.

FAM offers multiple investment strategies, including Capital Appreciation, Capital Appreciation Focus, Dynamic Return, Emerging Markets, Growth & Income, Health Sciences, International Growth, Global Growth, Large Cap Growth, Mid Cap Growth, Mid Cap Focus, Small Cap Growth, Small Cap Focus, SMid Cap Growth, Spectra and SRI Capital Appreciation.

Within the strategies offered by FAM, clients, relevant laws, rules or regulations may impose restrictions on investing in certain securities, certain types of securities, or with respect to the percentage of ownership in any single security. FAM will not enter into an advisory relationship with any prospective client whose investment objectives are incompatible with FAM's investment philosophy or strategies or who seeks to impose unduly restrictive guidelines.

## **Wrap Fee Programs**

Clients may also access a number of FAM's investment strategies through programs sponsored by unaffiliated financial intermediaries, advisers or planners in which FAM serves as an investment adviser ("wrap programs"). The wrap programs for which FAM serves as a portfolio manager are listed in Section 5.I.(2) of FAM's Form ADV Part 1, a copy of which is available either 1) on request or 2) on the Securities and Exchange Commission's website at the following link:

[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Landing.aspx?SearchGroup=Firm&FirmKey=106750&IndvlKey=-1&ORG\\_PK=106750](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Landing.aspx?SearchGroup=Firm&FirmKey=106750&IndvlKey=-1&ORG_PK=106750)

FAM offers advisory services through the following types of wrap programs:

### *Single Contract 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, to provide discretionary advisory services to the clients.

### *Dual Contract Program*

- Fees and services are unbundled and FAM 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*

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

In Single Contract Wrap Programs, clients generally pay the sponsor a single fee (the wrap fee), FAM receives a percentage of the wrap fee for its services from the sponsor, and the sponsor executes trades and administers the account without additional charges. In Dual Contract Wrap Programs, sponsors offer clients a

package of services including trade execution and account administration and clients generally pay FAM for its investment management services directly. FAM 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.

In a Model Portfolio Program, FAM enters into an agreement with the sponsor to provide an initial model portfolio, which the sponsor then seeks to replicate for its clients. FAM will then regularly provide updated model portfolio information to sponsors. FAM does not place trades on behalf of accounts in these programs and therefore has no ability to ensure that accounts conform to the model portfolio provided. Trades for model portfolios may be placed by the sponsor after FAM has placed trades for wrap programs and other clients for which it serves as investment adviser.

In managing accounts in a wrap program, FAM generally seeks to invest in fewer securities and have lower turnover than it does for other clients it advises that follow the same or similar strategy. FAM also tries to avoid investing in illiquid or foreign securities and such accounts will also not participate in allocations of initial public offerings. FAM is also sensitive to the tax status of the investor, and attempts to minimize the tax impact of portfolio transactions. Finally, FAM will not purchase partnerships for wrap clients as a result of the tax implications of such investments. As a result of these sensitivities, FAM generally takes more time to review and implement recommended transactions for wrap program accounts, and therefore wrap program accounts generally trade after other accounts. Moreover, because wrap clients have generally paid the wrap sponsor to effect transactions for their accounts, FAM does not aggregate transactions on behalf of wrap program accounts with other accounts or funds it advises (see Item 12: Brokerage Practices, for details about FAM's trade aggregation practices). Further, FAM maintains relationships with multiple sponsors, and transactions through different sponsors are also not aggregated. Rather, FAM 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 advised by FAM using the same strategy.

With respect to wrap program accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA" and such accounts "Plan Accounts"), FAM provides services both as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and as a fiduciary as that term is defined in Section 3(21)(A) of ERISA with respect to the Plan Accounts. Under these arrangements, FAM is selected on behalf of the Plan Accounts by the wrap sponsor or by a plan fiduciary other than FAM or its affiliates to supervise and direct the investment of certain assets of the Plan Accounts, in accordance with the investment strategy selected for the Plan Accounts. FAM may also, from time to time, perform certain related services in respect of the

supervision and direction of the investment of such assets of the Plan Accounts and in relation to the wrap program. These may include, for example, account reconciliation, data management, provisions of research or market-related information or other customary ancillary services. These additional services are provided at no cost to the wrap sponsor or any Plan Account.

Given the structure of the wrap program and the fact that payments to FAM are paid directly by the wrap sponsor, FAM does not believe it receives any direct compensation from clients (including Plan Accounts). The wrap sponsor is responsible for billing and collecting any fees owed by clients to the wrap sponsor pursuant to such accounts' participation in the wrap program.

Each client's ability to allocate, reallocate or redeem its investment in the strategy under the wrap program is governed by the terms of the client's agreement with the wrap sponsor and as is disclosed by the wrap sponsor. Any termination-related provisions would be found in the agreement between the client and the wrap sponsor.

As discussed below under the heading "Custodial and Brokerage Fees", with respect to the wrap program, FAM does not direct client brokerage transactions, including those of the Plan Accounts, to any broker-dealer in exchange for products and services (e.g., research) or otherwise participate in "soft dollar" arrangements.

### **Client Assets Under Management**

As of December 31, 2016, FAM managed \$19,151,060,714 of client assets on a discretionary basis, and \$363,621,962 of client assets on a non-discretionary basis.

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

FAM is generally paid an advisory fee, calculated as a percentage of assets under management. FAM's standard fee schedules are presented 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 FAM than a second client who is receiving substantially similar services. For example, FAM generally applies an alternate schedule with lower fees to clients whose initial funding is at least \$100 million. In addition, there are many other factors which could lead to a client paying a fee which deviates from the standard fee schedule or from a different client who is receiving substantially similar services. Such factors may include, but are not limited to, 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 FAM's

addition of a new strategy or attempt to increase assets in an existing strategy or in a new distribution channel.

