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The Alger Portfolios

Alger Mid Cap Growth Portfolio

ANNUAL REPORT

December 31, 2011

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Dear Shareholders, January 25, 2012

Uncertainty and Change Dominate Markets

Much like the year that preceded it, 2011 was characterized by equity markets being seized more by a crisis of waning confidence and investors' deteriorating outlook than by stock fundamentals. Nevertheless, the S&P 500 Index finished 2011 with a 2.11% gain. Rising correlations among stocks and equity volatility resembling levels experienced in 2008 and early 2009 created a difficult environment for all fundamental investors, including Alger. We maintain that the best way to manage risk is to have in-depth knowledge of portfolio holdings. During the year, our highly knowledgeable and experienced analysts continued to focus on conducting rigorous research while seeking to identify fundamental changes within industries and companies that can drive growth in revenues and earnings. Stocks are ultimately valued on their present and expected future growth, earnings, and ability to generate free cash flow. In the long run, as Alger's historical investment record reflects, the market correctly values stocks on such fundamentals. However, there are periods when other factors dominate the overall market's direction and the valuation of individual stocks. Such factors, commonly gathered under the collective label of "macro" or "investor sentiment," can trump individual stock analysis for significant periods. We have been in such a period since 2008, with correlations among U.S. equities 75% higher than the average of the previous 80 years, according to Empirical Research Partners.

The idea that equity markets can be dominated by investor sentiment centered on macro factors is not irrational. Rather, it is quite natural when the pace of U.S. and global economic growth is uncertain. Investors' focus on macro issues is also to be expected because the nature of economic growth in the U.S. and other countries is shifting to new paradigms that are based on, as yet, unknown terms. Whether the basic principles of the U.S. economy, for example, its tax structure, subsidies (explicit and implicit), regulatory oversight, and the very nature of competition within industries, will remain on terms similar to those of the last 20 years is a legitimate question. This uncertainty and change stem from many of the ongoing global forces of change that were perhaps destined to cross paths, if not collide.

When uncertainty appears high, many investors find it difficult to remember and act based on the core belief that stock valuations are ultimately driven by differences among corporations' fundamentals. Today, excellent companies and poor ones trade at valuations more similar than different, and rise or fall, more often than not, together based on events unrelated to corporations' or industries' fundamentals. Many investors forget that companies and the people that work within them change constantly and that great companies adapt and, often, even excel during times of change and uncertainty. In 2011, "events" such as statements by European politicians as to their agreement or disagreement on solutions to the euro-zone crisis, the details of which are lacking, moved markets more than underlying company fundamentals. This development has occurred despite year-over-year quarterly earnings for the S&P 500 increasing every quarter since the fourth quarter of 2008.

It is quite clear that the rational behavior of crowds often, if not always, results in a great number of individual errors, some of gigantic proportions. This occurred in 2011, when investors fled U.S. stocks and equities from other countries, leaving us with astounding anomalies, such as investors' continuing preference for 10-year U.S. Treasuries yielding 1.94% at the end of 2011 compared to the 2.11% yield of the S&P 500. This is a rare phenomenon that shows, at present, no sign of regressing. Similarly, continued improvement in U.S. corporate fundamentals – S&P 500 reported earnings in 2011 were $89.87, up over 16% from 2010 and operating earnings were $96.90 – did not translate into significant price gains for the index for the year. Historical averages would suggest the S&P 500 would be fairly valued at approximately 1500, instead of at 1257 as of the end of 2011. At 1500, the S&P would have a trailing price-to-earnings ratio of 16.9, compared to the actual P/E at year-end of 13.99, the second lowest P/E ratio in the last 20 years.

Have Investors Lost Sight of Reality?
At the end of 2011, 10-year Treasury bonds yielded only 1.94%, causing us to ask, have investors lost sight of reality? Inflation, both the government reported kind and the real one we live with is distinctly higher than 2%, thus Treasury bonds are very likely to produce negative real returns. Many high-quality dividend paying companies have dividend yields exceeding 2% and offer 10-year return potential that, in our opinion, is likely to be vastly superior to Treasury bonds. Companies are dynamic entities that can, in varying degrees, adjust to higher costs and still grow profit margins or earnings, despite inflation. For long-term investors, we believe the odds of generating positive real returns are distinctly in favor of equity investors.

Inflation should be viewed from somewhat different perspectives by investors, consumers, and companies. First, while inflation in the future will reduce the value of the dollar on a real basis, we don't believe it will reduce Americans' living standard. Certain costs may rise, but there is also frequently a rise in the quality of goods or services. Government statistics on inflation make adjustments for changes in quality that can be distorting in either direction. For example, in terms of housing costs, adjustments are made for both the size and features of the "average" American home which tend, in our view, to under-report the rate of inflation in housing over long periods of time. The American home in 2012 is larger, better equipped, and thus "better" than that same home in 1950.

In many cases, the costs of goods and services that are part of the quality of modern lifestyles are, in a real sense, falling, not rising. Electronics products are an example. Though consumers who must have "the latest and greatest" devices and capabilities may experience "inflation" (i.e., the cost to continually be the first to own the "latest and greatest" in computing does increase annually), technology prices have decreased dramatically while the functionality of computing and communications has risen because of new features, faster speeds, and greater storage capacity. The same is true of air travel and tourism, whose affordability has increased dramatically since the dawn of the Jet Age to today's online travel market of Priceline.com Inc. Of course, for many other goods and services, inflation has been well above the 2 or 3% reported in recent years. One example is the television subscription fee for ESPN, which has climbed 42% since 2006, and is expected to rise even further and at a faster rate following a new NFL contract which costs 60% more.

In sum, it's very difficult to capture the real effect of inflation, or its absence, across the modern economy. However, economic theory suggests that the output in quantity and variety produced by our system, in economic terms, is a strong indication of the true answer. American capitalism, flawed and imperfect as any human system will be, has produced these common goods and services at lower, not higher, real costs to the U.S. consumer. The strongest evidence of the success of the American economic system surrounds us – observe the array of goods and services available to Americans at an extraordinary variety of price points, quality, features, and locations. It is basic economics that such success benefits all in the system – not only the most successful, and not to the exclusion of those less successful.

These observations may seem obvious and raise the question why we have bothered to spill so much ink on them. The answer lies in two observations. First, is the pessimism of most investors about the future of the U.S. economy. The other, closely related, is the frequency of media headlines depicting the decline of America. For example, the Washington Post recently published an article called "A Bleak Look at America's Future" and Foreign Affairs magazine recently featured a cover article titled "Is America Over?" This echo chamber of media bites does have a dampening effect on consumer behavior and on businesses leaders who are deciding on whether to invest for growth or pause and save. Perhaps, this explains the reaction of investors in 2011 that withdrew from U.S. and global equities and continued their march into "safe havens" such as U.S. Treasuries and intermediate bond funds. This dampening effect has certainly impacted Europe, as the policies of austerity, combined with the psychological trauma of uncertainty regarding taxes, delayed retirements, new regulations, and other matters, cause companies and consumers to be, regardless of their own individual well being, more cautious and reluctant to engage in new ventures than they otherwise would have been.

Some of this austerity is necessary because the debt-driven consumption and the consequent over-investment of the past was not sustainable long term. In the future, it cannot be the solution to the problems of the U.S. or Europe. American households have been making progress in this area. According to the Federal Reserve, the overall debt-to-income ratio has improved substantially since the third quarter of 2007 and Americans' debt-to-assets ratio has improved since the first quarter of 2009. Corporations in the U.S., meanwhile, have done a remarkable job in managing their income and balance sheets. As a whole, corporate America is very healthy and competitive relative to the rest of the world, and we should all be glad for that strength and resilience in the face of tremendous global change.

The opportunity to invest in the dynamic change occurring in the U.S. is as exciting today as it has ever been. Bull markets do not start with investors cheering equities, but instead typically start at the peak of capitulation. We believe the U.S. is in the early stages of a new bull market, and encourage our readers and clients to think, as we're outlining here, about the future optimistically, despite headlines and the current herd mentality.

An Interesting 2012

There are three likely market scenarios for 2012. Two of them could result in dramatically higher U.S. equity valuations by the end of the year. The third is, simply put, more of the same, with the economy, the nation, and the equity markets treading water and going nowhere. The two that offer upside potential, which combined we assign an 80% probability of occurring, will take dramatically different paths but have the same results.

In the first scenario, we see either the markets rioting through significant downward volatility, such as a 15 to 20% decline. It would be European led, but U.S. and emerging markets would be impacted, thus forcing European political bodies to act – and act decisively and comprehensively—to address the structural problems in Europe. We at Alger feel this scenario is most likely, and in effect would play out like 2009 – dramatic downside in the markets, with declines being the most significant in Europe and emerging markets, in the first half of 2012, followed by a more dramatic recovery in the second half of the year, especially in U.S. equities. The S&P 500 would end the year at 1500 or higher, eclipsing the post-financial crises high of 1350 reached in the summer of 2011.

The second scenario is cheerier. It involves European leaders surprising the markets early in 2012 by acting comprehensively to "ring fence" Italy and Spain without further true rioting by the markets. For the latter scenario to play out, European leaders must act early in 2012, or we think it is likely that markets lose patience and riot, resulting in our first scenario. We are encouraged to note that bond markets responded very favorably to some recent steps in Europe with near shocking drops in yields. For example, yields of Spanish 10-year Treasury bonds dropped from approximately 6.5% in November to 5.03% in December. But we're suspicious of such volatility as it's just as susceptible to swing the other way until a comprehensive solution is enacted.

The third, and our lowest probability scenario, but one sparking debate at Alger, involves markets in 2012 continuing to be volatile and lacking direction. Thus, we would end 2012 pretty much where we are today. The main argument for this view is that while either scenario one or two above must play out in 2012, the U.S. markets, rather than responding positively to the resolution of the euro-zone crisis, could turn their attention to the political gridlock in the U.S., including issues such as deficit spending, and find it a reason to do nothing. It is reasonable to believe that, on a policy basis, little is likely to be clarified until the November presidential election. As reported by the New York Times, President Obama is busy campaigning, already having logged more campaign travel time at this point than any of his recent predecessors and will clearly have more campaigning in the near future. Finally, the Congressional Super Committee on the budget turned out to be anything but super. Surprisingly, many seem happy with the automatic cuts across the board, rather than with actual policy-making between our political parties.

