

PREMIUM MARKETS

‘We’re looking for five-baggers, ten-baggers’: A fund manager up 55% in 2023 shares 6 stocks he’s betting will return at least 500% in the years ahead

William Edwards

- **Alex Umansky manages the Baron Fifth Avenue Growth Fund.**
- **The fund is crushing the market this year, returning 55% since January.**
- **Umansky said he’ll continue to bet on Nvidia, Amazon, Tesla, CrowdStrike, Shopify, and Trade Desk.**

If a stock is in Alex Umansky’s Baron Fifth Avenue Growth Fund (BFTHX), it’s safe to say he thinks the name has explosive upside potential. Like, really explosive upside — as in the stock can return another 500%-1,000% from its current level.

“It’s a very fair qualifier that as long as we own it, we still think it’s a big idea,” Umansky, who’s been at Baron Funds for 13 years, told Business Insider. “We’re not looking for doubles. We’re looking for five-baggers, ten-baggers. We’re looking for companies, like I said, that can compound for really, really long periods of time.”

This year, the fund has lived up to Umansky’s high hopes. It’s crushed the market, returning 55% since January compared to the S&P 500’s 24%. That’s been good enough to beat 98% of similar funds, according to Morningstar data.

The big performance was boosted by five of the so-called Magnificent Seven stocks in the fund, including ecommerce platform Amazon (AMZN), chipmaker Nvidia (NVDA), and electric vehicle producer Tesla (TSLA), which have all had stellar years so far, returning at least 71%. Those holdings reflect Umansky’s be-



BARON FUNDS

Alex Umansky manages the Baron Fifth Avenue Growth Fund.

lief in artificial intelligence going forward, which he said will be “just as significant as the invention of the internet.”

Despite the big returns this year, Umansky is hanging on to all three of them. And he’s not scared to remove quality companies from the fund if he thinks they no longer have the kind of explosive upside he’s looking for. In the past he’s taken out Apple, Alphabet, and Microsoft, for example, because he thinks they’re more

“holders of value” now.

“We can underwrite 4-5x returns on all of them without making heroic assumptions,” he said about Amazon, Nvidia, and Tesla. “Whereas we can’t do that for an Apple or a Google or even a Microsoft.”

Of course, that outlook is subjective. There are plenty of investors who think Nvidia’s earnings upside is already priced in, and many continue to bet on Alphabet as a player in the artificial intelligence space. Hedge-fund titan Bill Ackman, for example, counts Alphabet as his second-largest holding, and thinks the market is underestimating Google’s long-term potential with AI.

But Umansky’s fund isn’t all high-flying, flashy, household names. Three younger, lesser-known names Umansky is bullish on include Shopify (SHOP), CrowdStrike (CRWD), and TradeDesk (TTD).

Shopify is an ecommerce platform that helps businesses with online sales. The firm has a \$99 billion market cap, and its shares are up 117% this year.

Umansky believes it will be an alternative to Amazon for businesses moving forward.

“They will run your website, they will run your fulfillment — they will basically run your ecommerce operations for you,” he said. “And we think there’s a very big end-game there, because all of the businesses that sell on Amazon, they also want to have their own identity.”

CrowdStrike, meanwhile, is a \$60 billion cybersecurity firm that Umansky believes will benefit from the growing online presence of businesses.

“You cannot be in business and not be online,” he said. “Cybersecurity is critical, and we think CrowdStrike offers a platform of solutions that deals with all of the cybersecurity issues.”

Finally, Umansky likes Trade Desk, which personalizes advertisement delivery on streaming platforms. He said the prevalence of streaming today and the nature of the medium itself are boons for the \$37 billion business going forward.

“Those ads, if you think about it, are actually much more valuable, because if you stream something on your TV, you really can’t switch the channel,” Umansky said.

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Baron Fifth Avenue Growth Fund's annualized returns for the Institutional Shares as of 9/30/2023: 1-year, 24.53%; 5-year, 4.41%; 10-year, 10.46%; Since Inception (4/30/2004), 8.40%. The gross annual expense ratio for the Institutional Shares as of September 30, 2022 was 0.76%, but the net expense ratio was 0.75% (net of reimbursements from the adviser).

The **S&P 500 Index's** annualized returns as of 9/30/2023: 1-year, 21.62%; 5-year, 9.92%; 10-year, 11.91%, Since the Fund's inception (4/30/2004), 9.37%.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2034, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit baronfunds.com or call 1-800-99-BARON.

Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

The Fund's 5- and 10-year historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

Risks: The Fund invests primarily in equity securities, which are subject to price fluctuations in the stock market. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns.

Portfolio holdings as a percentage of net assets as of September 30, 2023 for securities mentioned are as follows: **The Trade Desk**, 3.9%.

Baron Fifth Avenue Growth Fund*Top 10 Holdings as of September 30, 2023*

Holding Name	% of Net Assets
NVIDIA Corporation	10.6
Amazon.com, Inc.	7.9
ServiceNow, Inc.	6.6
Meta Platforms, Inc.	5.9
Tesla, Inc.	5.3
Mastercard Incorporated	4.9
Shopify Inc.	4.8
Intuitive Surgical, Inc.	4.7
Snowflake Inc.	4.6
The Trade Desk	3.9
Total	59.1

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. The Fund includes reinvestment of dividends, net of withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The index is unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

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