Clients are generally billed in arrears either on a monthly or quarterly basis with billing generally based on the account total market value at the end of the billing periods or the average value over the billing period. With respect to the clients that are billed in advance, if the advisory contract is terminated before the end of the billing period, FAM will refund a pro-rata portion of the advisory fee.

Employees and affiliates of FAM may hire FAM, and may be charged reduced or no management fees. Wrap account clients are generally billed by the wrap program sponsor.

Applicable fees are discussed more fully below:

### Fee Schedule<sup>2</sup>

Large Cap Growth		Mid Cap Growth	
0.65%	First \$25 million	0.70%	First \$25 million
0.55%	Next \$25 million	0.65%	Next \$25 million
0.45%	Next \$50 million	0.55%	Next \$50 million
0.35%	Over \$100 million	0.50%	Over \$100 million
Small Cap Growth		SMid Cap Growth	
0.85%	First \$25 million	0.90%	First \$25 million
0.80%	Next \$25 million	0.80%	Next \$25 million
0.70%	Next \$50 million	0.70%	Next \$50 million
0.60%	Next \$150 million	0.60%	Over \$100 million
0.50%	Over \$250 million		
Capital Appreciation		Capital Appreciation Focus	
0.65%	First \$50 million	0.65%	First \$50 million
0.55%	Next \$50 million	0.55%	Next \$50 million
0.45%	Next \$150 million	0.45%	Next \$150 million
0.35%	Over \$250 million	0.35%	Over \$250 million

<sup>2</sup> A different, and generally lower, fee schedule applies to clients whose initial funding is in excess of \$100 million.



Small Cap Focus		Spectra	
0.90%	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
0.65%	Next \$150 million	0.44%	Over \$250 million
0.60%	Over \$250 million		
Growth & Income		Emerging Markets	
0.55%	First \$25 million	0.90%	First \$25 million
0.50%	Next \$25 million	0.85%	Next \$25 million
0.45%	Next \$50 million	0.80%	Next \$50 million
0.375%	Next \$150 million	0.75%	Over \$100 million
0.30%	Over \$250 million		
International Growth		Global Growth	
0.75%	First \$25 million	0.70%	First \$25 million
0.70%	Next \$25 million	0.65%	Next \$25 million
0.65%	Next \$50 million	0.60%	Next \$50 million
0.55%	Next \$150 million	0.55%	Over \$100 million
0.45%	Over \$250 million		
Mid Cap Focus		SRI Capital Appreciation	
0.70%	First \$25 million	0.80%	First \$25 million
0.65%	Next \$25 million	0.75%	Next \$25 million
0.55%	Next \$50 million	0.70%	Next \$50 million
0.50%	Over \$100 million	0.60%	Over \$100 million
Dynamic Return		Dynamic Growth	
1.00% of total assets		0.75%	First \$50 million
		0.65%	Next \$50 million
		0.55%	Over \$100 million

Responsible Investing	
0.65%	First \$10 million
0.55%	Next \$15 million
0.50%	Next \$25 million
0.45%	Next \$50 million
0.40%	Over \$100 million

### Wrap Program Fee Structures

For its services in wrap programs, FAM's fee generally ranges between 0.30% and 0.70% of an account's market value annually.

### Custodial and Brokerage Fees

Each client (other than wrap program 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 FAM's advisory fees. Clients will also be responsible for paying any additional costs charged by custodians. These additional costs can 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.

FAM's advisory fees also 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. FAM's fees also do not cover mark-ups and mark-downs or dealer spreads that broker-dealers may receive when acting as principal in certain transactions; or the amount of any annual retirement plan fees, or the fees and expenses a client may incur as a shareholder of a mutual fund.

FAM generally does not negotiate brokerage commissions or other costs related to the execution of trades for wrap program accounts because those charges are generally included in the single fee paid by the client to the sponsor. FAM generally

assumes that the execution of trades through the sponsor at no additional expense will provide best execution as compared to the additional cost to the client of placing the trade with a broker-dealer other than the sponsor. In the event that FAM 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.

### **Brokerage Through FAC**

FAC, an affiliate of FAM, is a registered broker-dealer. FAC does not conduct public brokerage business and generally limits its services to acting as a broker-dealer for trades placed on behalf of FAM clients. Whether FAC will be used for trades of a given account is at the client's discretion and subject to the requirements of applicable law, and trades may be directed by the client wholly or in part to non-affiliated broker-dealers. FAM does not reduce its advisory fees to offset commission fees FAC charges. FAM may, however, in certain circumstances, charge a higher advisory fee than it would have otherwise charged, and provide its clients with brokerage services through FAC at no commission charge. In such cases, FAM will not be able to aggregate trades with other clients, which may impact the price received by the client. Consistent with its obligation to provide best execution, it is anticipated that the commissions, rates and fees charged by FAC will be commercially reasonable. The use of FAC's brokerage services is described more fully in Item 12: Brokerage Practices and information about FAM'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 FAM's capabilities through pooled investment vehicles advised or sub-advised by FAM. In such cases, FAM or its affiliates may receive, in addition to advisory fees, 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 FAM 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, FAM may invest its client assets in pooled investment vehicles managed by FAM or its affiliates. In the event of investment of a client's assets in such pooled vehicles, FAM 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 FAM generally does not receive compensation for sales of FAM advised investment products, FAC serves as the principal underwriter for mutual funds advised by FAM and generally receives an asset-based fee for distribution or shareholder servicing from the funds advised by FAM.

FAC sales personnel may receive as compensation a portion of the fees earned by FAM as well as a portion of the fees received by FAC. Such compensation may be higher for some products or services than others and thus the incentive to sell those products may be greater.

To the extent FAM 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 FAM. FAM 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 FAM than a purchase or sale through another, depending on the particular revenue-sharing arrangement.