We give our third scenario a low probability because it suggests that the current positive progress in the fundamentals of U.S. equities, despite economic weakness and uncertainty, will dramatically end even if the euro-zone crisis macro factor is lifted. It would mean investors don't acknowledge or reward the very sound state of U.S. corporate fundamentals.

We think a European recession in the form of modest to flat earnings growth in 2012 is likely priced into U.S. equities. A large scale U.S.-profit recession is, in our view, highly unlikely, even assuming a significant European recession and the collateral effect of slowing emerging markets economic growth. There are many convincing reasons for this. First, though the U.S. housing and automobile markets remain at low levels historically, the American auto industry is recovering while real estate appears to have firmly bottomed. Improvements within those sectors are likely in both 2012 and 2013, and will support stronger U.S. economic growth. Second, emerging markets have been loosening their monetary policies, which will support export-related growth in the U.S., and more importantly, investor confidence in the longer term growth rates for U.S. companies that are succeeding overseas. That confidence can eventually translate into higher P/E multiples, even if near-term growth rates are dampened by a euro-zone recession. Finally, conditions in the U.S. economy around labor, real estate, financing, and other inputs to corporate fundamentals suggest that the current high level of both profit margins and free cash flow with U.S. companies is not a fluke, but instead structural and likely to be maintained.

Rules, Regulations, and Restrictions

Our greatest long-term risk in the U.S. is economic policy, which the electorate will sort out in the next election. Lawmakers need to address the rapidly increasing regulatory burden and policy misdirection in the U.S. that shows no sign of abating. Americans are reminded of this burden every year, with the complexity of our tax code, but also in respect to the licenses and approvals required to start a business or enter a profession. This country's prosperity is due in large part to thousands of small businesses that are challenged by heavy regulations and will likely be challenged by proposed regulations. For example, a debate on imposing a sales tax on Internet sales is moving forward without regard to its harm to smaller retailers. While the largest Internet-based operators, such as Amazon.com, Inc. and Ralph Lauren Corp., can bear the burden of collecting state sales taxes across 50 states, the tens of thousands of smaller and not-so-small Internet-based retailers likely cannot. A New York Times article recently noted that the cost of collecting sales taxes and the implementation and monitoring of the systems to collect, remit, and account for such sales taxes might exceed 13% of sales for smaller businesses. For many businesses, that is likely to represent the bulk, if not all, of their profits. Large businesses may criticize overregulation, but to a great extent, they benefit from it as it places a much greater burden on their fiercest competitors, the successful small- and mid-size companies that are innovators.

Why has regulation disguised as "policy" grown in the U.S., regardless of which political party is in power? Because the clear winners of an increased regulatory and "policy-making" environment are lawyers. Yet, where are the media articles examining whether more lawyers and legal services are productive uses of human and financial capital? It may be no surprise that lawyers comprised 8.4% of the people in the top 1% in income in 2005 and, almost assuredly, have since risen as a percentage of that group. Since 1960, the number of lawyers per capita in the United States has grown 2 ½ times, from less than 14 per 10,000 people in 1960 to more than 38 per 10,000 in 2010. The U.S. has the highest ratio of lawyers in the world, a staggering four times the world average, according to recent research (Magee, University of Texas, "The Optimum Number of Lawyers"). While our Congress and President have accomplished little in addressing America's economic and fiscal future in the last several years (and longer, as the problem is multi-generational politically), much of the lack of progress creates a boom for lawyers who write, fight, and encourage legislation, whether in the courts, Congress, or the halls of bureaucracy centered in Washington, but with branches in all 50 states.

And then, of course, there is the private legal system and its version of a "full employment" policy for lawyers, which is the frivolous lawsuit. Regardless of how frivolous or misconceived a case may be, targets of lawsuits must pay for their defense costs and, even if they win, the costs for their defense aren't shifted to plaintiffs. Regardless of the outcome, lawyers on both sides win as they are compensated handsomely. It's different in England, the country which supplied the foundation for our legal system. Plaintiffs pay for the defense when they lose, something the U.S. should consider if we want to move away from our more litigious culture. Unfortunately, with the high number of lawyers employed in government, legal reform will not be in the best interest of the very individuals who govern and their staff, a high number of whom rely on the revolving door between government employment and private legal practice. The burden of our legal system is a high price to pay for the "right" to sue, especially when considering the nature of many lawsuits. For example, in November, parents of students on the Atrisco Heritage Academy high school football team filed a legal complaint seeking to have the athletes enter the New Mexico state finals. The team didn't make the cut in November because it lost its last game of its season. The litigation claimed that a referee incorrectly allowed the game clock to run out, which prevented the team from kicking a potentially game-winning field goal. Judge Shannon Bacon in the Second Judicial District of New Mexico eventually dismissed the litigation, explaining that the court does not serve as a "super referee" for sporting events. Is this an efficient use of resources?

How Much Should the Top 0.1% Contribute?

When evaluating taxation, it's clear that the nation risks policy missteps. The rising rancor of debate about inequality in America is an example. We're not taking sides, but we note that the astonishing lack of factual discussion (versus the current biased argument) is confirmation of the polarization of politics. In discussions about the top 1%, there are, we think, some serious oversights, or at least glossing over of reality. The 1.35 million taxpayers in this category include many successful business owners and hard working Americans who have an incentive to contribute to the success of our economy, to create jobs, and to realize the American Dream.

Regarding the top 0.1%, the average annual income is over $30 million, much of which is derived from equity and bond investing and is taxed at lower rates. We do agree with Warren Buffett and others that the truly wealthy should pay a higher tax rate than they currently do. Mr. Buffett makes great press discussing his low tax rate, but how many ordinary Americans are in a similar situation? His salary as CEO and Chairman of Berkshire Hathaway is $100,000, yet with his investments, his adjusted gross income for 2010 reached $62,855,038! When he needs money, he can sell stock from his personal investments or take income from the proceeds of a prior stock sale. Those options are simply not available to nearly all Americans. We also believe loopholes such as the treatment of carried interest for hedge funds and private equity funds should be closed as they are egregious handouts unnecessary to incentivize productive behavior. We must be careful, however, in the treatment of capital gains. America needs to encourage productive investment, of all kinds, here at home. Those willing to risk hard-earned, once taxed, savings or capital to invest should be treated favorably until they reach the top 0.1%. Capital, unlike labor, is a globally competitive arena for U.S. dollars, and there are many places in the world that have either no capital gains tax or capital gains taxes that are lower than the U.S. We must also be exceedingly careful about taxes on corporate profits of even very successful but ultimately not giant companies. They are the job creators, the innovators, and the competition that keeps the markets vital and the "too big to fail" at least somewhat responsive to growth opportunities in the U.S. Here too, the current tax code gives the largest companies an advantage, as in the case of General Electric Company which paid no corporate tax in 2010, while smaller companies routinely pay in excess of 40% of their profits in federal and state taxes, a rate that may be too high for businesses to be willing to invest and grow.

We should also note that in the top 0.1%, we have major forces we cannot control: globalization and Internet technology. The accelerated increase in the wealth of participants in these areas to some extent arises from using the Internet to leverage talents, companies, brands, and thus revenues in a global marketplace, at both speed and lower costs that were previously unimaginable. Examples are easy to see in our cultural icons – whether they are Oprah Winfrey or Kobe Bryant – who are, today, marketable across the globe, thanks in part to our country's success in attracting billions of people across the world to, in effect, the U.S. lifestyle. But this effect is not limited to the cultural elite: it is also true for many businesses and the owners or managers that have taken advantage of globalization and the Internet to lead their companies into worldwide markets with previously unimaginable success. In the case of Steve Jobs, for example, we should be applauding his success, not decrying the result the Internet has had on his wealth, because if American businesses and entrepreneurs did not succeed in the global marketplace, the vacuum would be filled by others. It's not a matter of preventing the advance of information technology and the success of entrepreneurs. Rather, it's a matter of whether our country can continue producing the businesses and people to lead in coming years in the battleground that is set.

Many of our problems today stem from the use of government subsidies specific to certain projects or industries that have won political favor. Government should not be the allocator of capital as this can lead to misdirection and, sometimes, misuse, of capital as in the case of the solar subsidies wasted on Solyndra, a company that specialized in solar energy technology for rooftops. Alternative energy, in many forms, should be incentivized from a perspective of investing in research and development, stimulating jobs, and reducing America's reliance on imported fuel. But the correct way to encourage the adoption of solar energy is to incentivize Americans to purchase alternative energy sources and let the consumer choose the best products. In other words, let the market create competition. With solar power, for example, the types of distribution systems, such as rooftop solar panels or solar energy generated and distributed by utility companies, should be encouraged and not be determined by government decisions, such as the case of Solyndra.

Going Forward

It's clear to us at Alger that U.S. companies are doing an admirable job in difficult times. Uncertainty is not an acceptable management strategy, so businesses are continuing to move forward and seek opportunities to grow, even as Washington dithers. Despite our many concerns about the state of U.S. policy-making, we remain confident in the fundamental strength of our economic system and the vitality and creativity of corporate America – in its people and in its structure – to continue to define excellence in the global marketplace. We note that even on some of its broadest measures, the U.S. economy continues to show its strength. Thus, even in the hard pressed manufacturing sector there are signs of improvement. For example, Japanese auto company Honda Motor Co. plans to ramp up manufacturing in the U.S., which is expected to create thousands of jobs. As part of the initiative, Honda expects to double the capacity of its Greensburg, Indiana, plant to produce 200,000 cars a year, which will require the company to add 1,000 workers there. While the decision has been driven, in part, by the strength of the yen, we maintain that it is also a vote of confidence in U.S. manufacturing. On a broader scale, the economy is getting a boost from exporting, with the value of goods exported as a percentage of GDP growing from 7.3% in the first quarter of 2009 to 9.9% in the third quarter of 2011, according to the U.S. Department of Commerce. During the same period, the value of goods produced in the U.S. grew from approximately 25% of GDP to 28%.