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

FAM currently has clients from whom performance-based fees may be received in addition to management fees. In these situations, an inherent conflict of interest is present. Additionally, these accounts are managed by personnel of FAM who also have management responsibilities relating to accounts for which only asset-based management fees are received. In theory, there is a greater incentive for FAM, and for these Portfolio Managers, to favor the performance fee relationship since FAM's fee rate will increase based upon the performance of these accounts, whereas FAM's fee rate with respect to non-performance fee based accounts remains the same regardless of the fund's performance.

FAM has developed policies and procedures that are designed to prevent the systematic favoring of the accounts that are subject to the performance fee.

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

FAM offers investment advice to religious organizations, foundations/endowments, corporate pensions, public plans, Taft-Hartley clients, and sub-advisory clients. FAM also offers investment advice to individual investors through mutual funds and separately managed accounts (including wrap fee programs).

FAM's clients also include various taxable and tax-exempt institutions, and publicly and privately offered pooled investment vehicles, both domestic and foreign.

## **Minimum Account Size**

FAM requires a minimum asset size of \$10 million for separate account advisory services (other than wrap program accounts). FAM may, in its discretion, waive the asset minimum for a number of reasons, including, but not limited to, clients with multiple relationships with FAM, specialty asset class assignments, or clients who are willing to pay the fee equivalent of the minimum asset size. FAM may also waive the asset minimum when it is adding a new strategy or trying to increase assets in an existing strategy or distribution channel. FAM generally requires a minimum asset size of \$100,000 for wrap program accounts (see Item 5: Fees and Compensation).

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

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

### Our Process

FAM's investment process is based on independent, bottom-up, fundamental research. FAM'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. FAM 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 FAM'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 FAM'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 tool allows the analyst to systematically utilize subjective data in the company analysis.

At the buy stage of FAM'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 FAM's buy decision. The portfolio manager and analyst then discuss the investment thesis and underlying assumptions.

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, FAM 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**

FAM endeavors to control and monitor portfolio risk by seeking to ensure that all its portfolios are comprised of stocks where its analysts have a high degree of conviction. FAM's investment philosophy and proprietary research capabilities allow FAM to try to mitigate risk by thoroughly understanding the stocks in its portfolios. Through careful stock selection, diversification of holdings and our investment process, FAM seeks to maintain the desired portfolio characteristics that our Portfolio Managers expect while managing overall risk.

FAM's Portfolio Managers and analysts monitor 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, FAM 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.

FAM manages multiple strategies that at times can have exposure to a company through ownership of common stock, debt, warrants or other securities issued by the same company. When such situations exist, FAM will take steps to identify any potential conflicts, seek to mitigate the conflicts and provide adequate disclosures and reporting to clients.

FAM additionally analyzes each portfolio and considers a number of measures, including attribution analysis, to help the Portfolio Managers to fully understand certain risk parameters of their portfolios. FAM also uses other tools to monitor the risk profile of portfolios versus their relevant benchmarks. FAM does not look to actively manage the portfolios' sector exposures, but uses the reports to understand portfolio characteristics and highlight any unintentional exposure.

Notwithstanding the extensive risk control measures FAM 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 FAM will fluctuate in value due to changes in the market prices of its investments. The loss of your investment is a risk of investing. In addition, 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 FAM may be better suited to investors who can tolerate fluctuations in their investment's value.

FAM will not be held liable for any loss resulting from willful misfeasance, bad faith, or gross negligence in its performance of its duties, except as stipulated by unwaivable state and federal securities laws. By entering into an agreement with FAM, clients are not waiving their rights under state or federal securities laws.

Investors should also consider the following risks:

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

- Small and medium-cap 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 Selling Securities Short*

Certain accounts may sell securities short, which is the sale of a security the account does not own. The account arranges with a broker to borrow the security being sold short, and replaces the security by buying it at the current market price when it closes the short sale. If the price of the security sold short has increased since the time of the short sale, the account will incur a loss in addition to the costs associated with establishing, maintaining and closing out the short position. If the price of the security sold short has decreased since the time of the short sale, the account will experience a gain to the extent the difference in price is greater than these costs.

### *Risks of Investing in Derivative Instruments*

Certain accounts can invest in derivative instruments. FAM currently expects that the primary uses of derivatives will involve: (1) purchasing put and call options and selling (writing) covered put and call options, on securities and securities indexes, to increase gain, to hedge against the risk of unfavorable price movements in the underlying securities, or to provide diversification of risk, (2) entering into forward currency contracts to hedge the account's foreign currency exposure when it holds, or proposes to hold, non-U.S. dollar denominated securities, and (3) entering into total return swap contracts on securities or securities indexes to increase gain by obtaining short exposure to securities or securities indexes that FAM believes will underperform on a relative or absolute basis.

A small investment in derivatives could have a potentially large impact on an account's performance. When purchasing options, the account bears the risk that if the market value of the underlying security does not move to a level that would make exercise of the option profitable, the option will expire unexercised. When a call option written by the account is exercised, the account will not participate in any increase in the underlying security's value above the exercise price. When a put option written by the account is exercised, the account will be required to purchase the underlying security at a price in excess of its market value. Use of options on securities indexes is subject to the risk that trading in the options may be interrupted if trading in certain securities included in the index is interrupted,



the risk that price movements in the account's portfolio securities may not correlate precisely with movements in the level of an index, and the risk that FAM may not predict correctly movements in the direction of a particular market or of the stock market generally. Because certain options may require settlement in cash, the account may be forced to liquidate portfolio securities to meet settlement obligations. Forward currency contracts are subject to currency exchange rate risks. All derivatives are subject to the risk of non-performance by the contract counterparty.

### *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.

### *Risks Inherent in FAM's Investment Process*

As a result of FAM'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 FAM Strategies**

Some of the specific types of strategies FAM 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, however securities of issuers located in emerging markets can be more volatile, and less liquid, than those of issuers in more mature economies.

Accounts invested primarily in emerging markets securities may be particularly exposed to the economies, industries, securities and currency markets of emerging markets 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 United States.

### *Socially Responsible Strategy*

Accounts invested primarily utilizing 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 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.