Alger believes this is an exciting time for investors. Our research-driven and time-tested strategy for finding companies that can benefit from large-scale changes, such as those involving consumers, technology, emerging markets, and the economy is highly appropriate for these challenging times and, we believe, one which offers our clients potential for achieving attractive long-term performance.

Portfolio Matters

The Alger Mid Cap Growth Portfolio returned -8.27% for the one-year period ended December 31, 2011, compared to the -1.65% return of its benchmark, the Russell Midcap Growth Index.

For the year, the largest sector weightings in the Portfolio were in the Information Technology and Industrials sectors. The largest sector overweight for the period was in Information Technology and the largest sector underweight for the period was in Consumer Discretionary. Relative outperformance in the Industrials and Telecommunication Services sectors was the most important contributor to performance, while Energy and Consumer Discretionary detracted from results.

Among the most important relative contributors were Petrohawk Energy Corp.; NetLogic Microsystems Inc.; Aetna, Inc.; Westport Innovations, Inc.; and Dollar General Corp. Aetna is a health maintenance organization. During the year, the company announced that it had benefited from declining health care utilization.

Conversely, detracting from overall results on a relative basis were OpenTable, Inc.; Newfield Exploration Co.; Metabolix, Inc.; Arch Coal, Inc.; and Walter Energy, Inc. Open Table provides an electronic restaurant reservation book used by roughly 15,000 restaurants in the U.S. Its stock performance was weak late in the year after the company announced disappointing third quarter earnings.

As always, we strive to deliver consistently superior investment results for you, our shareholders, and we thank you for your business and your continued confidence in Alger.

Respectfully submitted,

Daniel C. Chung, CFA
Chief Investment Officer

Investors cannot invest directly in an index. Index performance does not reflect the deduction for fees, expenses, or taxes.

This report and the financial statements contained herein are submitted for the general information of shareholders of The Alger Portfolios. This report is not authorized for distribution to prospective investors in the Portfolios unless proceeded or accompanied by an effective prospectus. Individual Portfolio returns represent the fiscal 12-month period return of Class I-2 shares. Returns include reinvestment of dividends and distributions.

The performance information quoted in this material represents past performance, which is not an indication or a guarantee of future results.

Standard performance results can be found on the following pages. The investment return and principal value of an investment in a fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863.

The views and opinions of the Alger Portfolio's management in this report are as of the date of the Shareholders Letter and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable; however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a Portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a fund and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark, and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for each Portfolio which is included in this report for a complete list of Portfolio holdings as of December 31, 2011. Securities mentioned in the Shareholders Letter, if not found in the Schedule of Investments, may have been held by the Portfolios during the 12-month fiscal period.

A Word about Risk
Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Investing in the stock market involves gains and losses and may not be suitable for all investors. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. For a more detailed discussion of the risks associated with a Portfolio, please see the Portfolio's Prospectus.

Before investing, carefully consider a Portfolio's investment objective, risks, charges, and expenses.

For a prospectus or a summary prospectus containing this and other information about the Alger Funds call us at (800) 992-3863 or visit us at www.alger.com. Read it carefully before investing.

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NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.

Definitions:

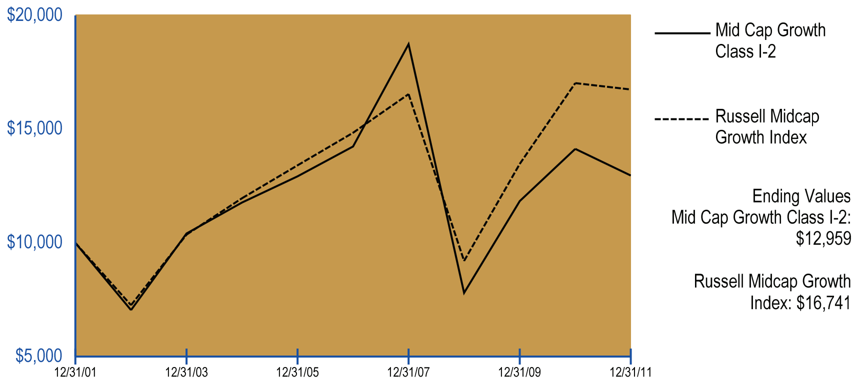
- Standard & Poor's 500 Index (S&P 500 Index) is an index of 500 leading companies in leading industries in the United States.

- Empirical Research Partners provides research on a variety of investment topics for institutional investors.

- Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe.

HYPOTHETICAL $10,000 INVESTMENT IN CLASS I-2 SHARES

— 10 years ended 12/31/11



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Mid Cap Growth Portfolio Class I-2 shares and Russell Midcap Growth Index (an unmanaged index of common stocks) for the ten years ended December 31, 2011. Figures for the Alger Mid Cap Growth Portfolio Class I-2 shares and Russell Midcap Growth Index include reinvestment of dividends. Performance for the Alger Mid Cap Growth Portfolio Class S shares will be lower than the results shown above due to the higher expenses that class bears.

PERFORMANCE COMPARISON AS OF 12/31/11

AVERAGE ANNUAL TOTAL RETURNS

	1 YEAR	5 YEARS	10 YEARS	Since 5/3/1993
Class I-2 (Inception 5/3/93)	(8.27)%	(1.87)%	2.63%	9.84%
Class S (Inception 5/1/02)(i)	(8.59)%	(2.16)%	2.40%	9.59%
Russell Midcap Growth Index	(1.65)%	2.44%	5.29%	8.47%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal will fluctuate and the Portfolio's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month end, visit us at www.alger.com or call us at (800) 992-3863.

Returns indicated assume reinvestment of all distributions, no transaction costs or taxes, and are net of management fees and fund operating expenses only. Total return does not include deductions at the portfolio or contract level for cost of insurance charges, premium load, administrative charges, mortality and expense risk charges or other charges that may be incurred under the variable annuity contract, variable life insurance plan or retirement plan for which the Portfolio serves as an underlying investment vehicle. If these charges were deducted, the total return figures would be lower. Please refer to the variable insurance product or retirement plan disclosure documents for any additional applicable expenses. Investing in the stock market involves gains and losses and may not be suitable for all investors.

(i) *Since inception returns are calculated from Class I-2 inception date. Class S shares returns prior to their commencement of operations are that of Class I-2 shares adjusted to reflect the higher expenses of Class S shares.*

Portfolio Summary†

December 31, 2011 *(Unaudited)*

SECTORS	
Consumer Discretionary	19.3%
Consumer Staples	2.5
Energy	9.2
Financials	6.5
Health Care	13.8
Industrials	16.5
Information Technology	20.0
Materials	5.6
Telecommunication Services	1.2
Short-Term and Net Other Assets	5.4
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—92.9%	SHARES	VALUE
AEROSPACE & DEFENSE—4.1%		
Spirit Aerosystems Holdings, Inc., Cl. A *	145,600	$ 3,025,568
Triumph Group, Inc.	45,600	2,665,320
		5,690,888
APPAREL RETAIL—1.8%		
Fast Retailing Co., Ltd.	5,800	1,055,025
Limited Brands, Inc.	33,800	1,363,830
		2,418,855
APPLICATION SOFTWARE—4.4%		
Adobe Systems, Inc. *	96,000	2,713,920
Cadence Design Systems, Inc. *	201,800	2,098,720
Informatica Corp. *	11,700	432,081
QLIK Technologies, Inc. *	13,200	319,440
SolarWinds, Inc. *	17,300	483,535
		6,047,696
ASSET MANAGEMENT & CUSTODY BANKS—2.1%		
Blackstone Group LP	101,500	1,422,015
KKR & Co., LP	106,600	1,367,678
		2,789,693
AUTO PARTS & EQUIPMENT—1.0%		
BorgWarner, Inc. *	10,300	656,522
Delphi Automotive PLC *	32,900	708,666
		1,365,188
BIOTECHNOLOGY—1.7%		
Human Genome Sciences, Inc. *	92,800	685,792
United Therapeutics Corp. *	34,300	1,620,675
		2,306,467
BROADCASTING & CABLE TV—1.0%		
CBS Corp., Cl. B	51,900	**1,408,566**
CASINOS & GAMING—0.9%		
Wynn Resorts Ltd.	11,600	**1,281,684**
CHEMICALS—1.4%		
Metabolix, Inc.*	430,100	**1,956,955**
COAL & CONSUMABLE FUELS—2.1%		
Arch Coal, Inc.	92,300	1,339,273
Peabody Energy Corp.	46,000	1,523,060
		2,862,333
COMMUNICATIONS EQUIPMENT—2.3%		
Acme Packet, Inc. *	38,400	1,186,944
Ciena Corp. *	29,300	354,530
Juniper Networks, Inc. *	23,000	469,430
Riverbed Technology, Inc. *	49,500	1,163,250
		3,174,154
COMPUTER STORAGE & PERIPHERALS—1.8%		
NetApp, Inc. *	57,700	2,092,779

COMMON STOCKS—(CONT.)	SHARES	VALUE
COMPUTER STORAGE & PERIPHERALS—(CONT.)		
Seagate Technology PLC	22,200	$ 364,080
		2,456,859
CONSTRUCTION & ENGINEERING—1.7%		
Aecom Technology Corp. *	55,300	1,137,521
Chicago Bridge & Iron Co., NV #	30,000	1,134,000
		2,271,521
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—1.4%		
WABCO Holdings, Inc. *	15,800	685,720
Westport Innovations, Inc. *	38,000	1,263,120
		1,948,840
CONSTRUCTION MATERIALS—0.4%		
Anhui Conch Cement Co., Ltd.	172,100	**510,765**
CONSUMER FINANCE—0.5%		
Discover Financial Services	29,700	**712,800**
DISTILLERS & VINTNERS—1.3%		
Beam, Inc.	6,700	343,241
Brown-Forman Corp., Cl. B	17,900	1,441,129
		1,784,370
DIVERSIFIED CHEMICALS—0.3%		
Solutia, Inc.*	22,900	**395,712**
DIVERSIFIED METALS & MINING—2.0%		
Cliffs Natural Resources, Inc.	15,100	941,485
Molycorp, Inc. *	36,500	875,270
Walter Energy, Inc.	14,400	872,064
		2,688,819
EDUCATION SERVICES—1.6%		
Apollo Group, Inc., Cl. A *	29,700	1,599,939
New Oriental Education & Technology Group #*	23,500	565,175
		2,165,114
ELECTRICAL COMPONENTS & EQUIPMENT—2.4%		
AMETEK, Inc.	51,900	2,184,990
Cooper Industries PLC, CL. A	19,600	1,061,340
		3,246,330
ENVIRONMENTAL & FACILITIES SERVICES—0.5%		
Stericycle, Inc.*	8,700	**677,904**
FOOTWEAR—1.3%		
Deckers Outdoor Corp. *	12,800	967,296
Salvatore Ferragamo Italia SpA *	66,800	880,223
		1,847,519
GENERAL MERCHANDISE STORES—1.6%		
Dollar General Corp. *	37,100	1,526,294
Family Dollar Stores, Inc.	12,000	691,920
		2,218,214
HEALTH CARE EQUIPMENT—0.8%		
Hospira, Inc.*	35,400	**1,075,098**

COMMON STOCKS—(CONT.)	SHARES	VALUE
HEALTH CARE FACILITIES—0.5%		
Tenet Healthcare Corporation *	78,600	$ 403,218
Universal Health Services, Inc., Cl. B	8,800	341,968
		745,186
HEALTH CARE SERVICES—0.8%		
HMS Holdings Corp.*	34,700	**1,109,706**
HEALTH CARE TECHNOLOGY—2.5%		
Agilent Technologies, Inc. *	37,400	1,306,382
Allscripts Healthcare Solutions, Inc. *	108,600	2,056,884
		3,363,266
HOME ENTERTAINMENT SOFTWARE—1.0%		
Take-Two Interactive Software, Inc.*	97,200	**1,317,060**
HOMEBUILDING—0.8%		
Lennar Corp., Cl. A	59,200	**1,163,280**
HOTELS RESORTS & CRUISE LINES—2.0%		
Orient-Express Hotels Ltd., Cl. A *	80,500	601,335
Royal Caribbean Cruises Ltd.	38,800	961,076
Starwood Hotels & Resorts Worldwide, Inc.	22,400	1,074,528
		2,636,939
HUMAN RESOURCE & EMPLOYMENT SERVICES—1.1%		
Robert Half International, Inc.	52,100	**1,482,766**
INDUSTRIAL MACHINERY—4.1%		
Pall Corp.	36,100	2,063,115
SPX Corp.	46,200	2,784,474
Stanley Black & Decker, Inc.	11,000	743,600
		5,591,189
INTERNET SOFTWARE & SERVICES—2.8%		
OpenTable, Inc.*	96,272	**3,767,123**
IT CONSULTING & OTHER SERVICES—1.0%		
Cognizant Technology Solutions Corp., Cl. A*	20,800	**1,337,648**
LEISURE PRODUCTS—2.8%		
Coach, Inc.	39,000	2,380,560
Lululemon Athletica, Inc. *	7,500	349,950
Michael Kors Holdings Ltd. *	25,260	688,335
PVH Corp.	4,800	338,352
		3,757,197
LIFE SCIENCES TOOLS & SERVICES—1.6%		
Life Technologies Corp.*	56,800	**2,210,088**
MANAGED HEALTH CARE—2.5%		
Aetna, Inc.	35,900	1,514,621
Cigna Corp.	48,200	2,024,400
		3,539,021
MOTORCYCLE MANUFACTURERS—1.3%		
Harley-Davidson, Inc.	46,500	**1,807,455**
NETWORKING EQUIPMENT—0.8%		
Fortinet, Inc.*	48,200	**1,051,242**

COMMON STOCKS—(CONT.)	SHARES	VALUE
OIL & GAS DRILLING—0.8%		
Nabors Industries Ltd.*	61,100	$ **1,059,474**
OIL & GAS EQUIPMENT & SERVICES—2.6%		
Cameron International Corp. *	43,600	2,144,684
Superior Energy Services, Inc. *	51,600	1,467,504
		3,612,188
OIL & GAS EXPLORATION & PRODUCTION—3.7%		
Denbury Resources, Inc. *	97,400	1,470,740
Newfield Exploration Co. *	8,500	320,705
Nexen, Inc.	63,300	1,007,103
Pioneer Natural Resources Co.	24,700	2,210,156
		5,008,704
PACKAGED FOODS & MEATS—1.2%		
Green Mountain Coffee Roasters, Inc. *	22,200	995,670
Hain Celestial Group, Inc. *	19,200	703,872
		1,699,542
PHARMACEUTICALS—1.7%		
Medicis Pharmaceutical Corp., Cl. A	21,900	728,175
Mylan, Inc. *	71,900	1,542,974
		2,271,149
REAL ESTATE MANAGEMENT & DEVELOPMENT—0.9%		
BR Malls Participacoes SA[L2]	132,300	**1,286,644**
REAL ESTATE SERVICES—1.4%		
CBRE Group, Inc.*	127,600	**1,942,072**
RESEARCH & CONSULTING SERVICES—1.2%		
RPX Corp. *	23,400	296,010
Verisk Analytic, Inc., Cl. A *	34,900	1,400,537
		1,696,547
RESIDENTIAL REITS—1.6%		
Home Properties, Inc.	38,400	**2,210,688**
RESTAURANTS—1.3%		
Chipotle Mexican Grill, Inc.*	5,400	**1,823,796**
SEMICONDUCTORS—5.4%		
Altera Corp.	47,500	1,762,250
Avago Technologies Ltd.	63,000	1,818,181
Cypress Semiconductor Corp. *	52,500	886,725
Skyworks Solutions, Inc. *	105,600	1,712,832
Xilinx, Inc.	42,500	1,362,550
		7,542,538
SPECIALTY CHEMICALS—1.5%		
Celanese Corp.	16,000	708,320
Cytec Industries, Inc.	15,700	701,005
Rockwood Holdings, Inc. *	16,900	665,353
		2,074,678
SPECIALTY STORES—1.9%		
L'Occitane International SA	689,500	1,384,930

COMMON STOCKS—(CONT.)	SHARES	VALUE
SPECIALTY STORES—(CONT.)		
PetSmart, Inc.	21,600	$ 1,107,864
		2,492,794
SYSTEMS SOFTWARE—0.5%		
MICROS Systems, Inc.*	14,600	**680,068**
WIRELESS TELECOMMUNICATION SERVICES—1.2%		
SBA Communications Corp.*	36,700	**1,576,632**
TOTAL COMMON STOCKS		
(Cost $142,714,134)		**127,159,024**

CONVERTIBLE PREFERRED STOCK—1.7%	SHARES	VALUE
BIOTECHNOLOGY—1.7%		
Merrimack Pharmaceuticals, Inc., Series B-10, *,L3,(a)	25,487	274,750
Merrimack Pharmaceuticals, Inc., Series B-3, *,L3,(b)	2,549	27,478
Merrimack Pharmaceuticals, Inc., Series B-4, *,L3,(c)	76,399	823,581
Merrimack Pharmaceuticals, Inc., Series B-7, *,L3,(d)	25,488	274,761
Merrimack Pharmaceuticals, Inc., Series C-2, *,L3,(e)	135,469	948,283
		2,348,853
TOTAL CONVERTIBLE PREFERRED STOCK		
(Cost $1,260,004)		**2,348,853**

PURCHASED OPTIONS—0.0%	CONTRACTS	VALUE
PUT OPTIONS—0.0%		
SPDR S&P 500 ETF Trust/ Jan/ 120*	432	**35,424**
(Cost $127,614)		

Total Investments		
(Cost $144,101,752)(f)	94.6%	129,543,301
Other Assets in Excess of Liabilities	5.4	7,355,563
NET ASSETS	100.0%	**$ 136,898,864**

‡ *Securities classified as Level 1 for ASC 820 disclosure purposes based on valuation inputs unless otherwise noted. See Notes 2 and 8 to the Financial Statements.*

* *Non-income producing security.*
\# *American Depository Receipts.*
(a) *Restricted Security - Investment in security not registered under the Securities Act of 1933 and deemed to be illiquid. Security was acquired on August 25, 2010 for a cost of $147,519 and represents 0.2% of the net assets of the Fund.*
(b) *Restricted Security - Investment in security not registered under the Securities Act of 1933 and deemed to be illiquid. Security was acquired on August 25, 2010 for a cost of $14,754 and represents 0.0% of the net assets of the Fund.*
(c) *Restricted Security - Investment in security not registered under the Securities Act of 1933 and deemed to be illiquid. Security was acquired on August 25, 2010 for a cost of $442,198 and represents 0.6% of the net assets of the Fund.*
(d) *Restricted Security - Investment in security not registered under the Securities Act of 1933 and deemed to be illiquid. Security was acquired on August 25, 2010 for a cost of $147,525 and represents 0.2% of the net assets of the Fund.*

(e) Restricted Security - Investment in security not registered under the Securities Act of 1933 and deemed to be illiquid. Security was acquired on August 25, 2010 for a cost of $508,008 and represents 0.7% of the net assets of the Fund.

(f) At December 31, 2011, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $145,614,639, amounted to $16,071,338 which consisted of aggregate gross unrealized appreciation of $4,803,445 and aggregate gross unrealized depreciation of $20,874,783.

L2 Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.

L3 Security classified as Level 3 for ASC 820 disclosure purposes based on valuation inputs.

Industry classifications are unaudited.
See Notes to Financial Statements.