### *Focus Strategies*

These accounts intend to invest a substantial portion of their assets in a small number of issuers, may focus their holdings in fewer business sectors or industries, and may have a more concentrated portfolio than other accounts, so they may be more vulnerable to changes in the market value of a single issuer and may be more susceptible to risks associated with a single economic, political or regulatory occurrence than an account that has a more diversified portfolio. Generally, the accounts will hold approximately 50 securities. The number of securities held by these accounts may occasionally exceed this range for a variety of reasons.

Small Cap Focus accounts concentrate their investments in technology companies, so the value of an account may be more volatile than other accounts that do not similarly concentrate their investments. Furthermore, because the field of medical technology is subject to substantial government regulation, changes in applicable regulations could adversely affect companies in those industries. The comparative rapidity of product development and technological advancement in those industries may be reflected in greater volatility of the stocks of companies operating in those areas. In addition, companies focused in the field of information technology can be significantly affected by intense competition, aggressive pricing, technological innovations, product obsolescence, patent considerations, product compatibility and consumer preferences.

### **(9) Disciplinary Information:**

A complete description of all disciplinary events impacting FAM, its advisory personnel and affiliates can be found in Part 1 of FAM's Form ADV and FAC's Form BD and is available upon request. FAM's Form ADV Part 1 is also available on the SEC's website at the following link:

[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Landing.aspx?SearchGroup=Firm&FirmKey=106750&IndvlKey=-1&ORG\\_PK=106750](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Landing.aspx?SearchGroup=Firm&FirmKey=106750&IndvlKey=-1&ORG_PK=106750)

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, FAM and its affiliates entered into settlements with the SEC and the office of the New York Attorney General ("NYAG").

On October 11, 2006, neither admitting nor denying the findings, respondents FAM, FAC 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 AAI 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, FAM, FAC 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) FAC shall pay, jointly and severally with FAM, \$30 million in disgorgement and/or restitution plus a civil money penalty of \$10 million, for a total payment of \$40 million; (2) FAC and FAM shall retain an independent distribution consultant; (3) FAC and FAM 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) FAM 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) FAM 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) FAM agrees to develop procedures for the disclosure to investors of fees and costs in actual dollars on a fund-by-fund basis. In July 2015, the SEC approved the plan to distribute to investors the \$40 million via the SEC Fair Fund.

Pursuant to offers of settlement by FAM and FAC in which they neither admitted nor denied the findings, the SEC entered an order on January 18, 2007 (the “Order”) finding that FAM and FAC violated certain federal securities laws. The Order states that FAM violated, and FAC aided and abetted a violation of, sections 206(1) and 206(2) of the Advisers Act, FAM and FAC violated section 17(d) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) and Rule 17d-1 thereunder, and FAC violated section 15(c) of the Securities Exchange Act of 1934, as amended (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 FAC 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, FAM violated Section 34(b) of the Investment Company Act with respect to the filing of registration statements and prospectuses with the SEC.

The Order provided that FAM and FAC are censured; FAM 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; FAC 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 rule 17d-1 thereunder, and rule 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 Order also provided that (1) FAM and FAC shall retain an independent compliance consultant to, among other things, review FAM and FAC compliance, supervisory, and other policies and procedures; (2) FAM and FAC shall adopt the recommendations of such consultant subject to a mechanism for resolving disagreements; (3) FAM and FAC shall undergo a third-party compliance review in

2008; (4) FAM and FAC shall retain an independent distribution consultant; and (5) FAM and FAC 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.

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

FAM is owned by FAC, a registered broker-dealer. FAC serves as the principal underwriter for the mutual funds advised by FAM and as a broker-dealer for securities trades placed on behalf of FAM clients and accounts. FAC does not conduct public brokerage business and substantially all of its transactions are for FAM clients if their investment guidelines and relevant regulations that govern their accounts allow it.

Please see the response to Item 12: Brokerage Practices for more complete information regarding FAC's brokerage practices. FAM is the investment adviser to The Alger Funds, The Alger Funds II, The Alger Portfolios, The Alger Institutional Funds, and Alger Global Growth Fund, each of which is a registered investment company. FAM is the investment manager for Alger Dynamic Return Fund, a privately offered pooled investment vehicle. FAM serves as the sub-portfolio manager for Alger SICAV, a publicly offered pooled investment vehicle registered in Luxembourg, other jurisdictions in the European Union, and Singapore. FAM also serves as a sub-adviser to third-party registered investment companies, as well as a bank collective investment trust. From time to time, FAM, its affiliates or a related person ("Alger Affiliates") may own significant stakes in one or more of the above entities.

Additionally, FAM is under common ownership with Weatherbie Capital, LLC, an investment adviser based in Boston, Massachusetts.

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.

### **Conflicts as a Result of FAM's Affiliates**

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

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

In connection with these services and subject to applicable law, Alger Affiliates, including FAM, 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 FAM May Receive*

FAM and its affiliates may have or be deemed to have access to the current status of certain markets, investments, and funds because of Alger Affiliates' activities. Alger Affiliates may therefore possess information which, if known to FAM, might cause FAM to seek to dispose of, retain, or increase interests in investments held by accounts, or acquire certain positions for the accounts. Moreover, FAM 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 FAM would not be subject to these restrictions. FAM maintains policies designed to mitigate the conflicts described in this paragraph; however, such policies may not fully address situations described above.

### *Allocation Issues*

As FAM manages multiple client accounts, issues arise as a result of how FAM 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, FAM may deviate from its normal trade allocation practices. During such periods, FAM 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, all accounts 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 of such account may be higher or lower than, investments and performance of other accounts.