	CONTRACTS	SHARES SUBJECT TO PUT/ CALL		VALUE
PUT OPTIONS WRITTEN				
SM Energy Comp./ Jan/ 70	29	2,900	$	5,220
SM Energy Comp./ Jan/ 75[L2]	20	2,000		6,600
TOTAL PUT OPTIONS WRITTEN (Premiums Received $18,637)				**11,820**
TOTAL OPTIONS WRITTEN (Premiums Received $18,637)			**$**	**11,820**

‡ *Securities classified as Level 1 for ASC 820 disclosure purposes based on valuation inputs unless otherwise noted. See Notes 2 and 8 to the Financial Statements.*

L2 Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.

See Notes to Financial Statements.

Statement of Assets and Liabilities *December 31, 2011*

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	129,543,301
Cash and cash equivalents		7,658,015
Receivable for shares of beneficial interest sold		20,126
Dividends and interest receivable		46,847
Prepaid expenses		27,394
Total Assets		137,295,683
LIABILITIES:		
Payable for investment securities purchased		69,853
Written options outstanding, at value**		11,820
Payable for shares of beneficial interest redeemed		110,485
Accrued investment advisory fees		89,188
Accrued transfer agent fees		4,435
Accrued distribution fees		1,473
Accrued administrative fees		3,227
Accrued shareholder servicing fees		1,174
Accrued other expenses		105,164
Total Liabilities		396,819
NET ASSETS	**$**	**136,898,864**
Net Assets Consist of:		
Paid in capital		220,013,589
Accumulated net investment loss		(377,269)
Accumulated net realized loss		(68,185,822)
Net unrealized depreciation on investments		(14,551,634)
NET ASSETS	**$**	**136,898,864**
Net Asset Value Per Share		
Class I-2		$11.66
Class S		$11.28
Net Assets By Class		
Class I-2	$	130,151,361
Class S	$	6,747,503
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		11,161,787
Class S		598,314
*Identified Cost	$	144,101,752
**Written options premiums received	$	18,637

 See Notes to Financial Statements.

Statement of Operations

For the year ended December 31, 2011

INCOME:		
Dividends (net of foreign withholding taxes*)	$	970,425
Interest		273
Total Income		970,698
EXPENSES		
Advisory fees—Note 3(a)		1,215,373
Distribution fees Class S—Note 3(b)		20,665
Administrative fees—Note 3(a)		43,977
Custodian fees		68,317
Fund accounting fees		31,417
Interest		1,973
Transfer agent fees and expenses—Note 3(d)		42,457
Printing fees		98,950
Professional fees		35,035
Registration fees		40,443
Trustee fees—Note 3(e)		19,169
Miscellaneous		8,566
Total Expenses		1,626,342
NET INVESTMENT LOSS		(655,644)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments and purchased options		16,532,820
Net realized loss on foreign currency transactions		(7,059)
Net realized gain on options written		1,493,378
Net change in unrealized appreciation (depreciation) on investments and foreign currency		(29,624,920)
Net change in unrealized appreciation (depreciation) on written options		42,582
Net realized and unrealized loss on investments, options and foreign currency		(11,563,199)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(12,218,843)**
*Foreign withholding taxes	$	8,226

See Notes to Financial Statements.

		For the Year Ended December 31, 2011		For the Year Ended December 31, 2010
Net investment income (loss)	$	(655,644)	$	184,581
Net realized gain on investments, options and foreign currency transactions		18,019,139		24,930,972
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency		(29,582,338)		5,266,088
Net increase (decrease) in net assets resulting from operations		(12,218,843)		30,381,641
Dividends and distributions to shareholders from:				
Net investment income				
Class I-2		(505,447)		—
Class S		—		—
Net realized gains				
Class I-2		—		—
Class S		—		—
Total dividends and distributions to shareholders		(505,447)		—
Increase (decrease) from shares of beneficial interest transactions:				
Class I-2		(17,369,360)		(53,174,562)
Class S		(1,475,744)		(2,173,458)
Net decrease from shares of beneficial interest transactions—Note 6		(18,845,104)		(55,348,020)
Total decrease		(31,569,394)		(24,966,379)
Net Assets:				
Beginning of period		168,468,258		193,434,637
END OF PERIOD	**$**	**136,898,864**	**$**	**168,468,258**
Undistributed net investment income (accumulated loss)	$	(377,269)	$	30,942

 See Notes to Financial Statements.

Alger Mid Cap Growth Portfolio

	Class I-2				
	Year ended 12/31/2011	Year ended 12/31/2010	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
Net asset value, beginning of period	$ 12.75	$ 10.68	$ 7.04	$ 23.62	$ 20.75
INCOME FROM INVESTMENT OPERATIONS:					
Net investment income (loss)(i)	(0.05)	0.01	(0.02)	(0.05)	(0.07)
Net realized and unrealized gain (loss) on investments	(1.00)	2.06	3.66	(10.60)	6.07
Total from investment operations	(1.05)	2.07	3.64	(10.65)	6.00
Dividends from net investment income	(0.04)	—	—	(0.03)	—
Distributions from net realized gains	—	—	—	(5.90)	(3.13)
Net asset value, end of period	$ 11.66	$ 12.75	$ 10.68	$ 7.04	$ 23.62
Total return	(8.27)%	19.38%	51.70%	(58.36)%	31.56%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000's omitted)	$ 130,151	$ 159,609	$ 183,873	$ 128,806	$ 367,970
Ratio of gross expenses to average net assets	1.00%	0.98%	0.98%	0.92%	0.91%
Ratio of expense reimbursements to average net assets	0.00%	0.00%	0.00%	0.00%	0.00%
Ratio of net expenses to average net assets	1.00%	0.98%	0.98%	0.92%	0.91%
Ratio of net investment income to average net assets	(0.39)%	0.12%	(0.25)%	(0.33)%	(0.33)%
Portfolio turnover rate	245.35%	214.93%	280.22%	353.68%	242.84%

(i) *Amount was computed based on average shares outstanding during the period.*

See Notes to Financial Statements.

Alger Mid Cap Growth Portfolio

	Class S				
	Year ended 12/31/2011	Year ended 12/31/2010	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
Net asset value, beginning of period	$ 12.34	$ 10.38	$ 6.86	$ 23.21	$ 20.48
INCOME FROM INVESTMENT OPERATIONS:					
Net investment loss(i)	(0.10)	(0.03)	(0.04)	(0.08)	(0.12)
Net realized and unrealized gain (loss) on investments	(0.96)	1.99	3.56	(10.37)	5.98
Total from investment operations	(1.06)	1.96	3.52	(10.45)	5.86
Distributions from net realized gains	—	—	—	(5.90)	(3.13)
Net asset value, end of period	$ 11.28	$ 12.34	$ 10.38	$ 6.86	$ 23.21
Total return	(8.59)%	18.88%	51.31%	(58.47)%	31.27%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000's omitted)	$ 6,748	$ 8,859	$ 9,561	$ 7,143	$ 18,141
Ratio of gross expenses to average net assets	1.38%	1.39%	1.23%	1.17%	1.16%
Ratio of expense reimbursements to average net assets	0.00%	0.00%	0.00%	0.00%	0.00%
Ratio of net expenses to average net assets	1.38%	1.39%	1.23%	1.17%	1.16%
Ratio of net investment income to average net assets	(0.78)%	(0.31)%	(0.50)%	(0.58)%	(0.57)%
Portfolio turnover rate	245.35%	214.93%	280.22%	353.68%	242.84%

(i) *Amount was computed based on average shares outstanding during the period.*

NOTE 1 — General:

The Alger Portfolios (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing seven series of shares of beneficial interest: the Alger Capital Appreciation Portfolio, Alger Large Cap Growth Portfolio, Alger Mid Cap Growth Portfolio, Alger SMid Cap Growth Portfolio, Alger Small Cap Growth Portfolio, Alger Growth & Income Portfolio, and Alger Balanced Portfolio (collectively the "Portfolios"). These financial statements include only the Alger Mid Cap Growth Portfolio (the "Portfolio"). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class I-2 shares and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2 — Significant Accounting Policies:

(a) Investment Valuation: The Portfolio values its financial instruments at fair value using independent dealers or pricing services under policies approved by the Funds Board of Trustees. Investments of the Portfolio are valued on each day the New York Stock Exchange (the "NYSE") is open, as of the close of the NYSE (normally 4:00 p.m. Eastern time).

Equity securities and option contracts for which such information is readily available are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded. In the absence of reported sales, securities are valued at a price within the bid and ask price or, in the absence of a recent bid or ask price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Debt securities generally trade in the over-the-counter market. Securities with remaining maturities of more than sixty days at the time of acquisition are valued on the basis of last available bid prices or current market quotations provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche-specific spread to the benchmark yield based on the unique attributes of the tranche. Debt securities with a remaining maturity of less than sixty days are valued at amortized cost which approximates market value.

Securities for which market quotations are not readily available are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

Securities in which the Portfolio invests may be traded in foreign markets that close before the close of the NYSE. Developments that occur between the close of the foreign markets and the close of the NYSE may result in adjustments to the closing prices to reflect what the investment adviser, pursuant to policies established by the Board of Trustees, believes to be the fair value of these securities as of the close of the NYSE. The Portfolio may also fair value securities in other situations, for example, when a particular foreign market is closed but the Portfolio is open.

Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurements and Disclosures ("ASC 820") defines fair value as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. "Inputs" refer broadly to the assumptions that market participants would use in pricing the asset or liability and may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Portfolio. Unobservable inputs are inputs that reflect the Portfolio's, own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – significant other observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Portfolio's, own assumptions in determining the fair value of investments)

The Portfolio's valuation techniques are consistent with the market approach whereby prices and other relevant information generated by market transactions involving identical or comparable assets are used to measure fair value. Inputs for Level 1 include exchange listed prices and broker quotes in an active market. Inputs for Level 2 include the last trade price in the case of a halted security, a broker quote in an inactive market, an exchange-listed price which has been adjusted for fair value factors, and prices of closely related securities. Additional Level 2 inputs include an evaluated price which is based upon on a compilation of observable market information such as spreads for fixed income and preferred securities. Inputs for Level 3 include derived prices from unobservable market information which can include cash flows and other information obtained from a company's financial statements, or from market indicators such as benchmarks and indices.