FAM, as a general practice, allocates initial public offerings and other limited availability investments pro rata among 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, the account is so large that the allocation is determined to not be meaningful to the account's overall performance, or due to co-investment by Alger Affiliates. When a pro rata allocation of limited availability investments is not possible or is not appropriate, FAM considers numerous other factors to determine an appropriate allocation. These factors include:

- FAM's good faith assessment of the best use of such limited opportunities relative to the investment objectives, Investment limitations and requirements of the accounts
- Account investment horizons and guidelines, including benchmarks clients select
- 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 the investment opportunity<sup>3</sup>
- 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
- Impact on overall performance an allocation of such securities may have on an account
- Minimum denomination, minimum increments, *de minimis* threshold and round lot consideration

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 FAM and/or employees of Alger Affiliates have interests, may receive an allocation or an opportunity not allocated to other accounts.

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<sup>3</sup> 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 another security FAM believes to be attractive for an account, and/ or considerations related to giving a subset of accounts exposure to an industry.



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

Because accounts are managed according to different strategies and individual client guidelines, certain accounts may not be able to participate in a transaction considered by FAM.

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 effectiveness of, or return expectations from, the strategy for the account
- Any other factors 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.

For ease of management, FAM may group accounts with similar guidelines together for portfolio management purposes. As a result, an account may not invest in certain stocks that its guidelines would allow because other similar accounts restrict such holdings. This could affect the performance of 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 strategies 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 other 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, FAM may, 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 FAM implements a portfolio decision or strategy for an account ahead of, or contemporaneously with, similar portfolio decisions or strategies for another account, market impact, liquidity constraints, or other factors could result in the second account receiving less favorable trading results. The costs of implementing such portfolio decisions or strategies could be increased or the other account could otherwise be disadvantaged. FAM may, in certain cases, 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 account is managed independently of other accounts. Given the independence in the implementation of advice to these accounts, there can be no warranty that such investment advice will be implemented simultaneously. FAM 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, internal policies designed to facilitate trade aggregation may result in delays in placing trades, which may adversely affect trade execution. Differences in allocations will affect the performance of the accounts.

### *Cross Transactions*

From time to time and for a variety of reasons, certain FAM accounts may buy or sell positions in a particular security while another account is undertaking the opposite strategy, which could disadvantage some of the accounts. For example, FAM may represent an 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 an effort to reduce any negative impact, and when permitted by applicable law and otherwise practical to do so, the accounts may enter into “cross transactions.” A cross transaction, or cross trade, occurs when FAM causes an account to buy securities from, or sell a security to, another client of FAM. FAM 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 FAM’s fiduciary duties to all accounts.

### *Valuation of Assets*

FAM may have a conflict of interest in valuing the securities in its clients’ investment portfolios. FAM 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. FAM 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 FAM in accordance with the valuation guidelines described in the valuation procedures applicable to the accounts. The likelihood of misstating the value of securities is greater with respect to illiquid securities.

### *Regulatory Conflicts*

From time to time, the activities of accounts may be restricted because of regulatory or other requirements applicable to Alger Affiliates. 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 for the accounts as well as for Alger Affiliates – e.g., if Alger Affiliates serve as directors of companies the securities of which an account wishes to purchase or sell. The larger FAM’s investment advisory business and Alger Affiliates’ businesses, the larger is the potential that these issues will impact account performance.

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

FAM 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 FAM’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, and
- 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, and trading while in possession of material non-public information, and imposes obligations with respect to their personal securities trading by FAM personnel.

With respect to personal securities transactions, employees are generally required to pre-clear transactions and are required to submit duplicate confirmations and periodic account statements to FAM's Compliance Department. Further, a FAM 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 or private company without prior approval

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

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

From time to time, FAM employees may receive non-monetary compensation from individuals or firms that do business with FAM in the ordinary course of business. These gifts and other benefits may take the form of a conference, program or event attendance, participation or exhibition fees, educational and training fees, or payment of travel, meal and entertainment expenses. The receipt of gifts and other benefits are subject to limitations under FAM's Code of Ethics, which states in part that employees may not accept gifts from a single person or entity that does business with FAM in an amount that exceeds a market value of \$100. In addition, FAM employees may not accept favors, entertainment, special accommodations, or other things of material value from a person or entity that does business with FAM in a frequency or amount that could influence their decision making or make them feel beholden to a person or firm. FAM employees are also prohibited from giving

any gift to a single person or entity that does business with FAM in an amount that exceeds a market value of \$100. FAM believes that the aggregate annual value of non-monetary gifts allocable to any Plan Accounts would not be expected to be reportable with respect to the Plan Accounts for purposes of the Department of Labor's Form 5500 Schedule C reporting rules.

### *Interest in Client Transactions*

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

Additionally, to the extent FAM or Alger Affiliates own a significant percentage of the outstanding shares of an investment company or the interests in a pooled investment vehicle, FAM may be 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, or participate in certain transactions because of the ownership interest of FAM or Alger Affiliates. Clients should be aware that FAM 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.

FAM 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. FAM has adopted numerous procedures in an attempt to limit or manage these conflicts of interest.

FAM may purchase or sell, for itself or Alger Affiliates, mutual funds or other pooled investment vehicles, and other equity 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. FAM may give advice, and take action, with respect to any current or future account or investment that may compete or conflict with the advice FAM may give to other accounts (or for its own account) 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 FAM'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 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 FAM 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. FAM has adopted numerous procedures in an attempt to limit or manage these conflicts of interest.

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

Most clients for whom FAM serves as adviser leave the selection of brokers or dealers to effect securities transactions to FAM's discretion. Each securities trade will be placed with specific broker-dealers selected by FAM 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, FAM will direct a significant amount of the equity trades to FAC. Nonetheless, clients should be aware that FAM may be incented to trade through its affiliated broker-dealer, FAC, even in situations where such trading might not provide best execution. It is anticipated that the commissions, brokerage fees, other fees, compensation or profits, rates, terms and conditions charged by FAC will be commercially reasonable, but will nonetheless be in FAM's and its affiliate's commercial interests and could have an adverse effect on the accounts. FAM has policies and procedures in place to prevent excessive trading, and FAM checks trades periodically to ensure that transactions are placed with the goal of receiving best execution.