(b) Cash and Cash Equivalents: Cash and cash equivalents include U.S. dollars and overnight time deposits.

(c) Security Transactions and Investment Income: Security transactions are recorded on a trade date basis. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities.

(d) Foreign Currency Transactions: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in realized and unrealized gain or loss on investments in the Statement of Operations.

(e) Option Contracts: When a Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Portfolio on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Portfolio may also purchase put and call options The Portfolio pays a premium which is included in the Portfolio's Statement of Assets and Liabilities as an investment and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. The risk of loss associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying security to determine the realized gain or loss.

(f) Dividends to Shareholders: Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually. Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

Each class is treated separately in determining the amounts of dividends from net investment income payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist. Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, realized gain or loss from foreign currency transactions, and realized gains from redemptions in kind, if any. The reclassifications have no impact on the net asset values of the Portfolio and were designed to present the Portfolio's capital accounts on a tax basis.

(g) Federal Income Taxes: It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code Subchapter M applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, of the Portfolio to its shareholders. Therefore, no federal income tax provision is required.

Financial Accounting Standards Board Accounting Standards Codification 740 – Income Taxes ("ASC 740") requires the Portfolio to measure and recognize in its financial statements the benefit of a tax position taken (or expected to be taken) on an income tax return if such position will more likely than not be sustained upon examination based on the technical merits of the position. No tax years are currently under investigation. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. The statute of limitations on the Portfolio's tax returns remains open for the tax years 2007-2011. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

(h) Allocation Methods: The Fund accounts separately for the assets, liabilities and operations of each Portfolio. Expenses directly attributable to each Portfolio are charged to that Portfolio's operations; expenses which are applicable to all Portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees and transfer agency fees.

(i) Estimates: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3 — Investment Advisory Fees and Other Transactions with Affiliates:

(a) Investment Advisory and Administration Fees: Fees incurred by the Portfolio, pursuant to the provisions of the Fund's Investment Advisory Agreement and Administration Agreement with Fred Alger Management, Inc. ("Alger Management" or "Manager"), are payable monthly and computed based on the average daily net assets of the Portfolio at the following annual rate:

	Advisory Fee	Administration Fee
Alger Mid Cap Growth Portfolio	.760%	.0275%

(b) Distribution Fees: Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of each Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor" or "Alger Inc."), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by Alger Inc.

(c) Brokerage Commissions: During the year ended December 31, 2011, the Portfolio paid Alger Inc. $243,834, in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative services agreement with Alger Management to compensate Alger Management for its liaison and administrative oversight of Boston Financial Data Services, Inc., the transfer agent, and other related services. The Portfolio compensates Alger Management at the annual rate of 0.01% of the average daily net assets for these services. For the year ended December 31, 2011, the Portfolio incurred fees of $15,992, for these services, which are included in transfer agent fees and expenses in the Statements of Operations.

(e) Trustee Fees: The Portfolio pays each trustee who is not affiliated with Alger Management or its affiliates $750 for each meeting attended, to a maximum of $3,000 per annum, plus travel expenses incurred for attending the meeting. The chairman of the Board of Trustees receives an additional annual fee of $15,000 which is paid, pro rata, by all funds managed by Alger Management. Additionally, each member of the audit committee receives an additional $75 for each audit committee meeting attended, to a maximum of $300 per annum.

(f) Interfund Loans: The Portfolio, along with other funds advised by Alger Management, may borrow money from and lend money to each other for temporary or emergency purposes. To the extent permitted under its investment restrictions, the Portfolio may lend uninvested cash in an amount up to 15% of its net assets to other Portfolios. If the Portfolio has borrowed from other Portfolios and has aggregate borrowings from all sources that exceed 10% of the Portfolio's total assets, the Portfolio will secure all of its loans from other Portfolios. The interest rate charged on interfund loans is equal to the average of the overnight time deposit rate and bank loan rate available to the Portfolios.

During the year ended December 31, 2011, the Portfolio incurred interest expense of $255, in connection with interfund loans.

(g) Other Transactions With Affiliates: Certain officers of the Fund are directors and officers of Alger Management and the Distributor.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than U.S. Government and short-term securities, for the year ended December 31, 2011, were as follows:

	PURCHASES	SALES
Alger Mid Cap Growth Portfolio	$382,704,067	$394,973,273

Written call and put options activity for the year ended December 31, 2011, was as follows:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
Alger Mid Cap Growth Portfolio		
Call Options outstanding at December 31, 2010	91	$ 63,425
Call Options written	4,157	1,794,369
Call Options closed	(1,600)	(1,196,648)
Call Options expired	(1,989)	(442,572)
Call Options exercised	(659)	(218,574)
Call Options outstanding at December 31, 2011	—	$ —

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
Alger Mid Cap Growth Portfolio		
Put Options outstanding at December 31, 2010	—	$ —
Put Options written	7,136	1,540,311
Put Options closed	(5,626)	(1,083,870)
Put Options expired	(578)	(172,316)
Put Options exercised	(883)	(265,488)
Put Options outstanding at December 31, 2011	49	$ 18,637

As of December 31, 2011, Alger Mid Cap Growth Portfolio had $353,000 in cash segregated as collateral for written options.

NOTE 5 — Borrowing:

The Portfolio may borrow from its custodian on an uncommitted basis. The Portfolio pays the custodian a market rate of interest, generally based upon the London Inter-Bank Offered Rate. The Portfolio may also borrow from other portfolios advised by Alger Management, as discussed in Note 3 (f). For the year ended December 31, 2011, the Portfolio had the following borrowings:

	AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
Alger Mid Cap Growth Portfolio	$ 88,904	1.93%

The highest amount borrowed during the year ended December 31, 2011 for the Portfolio was as follows:

	HIGHEST BORROWING
Alger Mid Cap Growth Portfolio	$3,469,490

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value for each share class. During the year ended December 31, 2011, and the year ended December 31, 2010, transactions of shares of beneficial interest were as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2011		FOR THE YEAR ENDED DECEMBER 31, 2010	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Mid Cap Growth Portfolio				
Class I-2:				
Shares sold	2,181,933	$ 27,750,351	2,286,101	$ 25,392,868
Dividends reinvested	36,337	505,447	—	—
Shares redeemed	(3,577,075)	(45,625,158)	(6,981,892)	(78,567,430)
Net decrease	**(1,358,805)**	**$ (17,369,360)**	**(4,695,791)**	**$ (53,174,562)**
Class S:				
Shares sold	70,824	$ 860,484	41,561	$ 437,871
Shares redeemed	(190,394)	(2,336,228)	(244,711)	(2,611,329)
Net decrease	**(119,570)**	**$ (1,475,744)**	**(203,150)**	**$ (2,173,458)**

NOTE 7 — Income Tax Information:

The tax character of distributions paid during the year ended December 31, 2011, and the year ended December 31, 2010 was as follows:

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010
Alger Mid Cap Growth Portfolio		
Distributions paid from:		
Ordinary Income	$ 505,447	—
Long-term capital gain	—	—
Total distributions paid	$ 505,447	—

As of December 31, 2011, the components of accumulated gains and losses on a tax basis were as follows:

Alger Mid Cap Growth Portfolio	
Undistributed ordinary income	—
Undistributed long-term gains	—
Net accumulated earnings	—
Capital loss carryforwards	$ (65,273,213)
Post-October losses	(1,776,990)
Net unrealized depreciation	(16,064,522)
Total accumulated losses	$ (83,114,725)

At December 31, 2011, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

Expiration Dates	Alger Mid Cap Growth Portfolio
2016	$ 12,529,837
2017	52,743,376
Total	65,273,213

Net capital losses incurred after October 31 and within the taxable year are deemed to arise on the first business day of the portfolio's next taxable year.

Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Portfolio on or after January 1, 2011 will not be subject to expiration. In addition, losses incurred on or after January 1, 2011 must be utilized prior to the utilization of capital loss carryforwards above

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales, the tax treatment of premium/discount on debt securities, the tax treatment of partnership investments, the realization of unrealized appreciation of Passive Foreign Investments Companies, and return of capital from Real Estate Investment Trust investments.

Permanent differences, primarily from net operating losses and real estate investment trusts and partnership investments sold by the Portfolio, resulted in the following reclassifications among the Portfolio's components of net assets at December 31, 2011:

Alger Mid Cap Growth Portfolio	
Undistributed net investment income	$ 752,880
Accumulated net realized loss	$ (39,916)
Paid in capital	$ (712,964)

NOTE 8 — Fair Value Measurements:

The major categories of securities and their respective fair value inputs are detailed in each Portfolio's Schedule of Investments. The following is a summary of the inputs used as of December 31, 2011 in valuing the Portfolio's investments carried at fair value.

Alger Mid Cap Growth Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 26,386,601	$ 26,386,601	—	—
Consumer Staples	3,483,912	3,483,912	—	—
Energy	12,542,699	12,542,699	—	—
Financials	8,941,897	7,655,253	1,286,644	—
Health Care	16,619,981	16,619,981	—	—
Industrials	22,605,985	22,605,985	—	—
Information Technology	27,374,388	27,374,388	—	—
Materials	7,626,929	7,626,929	—	—
Telecommunication Services	1,576,632	1,576,632	—	—
TOTAL COMMON STOCKS	**$ 127,159,024**	**$ 125,872,380**	**$ 1,286,644**	**—**
CONVERTIBLE PREFERRED STOCK				
Health Care	$ 2,348,853	—	—	$ 2,348,853
PURCHASED OPTIONS				
Financials	$ 35,424	$ 35,424	—	—
TOTAL INVESTMENTS IN SECURITIES	**$ 129,543,301**	**$ 125,907,804**	**$ 1,286,644**	**$ 2,348,853**
OPTIONS WRITTEN				
Energy	$ 11,820	$ 5,220	$ 6,600	—
TOTAL OPTIONS WRITTEN	**$ 11,820**	**$ 5,220**	**$ 6,600**	**—**

Alger Mid Cap Growth Portfolio	FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL3) Convertible Preferred Stock
Opening balance at January 1, 2011	$ 1,260,003
Transfers into Level 3	—
Transfers out of Level 3	—
Total gains or losses	
Included in net realized gain (loss) on investments	—
Included in net unrealized gain (loss) on investments	1,088,850
Purchases, issuances, sales, and settlements	
Purchases	—
Issuances	—
Sales	—
Settlements	—
Closing balance at December 31, 2011	2,348,853
The amount of total gains or losses for the period included in net realized and unrealized gain (loss) attributable to change in unrealized appreciation (depreciation) relating to investments still held at December 31, 2011	**$ 1,088,850**

For the year ended December 31, 2011, there were no significant transfers between Level 1 and Level 2.

NOTE 9 — Derivatives:

Financial Accounting Standards Board Accounting Standards Codification 815 – Derivatives and Hedging ("ASC 815") requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

Forward currency contracts—In connection with portfolio purchases and sales of securities denominated in foreign currencies, the Portfolio may enter into forward currency contracts. Additionally, the Portfolio may enter into such contracts to economically hedge certain other foreign currency denominated investments. These contracts are valued at the current cost of covering or offsetting such contracts, and the related realized and unrealized foreign exchange gains and losses are included in the statement of operations. In the event that counterparties fail to settle these currency contracts or the related foreign security trades, the Portfolio could be exposed to foreign currency fluctuations.

Options—The Portfolio seeks to capture the majority of the returns associated with equity market investments. To meet this investment goal, the Portfolio invests in a broadly diversified portfolio of common stocks, while also buying and selling call and put options on equities and equity indices. The Portfolio purchases call options to increase its exposure to stock market risk and also provide diversification of risk. The Portfolio purchases put options in order to protect from significant market declines that may occur over a short period of time. The Portfolio will write covered call and cash secured put options to generate cash flows while reducing the volatility of the portfolio. The cash flows may be an important source of the Portfolio's return, although written call options may reduce the Portfolio's ability to profit from increases in the value of the underlying security or equity portfolio. The value of a call option generally increases as the price of the underlying stock increases and decreases as the stock decreases in price. Conversely, the value of a put option generally increases as the price of the underlying stock decreases and decreases as the stock increases in price. The combination of the diversified stock portfolio and the purchase and sale of options is intended to provide the Portfolio with the majority of the returns associated with equity market investments but with reduced volatility and returns that are augmented with the cash flows from the sale of options. During the year ended December 31, 2011, written equity and index put options were used in accordance with this objective.

The fair values of derivative instruments as of December 31, 2011 are as follows:

Alger Mid Cap Growth Portfolio	ASSET DERIVATIVES 2011		LIABILITY DERIVATIVES 2011	
Derivatives not accounted for as hedging instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Purchased Put Options	Investments in securities, at value	$35,424	-	-
Written Put Options	-	-	Written options outstanding, at value	11,820
Total		$35,424		$11,820

For the year ended December 31, 2011, the Portfolio had option purchases of $5,022,269 and option sales of $5,086,514. The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2011 is as follows:

Net realized loss on options

Alger Mid Cap Growth Portfolio	
Derivatives not accounted for as hedging instruments	Options
Purchased Options	$(1,819,015)
Written Options	1,493,378
Total	$(325,637)

Net change in unrealized appreciation (depreciation) on options

Alger Mid Cap Growth Portfolio	
Derivatives not accounted for as hedging instruments under Statement	Options
Purchased Options	$410,222
Written Options	42,582
Total	$452,804

NOTE 10 — Litigation:

On August 31, 2005, the West Virginia Securities Commissioner (the "WVSC"), in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing, concluded that the Manager and the Distributor had violated the West Virginia Uniform Securities Act (the "WVUSA"), and ordered the Manager and the Distributor to cease and desist from further violations of the WVUSA by engaging in the market-timing-related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the WVSC. Other firms unaffiliated with the

Manager were served with similar orders. The Manager and the Distributor intend to request a hearing for the purpose of seeking to vacate or modify the order.

NOTE 11 — Recent Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (International Financial Reporting Standards). The ASU converges fair value measurement and disclosure guidance in U.S. GAAP with the guidance in the International Accounting Standards Board's concurrently issued IFRS 13, Fair Value Measurement. These amendments do not modify the requirements for when fair value measurements apply; rather, they generally represent clarifications on how to measure and disclose fair value under ASC 820, Fair Value Measurement. The application of ASU 2011-04 is required for fiscal years and interim periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04.

NOTE 12 — Subsequent Event:

Management of the Portfolio has evaluated events that have occurred subsequent to December 31, 2011. No such events have been identified which require recognition and disclosure.

To the Shareholders and Board of Trustees of The Alger Portfolios:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger Mid Cap Growth Portfolio, one of the portfolios constituting The Alger Portfolios (the "Fund") as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The Fund's financial highlights for the respective periods ended December 31, 2008 were audited by other auditors, whose report dated February 10, 2009, expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above, present fairly, in all material respects, the financial position of the Alger Mid Cap Growth Portfolio of The Alger Portfolios as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
New York, New York
February 16, 2012

Shareholder Expense Example

As a shareholder of a Portfolio, you incur two types of costs: transaction costs, if applicable; and ongoing costs, including management fees, distribution (12b-1) fees, if applicable, and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting July 1, 2011 and ending December 31, 2011.

Actual Expenses

The first line for each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you would have paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratios for each class of shares and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in a Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs or deduction of insurance charges against assets or annuities. Therefore, the second line under each class of shares in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

		Beginning Account Value July 1, 2011	Ending Account Value December 31, 2011	Expenses Paid During the Six Months Ended December 31, 2011(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended December 31, 2011(b)
Alger Mid Cap Growth Portfolio					
Class I-2	Actual	$ 1,000.00	$ 848.62	$ 4.65	1.00%
	Hypothetical(c)	1,000.00	1,020.18	5.08	1.00
Class S	Actual	1,000.00	846.85	6.42	1.38
	Hypothetical(c)	1,000.00	1,018.25	7.02	1.38

(a) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).
(b) Annualized.
(c) 5% annual return before expenses.

Trustees and Officers of the Fund

Information about the trustees and officers of the Fund is set forth below. In the table the term "Alger Fund Complex" refers to the Fund, The Alger Funds, The Alger Institutional Funds, Alger China-U.S. Growth Fund and The Alger Funds II, each of which is a registered investment company managed by Fred Alger Management, Inc. ("Alger Management"). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer's term of office is one year. Unless otherwise noted, the address of each person named below is 360 Park Avenue South, New York, NY 10010.

Name, Age, Position with the Fund	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
INTERESTED TRUSTEE			
Hilary M. Alger (50)	Director of Development, Pennsylvania Ballet since 2004; Associate Director of Development, College of Arts and Sciences and Graduate School, University of Virginia 1999-2003.	2003	25
NON-INTERESTED TRUSTEE			
Charles F. Baird, Jr. (58)	Managing Partner of North Castle Partners, a private equity securities group; Chairman of Leiner Health Products, Enzymatic Therapy and Caleel & Hayden (skincare business); former Chairman of Elizabeth Arden Day Spas, Naked Juice, Equinox (fitness company) and EAS (manufacturer of nutritional products). Formerly Managing Director of AEA Investors, Inc.	2000	25
Roger P. Cheever (66)	Associate Vice President for Principal Gifts, and Senior Associate Dean for Development in the Faculty of Arts and Sciences at Harvard University; Formerly Deputy Director of the Harvard College Fund.	2000	25
Lester L. Colbert Jr. (77)	Private investor since 1988; Formerly Chairman of the Board, President and Chief Executive Officer of Xidex Corporation (manufacturer of computer information media).	2000	25
Stephen E. O'Neil (79)	Attorney. Private Investor since 1981. Formerly of Counsel to the law firm of Kohler & Barnes.	1986	25
David Rosenberg (49)	Associate Professor of Law since January 2006 (Assistant Professor 2000-2005), Zicklin School of Business, Baruch College, City University of New York.	2007	25
Nathan E. Saint-Amand M.D. (74)	Medical doctor in private practice; Member of the Board of the Manhattan Institute (non-profit policy research) since 1988; Formerly Co-Chairman, Special Projects Committee, Memorial Sloan Kettering.	1986	25

Name, Age, Position with the Fund	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
OFFICERS			
Dan C. Chung (49) President	Chief Investment Officer and Director since 2001, and Chief Executive Officer since 2006, of Alger Management; President and Chief Executive Officer since 2003 of Alger Associates, Inc. ("Associates"); Chairman of the Board of Directors since 2006 of Alger Inc.; President since 2003 and Director since 2003 of Analysts Resources, Inc. ("Resources"); Formerly Trustee of the Fund from 2001 to 2007.	2003	N/A
Hal Liebes (47) Secretary	Executive Vice President, Chief Legal Officer, Chief Operating Officer and Secretary of Alger Management, Associates and Alger Inc.; Director since 2006 of Alger Management, Alger Inc. and Resources.	2005	N/A
Lisa A. Moss (46) Assistant Secretary	Assistant General Counsel of Alger Management since 2006, currently serving as Senior Vice President.	2006	N/A
Joseph P. Graham (27) Assistant Secretary	Employed by Alger Management since 2011. Formerly, full-time student.	2011	N/A
Michael D. Martins (46) Treasurer	Senior Vice President of Alger Management.	2005	N/A
Anthony S. Caputo (56) Assistant Treasurer	Employed by Alger Management since 1986, currently serving as Vice President.	2007	N/A
Sergio M. Pavone (50) Assistant Treasurer	Employed by Alger Management since 2002, currently serving as Vice President.	2007	N/A
Barry J. Mullen (58) Chief Compliance Officer	Senior Vice President and Director of Compliance of Alger Management since 2006.	2006	N/A

Ms. Alger is an "interested person" (as defined in the Investment Company Act) of the Fund because of her affiliations with Alger Management. No Trustee is a director of any public company except as indicated under "Principal Occupations".