In seeking best execution, FAM 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 FAM and its clients, as well as elements such as timing and order size.

### **Soft Dollars**

FAM relies primarily on its own internal research to provide primary research in connection with buy and sell recommendations. However, FAM may receive 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 FAM may receive include:

- 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. FAM 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 FAM because it does not have to pay for the research, products, or services. Such benefit gives FAM 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. Therefore, such products and services may disproportionately benefit certain accounts to the extent that the commissions from such accounts are not used to purchase such services.

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

FAM 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 FAM 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 FAM. These arrangements allow FAM 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, FAM will make a good faith allocation of the cost of the product according to its use. FAM will not use soft dollars to pay for services that provide only administrative or other non-research assistance.

### **Directed Brokerage**

FAM does not consider client referrals when it selects a broker-dealer for executing trades on behalf of the accounts it advises and FAM's procedures provide that no mutual fund advised by FAM 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, however, 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. FAM will generally place orders for clients that have given us full brokerage discretion first, then for clients that have requested a specific broker. If FAM places orders on behalf of clients who direct brokerage after it places other trades, this may negatively impact the price at which trades are completed for such clients.

### **Trade Aggregation**

If FAM 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.

Aggregation of trades under this circumstance should, on average, decrease the costs of execution. In the event FAM 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. FAM may delay the execution of a trade for a client account so it may be included as part of an aggregated trade.

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.

When orders are aggregated for execution, it is possible that FAM will receive benefits from such trades, even in limited capacity situations. FAM 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. FAM may aggregate trades for its clients and affiliates in private placements pursuant to internally developed procedures. In such cases, FAM 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. FAM does not generally aggregate trades on behalf of wrap fee program accounts with other accounts at the present time.

As noted in Item 5: Fees and Compensation above, FAM may, in certain circumstances, charge a higher fee than it would have otherwise charged, and provide clients with brokerage services through FAC 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 the expected lowered execution costs, which may affect the clients' investment results. To the extent a transaction is excluded from an aggregated trade, FAM may place the transaction after it places other trades and this too may adversely impact the quality of such transaction. Please see Item 10: Other Financial Industry Activities and Affiliations for more information on FAM's conflicts related to the timing of trades.

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

FAM's Portfolio Managers and Institutional Sales and Service team 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 FAM's traders in implementing investment management decisions. FAM's Portfolio Managers are responsible for reviewing all holdings to assure adherence to client guidelines. FAM's Compliance Department also monitors trades for each account to ensure that they comply with the guidelines of the accounts and are aligned with FAM'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 security sales, and account and benchmark performance. Certain clients also receive historical performance reports on a monthly basis. Clients may also receive specialized reporting at their request.

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

### **Other Compensation**

FAM does not receive any compensation from third parties relating to advisory services provided to clients.

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

#### **Referral Fees**

FAM pays fees to financial intermediaries, advisers, and financial planners, among other individuals and entities, in return for referring potential clients. FAM may also pay a fee to pension and corporate consultants of existing and potential clients for certain services the consultants provide to FAM. These consultants may recommend FAM to these potential clients. FAM may also pay Alger Affiliates for referring potential clients. FAM currently has a relationship with a third-party firm to assist in sourcing business in Australia.

#### **Additional Compensation**

Alger Affiliates may pay money from their own profits to outside parties whose clients invest in mutual funds advised by FAM. These payments may be made to an intermediary, broker, dealer, investment adviser or other party who effects investments in the funds by their clients. Alger Affiliates may generally 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 FAM because the intermediary receives a higher fee as a result.

Alger Affiliates may also pay intermediaries who recommend FAM 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 FAM's services because the intermediary receives a higher fee as a result. These payments are made from FAM's advisory fees.

#### **Marketing Payments**

Subject to applicable law, FAC 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. FAC may also participate in or partially sponsor industry and consultant sponsored conferences, and may pay for access to intermediaries' registered representatives or salespersons. FAC 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, personnel of clients, dealers and other financial intermediaries and/or their registered representatives, and pension consultants.

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:

FAM does not have actual custody of client assets. However, 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 FAM and from their custodians. Clients should review these statements carefully, and compare them to each other.

## (16) Investment Discretion:

FAM 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 FAM and its clients. As noted in Item 4: Advisory Business above, certain clients limit FAM's discretionary authority over their account.

Some wrap program sponsors retain FAM to provide model portfolios, which the wrap sponsor replicates for its clients' accounts. In these cases, FAM 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 FAM to vote proxies.

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

If a client grants FAM authority to vote its proxies FAM 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. FAM has adopted these guidelines, which address matters such as operations, board of directors, ratification of auditors, takeover defenses, shareholder rights, and other governance provisions, mergers and corporate restructuring, state of incorporation, capital structure, executive and director compensation, social and environmental issues and mutual fund proxies. FAM 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 FAM's fiduciary obligations to its clients. Notwithstanding such proxy voting policies and procedures, actual proxy voting decisions of FAM may have the effect of favoring the interests of certain clients or Alger Affiliates provided that FAM believes such voting decisions to be in accordance with its fiduciary obligations. In other words, regardless of what FAM's conflict of interest is, the importance placed on exercising a client's right to vote dictates that FAM will cast the vote in accordance with its voting guidelines even if FAM, its affiliate, or its client, somehow, indirectly, benefits from that vote.

FAM maintains proxy statements received regarding securities purchased or held by accounts managed by FAM, 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. FAM is not a State-Registered Adviser.



**FACT****WHAT DOES ALGER  
DO WITH YOUR PERSONAL INFORMATION?****Why?**

Financial companies choose how they share your personal 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.