The Statement of Additional Information contains additional information about the Fund's Trustees and is available without charge upon request by calling (800) 992-3863.

Investment Management Agreement Renewal

At an in-person meeting held on September 22, 2011, the Trustees, including the Independent Trustees, unanimously approved renewal of the Investment Advisory Agreement (the "Agreement") between the Fund and Fred Alger Management, Inc. ("Alger Management"). The Independent Trustees were assisted in their review by independent legal counsel and met with such counsel in executive session separate from representatives of Alger Management.

In evaluating the Agreement, the Trustees drew on materials that they had requested and which were provided to them in advance of the meeting by Alger Management and by counsel. The materials covered, among other matters, (i) the nature, extent and quality of the services provided by Alger Management under the Agreement, (ii) the investment performance of each of the Fund's portfolios (each a "Portfolio"), (iii) the costs to Alger Management of its services and the profits realized by Alger Management and Alger Inc. from their relationship with the Fund, and (iv) the extent to which economies of scale would be realized if and as the Portfolios grow and whether the fee levels in the Agreement reflect these economies of scale. These materials included an analysis of the Portfolios and Alger Management's services by FUSE Research Network LLC ("FUSE"), an independent consulting firm selected by the Fund's Chief Compliance Officer, having no other relationship with Alger Management, whose specialties include assistance to fund trustees and directors in their review of advisory contracts pursuant to section 15(c) of the Investment Company Act of 1940. At the meeting, senior FUSE personnel provided a presentation to the Trustees based on the FUSE materials.

In deciding whether to approve renewal of the Agreement, the Trustees considered various factors, including those enumerated above. They also considered other direct and indirect benefits to Alger Management and its affiliates from their relationship with the Fund.

Nature, Extent and Quality of Services. In considering the nature, extent and quality of the services provided by Alger Management pursuant to the Agreement, the Trustees relied on their prior experience as Trustees of the Fund, their familiarity with the personnel and resources of Alger Management and its affiliates, and the materials provided at the meeting. They noted that under the Agreement Alger Management is responsible for managing the investment operations of the Portfolios. They also noted that administrative, compliance, reporting and accounting services necessary for the conduct of the Fund's affairs are provided by Alger Management under the separate Administration Agreement. The Trustees reviewed the background and experience of Alger Management's senior investment management personnel, including the individuals currently responsible for the investment operations of the Portfolios. They also considered the resources, operational structures and practices of Alger Management in managing each Portfolio, as well as Alger Management's overall investment management business. They noted especially Alger Management's established expertise in managing portfolios of "growth" stocks and that, according to an analysis provided by FUSE, the characteristics of each equity Portfolio had been consistent with those of a fund that holds itself out to investors as growth-oriented. They also took notice of the ability of the manager of the fixed-income portion of the Balanced Portfolio to manage fixed-income instruments across the credit and credit quality spectra. The Trustees concluded that Alger Management's experience, resources and strength in the areas of importance to the Fund are considerable. The Trustees considered the level and depth of Alger Management's ability to execute portfolio transactions to effect investment decisions, including those through Alger Inc. The Trustees also considered the enhanced control and compliance environment at Alger Management and within the Fund.

Investment Performance of the Funds. Drawing upon information provided at the meeting by Alger Management as well as FUSE and upon reports provided to the Trustees by Alger Management throughout the preceding year, the Trustees reviewed each Portfolio's returns for the year-to-date (at June 30, 2011), second-quarter, and 1-, 3-, 5-, and 10-year periods to the extent available (and its year-by-year returns), together with supplemental data through August 31, 2011, and compared them with benchmark and peer-group data for the same periods. They noted that the Growth & Income Portfolio had consistently performed well, surpassing the median for its FUSE peer group for the year-to-date, second-quarter, and 1-, 3- and 5-year periods and beating its benchmark for all of those periods except the second-quarter and 3-year periods. Performance of the other Portfolios had been mixed, with the Large Cap Portfolio surpassing its peer median for the second quarter of 2011 and matching it for the 3- and 5-year periods and the Capital Appreciation Portfolio matching or surpassing its peer median for the second-quarter, year-to-date and 3- and 5-year periods through June 30, 2011; also, the Small Cap and Capital Appreciation Portfolios had generally matched or surpassed their benchmarks for the year-to-date and 3- and 5-year periods. Otherwise, performance had fallen short of both peer median and benchmark.

Fund Fees and Expense Ratios; Profitability to Alger Management and its Affiliates. The Trustees considered the profitability of the Investment Advisory Agreement to Alger Management and its affiliates, and the methodology used by Alger Management in determining such profitability. The Trustees reviewed previously-provided data on each Portfolio's profitability to Alger Management and its affiliates for the year ended June 30, 2011. In addition, the Trustees reviewed each Portfolio's management fee and expense ratio and compared them with a group of comparable funds. In order to assist the Trustees in this comparison, FUSE had provided the Trustees with comparative information with respect to fees paid, and expense ratios incurred, by similar funds. That information indicated that the fees of the Large Cap, SMid Cap, Small Cap and Growth & Income Portfolios were below the median for the applicable FUSE reference groups, while those of the Mid Cap, Capital Appreciation and Balanced Portfolios exceeded the applicable median, as did all of the expense ratios except those of the SMid Cap Portfolio and the Class I-2 Shares of the Small Cap Portfolio. The Trustees determined that such information should be taken into account in weighing the size of the fee against the nature, extent and quality of the services provided. The Trustees also considered fees paid to Alger Management by other types of clients, specifically mutual funds for which Alger Management was sub-adviser and separately managed accounts. The Trustees determined that in both cases the fees were of doubtful relevance for purposes of comparison with those of the Portfolios because of the significant differences in services provided by Alger Management to those types of clients as opposed to the

Portfolios, but that to the extent that meaningful comparison was practicable, the differences in services adequately explained the differences in the fees. After discussing with representatives of the Adviser and FUSE the methodologies used in computing the costs that formed the bases of the profitability calculations, the Trustees turned to the profitability data provided. After analysis and discussion, they concluded that, to the extent that Alger Management's and its affiliates' relationships with the Portfolios had been profitable to either or both of those entities in the case of one or more Portfolios, the profit margin in each case was not unacceptable.

Economies of Scale. On the basis of their discussions with management and their analysis of information provided at the meeting, the Trustees determined that the nature of the Portfolios and their operations is such that Alger Management is likely to realize economies of scale in the management of each Portfolio at some point as (and if) it grows in size, but that adoption of breakpoints in one or more of the advisory fees, while possibly appropriate at a later date, could await further analysis of the sources and potential scale of the economies and the fee structure that would best reflect them. Accordingly, the Trustees requested that Alger Management address this topic with the Trustees at future meetings.

Other Benefits to Alger Management. The Trustees considered whether Alger Management benefits in other ways from its relationship with the Fund. They noted that Alger Management maintains soft-dollar arrangements in connection with the equity Portfolios' brokerage transactions, reports on which are regularly supplied to the Trustees at their quarterly meetings and summaries of which, listing soft-dollar commissions by Portfolio for the twelve months through June 30, 2011, had been included in the materials supplied prior to the meeting. The Trustees also noted that Alger Management receives fees from the Portfolios under the Administration Agreement, that Alger Inc. provides a substantial portion of the Portfolios' equity brokerage and that Alger Management also receives fees from the Fund under a shareholder services agreement. The Trustees had been provided with information regarding, and had considered, the administration fee, brokerage and shareholder services fee benefits in connection with their review of the profitability to Alger Management and its affiliates of their relationships with the Fund. As to other benefits received, the Trustees decided that none were so significant as to render Alger Management's fees excessive.

Conclusions and Determinations. At the conclusion of these discussions, each of the Independent Trustees expressed the opinion that he had been furnished with sufficient information to make an informed business decision with respect to renewal of the Investment Advisory Agreement. Based on its discussions and considerations as described above, the Board made the following conclusions and determinations:

- The Board concluded that the nature, extent and quality of the services provided to each Portfolio by Alger Management are adequate and appropriate.
- The Board determined that the Portfolios' overall performance was acceptable.

- The Board concluded that each advisory fee paid to Alger Management was reasonable in light of comparative performance and expense and advisory fee information, costs of the services provided and profits to be realized and benefits derived or to be derived by Alger Management and its affiliates from the relationship with the Portfolio.

- The Board determined that there were not at this time significant economies of scale to be realized by Alger Management in managing the Portfolios' assets but that, to the extent that material economies of scale should be realized in the future, the Board would seek to ensure that they were shared with the applicable Portfolio.

The Board considered these conclusions and determinations and, without any one factor being dispositive, determined with respect to each Portfolio that renewal of the Investment Advisory Agreement was in the best interests of the Portfolio and its shareholders.

Privacy Policy

FACTS	WHAT DOES ALGER DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information, which, under Federal law, means personally identifiable information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
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 • account balances, transaction history and credit information
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Alger chooses to share; and whether you can limit this sharing.

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

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

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

Proxy Voting Policies

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and the proxy voting record is available, without charge, by calling (800) 992-3863 or online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov

Fund Holdings

The Portfolio's most recent month end portfolio holdings are available approximately sixty days after month end on the Fund's website at www.alger.com. The Portfolio also files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the SEC's website at www.sec.gov or may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the most recent quarterly holdings may also be obtained from the Fund by calling (800) 992-3863.

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This report is submitted for the general information of the shareholders of The Alger Portfolios. It is not authorized for distribution to prospective investors unless accompanied by an effective Prospectus for the Trust, which contains information concerning the Trust's investment policies, fees and expenses as well as other pertinent information.

ALGER

Inspired by Change, Driven by Growth.