**What?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and
- Account balances and
- Transaction history and
- Purchase history and
- Assets

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share personal information to run their everyday business. In the section below, we list the reasons financial companies can share their personal information; the reasons 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> 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>	No	We don't share

**Questions?**

Call 1-800-342-2186

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 Global Growth Fund.
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.
How does Alger collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>■ Open an account or</li> <li>■ Make deposits or withdrawals from your account or</li> <li>■ Give us your contact information or</li> <li>■ Provide account information or</li> <li>■ Pay us by check.</li> </ul>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <p>■ <i>Our Affiliates include Fred Alger Management, Inc. and Fred Alger &amp; Company, Incorporated, and Weatherbie Capital, LLC as well as the following funds: The Alger Funds, The Alger Funds II, The Alger Institutional Funds, The Alger Portfolios, and Alger Global Growth Fund.</i></p>
<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies.
<b>Joint marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you.
Other important information	

## **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: June 21, 2017

This brochure supplement provides information about the following people:

Dan C. Chung, CFA  
Gregory S. Adams, CFA  
Ankur Crawford, Ph.D.  
Alex Goldman  
Patrick Kelly, CFA  
Pedro V. Marcal  
Teresa McRoberts  
Deborah A. Vélez Medenica, CFA  
Michael J. Melnyk, CFA  
Christopher R. Walsh, CFA  
Steve Thumm  
Amy Y. Zhang, CFA

that supplements Fred Alger Management, Inc.'s ("FAM") brochure. You should have received a copy of that brochure. Please contact us at (212) 806-8800 if you did not receive FAM'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:**

**Dan C. Chung, CFA**

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

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

Dan C. Chung, CFA is Chief Executive Officer, Chief Investment Officer and Portfolio Manager of several Alger strategies. Dan joined Alger in 1994 and has 21 years of investment experience. He was named Chief Investment Officer in September 2001, President in 2003, and CEO in 2006. Dan graduated from Stanford University with B.A. and B.S. degrees, with Distinction and Phi Beta Kappa, in 1984. He earned his J.D. magna cum laude from Harvard Law School in 1987, where he was an editor of the Harvard Law Review. After law school, he served as law 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 charterholder and a member of the CFA Institute. Throughout his tenure at Alger, Dan has made numerous TV appearances on Bloomberg, CNBC, and Fox Business. Dan has also been featured and quoted frequently in Barron's, Citywire, Forbes, Investment News, Pensions & Investments, USA Today, and the Wall Street Journal.

**Gregory S. Adams, CFA**

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

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

Gregory Adams, CFA is a Senior Vice President, Portfolio Manager of the Alger Dynamic strategies, the Alger Growth and Income Funds, and Director of Quantitative & Risk Management. Greg joined Alger in 2006 and has 28 years of 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, where he managed over \$10 billion in assets, he was the 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, managing over \$2 billion during his tenure. 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 and a B.S. in Economics and Finance from



The Wharton School. Greg is a CFA charterholder and a member of the CFA Institute.

**Ankur Crawford, Ph.D.**

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

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

Ankur Crawford is a Senior Vice President, Senior Analyst, and Portfolio Manager of the Alger Capital Appreciation, Alger Spectra, and Alger Mid Cap Growth strategies. Ankur joined Alger in September 2004 and has 11 years of investment experience. She began her career at Alger as a Research Associate and completed Alger's in-house analyst training program. Over the next several years, Ankur was promoted to Associate Analyst, Analyst, and then ultimately to Senior Analyst. Ankur also became a portfolio manager to the Alger Mid Cap Growth strategies in 2010. In 2015, Ankur was named a portfolio manager of the Alger Capital Appreciation and Alger Spectra strategies. Prior to joining Alger, she earned a Ph.D. in Materials Science and Engineering from Stanford University. Ankur was an awardee of the prestigious Intel Corporation Ph.D. Fellowship Program and worked as an engineer with Intel. Previously, she was 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.

**Alex Goldman**

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

**Date of Birth: 3/12/75**

Alex Goldman is a Senior Vice President, Senior Analyst covering the industrials sector, and Portfolio Manager of the Alger Mid Cap Focus as well as Alger Mid Cap Growth strategies. He joined Alger in 2011 and has 17 years of investment experience, most recently as a research analyst at CastleRock Management. He has also served in various roles at Morgan Stanley in the Equity Financing Services, Risk Management Group, and Sell-Side Research Department. Alex earned his B.S. from Columbia University School of Engineering and Applied Science and his M.B.A. from Columbia University School of Business.

**Patrick Kelly, CFA**

**Executive Vice President, Head of Alger Capital Appreciation and Spectra Strategies, Portfolio Manager**

**Date of Birth: 3/17/75**

Patrick Kelly is Executive Vice President, Portfolio Manager and Head of Alger Capital Appreciation and Spectra Strategies. He is Portfolio Manager of the Alger Capital Appreciation, Alger Capital Appreciation Focus, Alger Spectra, and Alger Dynamic Opportunities strategies. He joined Alger in 1999 and has 18 years of

investment experience. Previously, Patrick was an investment banking analyst with SG Cowen. He began his career at Alger as a Research Associate and completed Alger'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, responsible for the Technology sector. Patrick was named portfolio manager of the Alger Capital Appreciation and Alger Spectra strategies in September 2004, and was named as head of the strategies in 2015. He graduated with honors from Georgetown University. Patrick is a CFA charterholder and a member of the CFA Institute.

**Pedro V. Marcal**

**Senior Vice President, Portfolio Manager**

**Date of Birth: 3/22/66**

Pedro Marcal is a Senior Vice President, Portfolio Manager of the Alger International Growth Strategy, and Portfolio Manager of the Alger Global Growth Strategy, for which he manages the international developed portion of the portfolio. He joined Alger in 2013 and has 26 years of investment experience. Prior to joining Alger, Pedro worked at Allianz Global Investors (formerly Nicholas-Applegate Capital Management), where he focused on international equities including developed and emerging markets. During his tenure there, he helped develop the firm's emerging markets products before moving on to manage global and developed international equity portfolios. Pedro earned his B.A. from the University of California at San Diego and his M.B.A. from the UCLA Anderson School of Management.

**Teresa McRoberts**

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

**Date of Birth: 8/2/58**

Teresa McRoberts is a Senior Vice President, Senior Analyst, and Portfolio Manager of the Alger Health Sciences Fund, as well as a Portfolio Manager on the Alger Mid Cap Growth strategy. She first joined Alger in 1994 and has 33 years of investment experience. Before rejoining Alger in 2015, Teresa was the portfolio manager at Bienville Health Science Partners, a company she founded. Her previous experience includes health care portfolio manager roles at Galleon Group, Carlyle Blue Wave Partners, and Tribeca Global Management (Citigroup). Prior to that, she returned to Alger in 2001 as Senior Health Care Analyst and Portfolio Manager, and launched the Alger Health Sciences Fund. Before returning to Alger, she was a portfolio manager and principal at Morgan Stanley. Her prior experience includes working as a health care analyst at Alger, and analyst and corporate finance roles

at JP Morgan. Teresa earned her B.A. from Oberlin College and her M.B.A. from Columbia University.

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

Deborah Vélez Medenica, CFA is a Senior Vice President, Portfolio Manager of the Alger Emerging Markets Strategy, and Portfolio Manager of the Alger Global Growth Strategy, for which she manages the emerging markets portion of the portfolio. She joined Alger in December 2010 and has 19 years of experience in emerging markets. Prior to joining Alger, Deborah worked at PineBridge Investments (formerly AIG Investments), where she rose from investment analyst to portfolio manager to the head of emerging market equities. Prior to PineBridge, she worked as an analyst for Baring Asset Management, Toronto Dominion Bank, and Cambridge Associates. Deborah earned her A.B. from Harvard-Radcliffe College, M.A. in International Economics and Latin American Studies from Johns Hopkins School of Advanced International Studies, and M.B.A. from The Wharton School. In addition, Deborah is a CFA charterholder and a member of the CFA Institute.

**Michael J. Melnyk, CFA**  
**Senior Vice President, Senior Analyst**  
**Date of Birth: 3/28/77**

Michael J. Melnyk, CFA is a Senior Vice President and Senior Analyst covering the consumer sector with a focus on leisure, media, REITs, telecommunications, packaging, gaming and hotels. He re-joined Alger in 2007 and has 16 years of investment experience. Previously, Mike covered the consumer sector as an analyst at SAC Capital Management/CR Intrinsic and as Senior Analyst at Maverick Capital. From 2001 to 2004, he was Assistant Vice President and Analyst at Fred Alger Management, Inc. focusing on consumer stocks. Mike's earliest assignments were at Credit Suisse First Boston as an investment banking analyst and later as equity research associate. He graduated summa cum laude from the University of Notre Dame with a B.B.A. in Finance. Mike is also a CFA charterholder and a member of the CFA Institute.

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

Christopher Walsh, CFA is a Senior Vice President, Portfolio Manager of the Alger Green Fund, and Portfolio Manager of the Alger Mid Cap Growth strategies. He is also Senior Analyst responsible for the retailing, footwear, apparel manufacturing,

auto/auto suppliers, and restaurant industries. He joined Alger in 2001 and has 18 years of investment experience. Previously, he worked at Van Der Moolen Specialists USA as an equity analyst and at Prudential Securities as an associate retail analyst. He graduated with a B.S. from the University of Vermont. Christopher is a CFA charterholder and a member of the CFA Institute.

**Steve Thumm**

**Senior Vice President, Head of Equity Trading**

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

Steve Thumm is a Senior Vice President and Head of Equity Trading. He is also Portfolio Manager of the fixed-income portion of Alger's Balanced Portfolio. Steve joined Alger in 1991 and has 28 years of investment experience. Previously, he worked at Marine Midland Bank as a Vice President in the domestic treasury division and managed the Bank's domestic funding operations. Steve graduated from Hofstra University.

**Amy Y. Zhang**

**Senior Vice President, Portfolio Manager**

**Date of Birth: 10/9/70**

Amy Zhang is a Senior Vice President and Portfolio Manager of the Alger Small Cap Focus Fund and, along with Jill Greenwald, the Alger Small Cap Growth strategies. She joined Alger in 2015 and has 18 years of investment experience. Prior to joining Alger, Amy worked at Brown Capital Management as a Managing Director and Senior Portfolio Manager of its Brown Capital Small Company Fund. Her previous experience includes working as a Portfolio Manager/Analyst at Epsilon Investment Management, Research Analyst at Templeton Worldwide, and Associate at Citicorp Securities. Amy earned her B.A. from Manhattanville College, where she graduated Summa Cum Laude. She earned her M.B.A. from Columbia Business School, where she was inducted into the Beta Gamma Sigma honor society and named to the Dean's List. She is also a member of the Columbia Business School Ambassadors Program. Amy is a CFA charterholder and a member of the CFA Institute. She is a former President of the CFA Society Baltimore and is currently chair of their Advisory Board. She also served as a member on the Board of Directors, as well as Vice President and Programs Chair for the CFA Society of Stamford.

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

Not applicable.

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

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

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

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:**

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

#### **(6) Supervision:**

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 FAM'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).

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

#### **Portfolio Monitoring**

- Portfolio managers continuously monitor all of FAM'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 FAM's overall investment outlook.

- Use of FAM'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 FAM's Client Service Team.

Additionally, FAM adheres to the following self-imposed guidelines for portfolio risk management:

**Diversification:** FAM 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. For Small Cap Growth strategies, FAM generally limits exposure in any one economic sector to 50% of a portfolio, exposure to any one industry to 25% of a portfolio, and exposure to any single security to 5% of a portfolio, at purchase. FAM may deviate from this policy to the extent one security represents a larger percentage of an applicable benchmark.

**Optimization:** FAM is continually optimizing its portfolios to ensure that they always reflect the best ideas of FAM's research team while maintaining the highest appreciation potential to the firm's internally generated price target. FAM 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.

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

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

Guidelines and limitations are generally 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.