

# INVESTOR

Seeks Growth Companies that Market Misprices

## Alex Umansky Arrives at 5<sup>th</sup> Avenue

**B**aron Fifth Avenue Growth Fund has a new portfolio manager, Alex Umansky. Alex joins Baron from Morgan Stanley, where he worked since 1993 as an analyst and portfolio manager in a range of disciplines that included large-cap companies.

Alex Umansky shares Baron's investment philosophy of investing for the long term in growth businesses at attractive prices run by great management teams. We think he's a perfect addition to the Baron portfolio management team.

Since joining Baron on November 1, Alex has been making adjustments to the Baron Fifth Avenue Growth Fund's holdings. Alex says the range of investments in the portfolio is expected to remain the same, from 30 to 50 companies. He has reduced or eliminated some names while adding to or initiating others. "We look for growth companies that are unique, that don't have obvious comparisons to other companies," says Alex. Baron Fifth Avenue Growth Fund invests in large-cap growth companies.

Under Alex's leadership, higher conviction investments will represent a larger part of the Fund's holdings. Where the top 10 holdings had represented about 25% to 35% of the Fund in the past, Alex expects that to climb to 35% to 45%, believing that these companies will be the strongest contributors to the Fund's return over time.

Alex, like the other Baron portfolio managers, seeks to invest in companies with long-term growth potential, significant competitive advantages, exceptional management, appropriate financing and an attractive valuation. Investors are often biased towards overweighting short-term results or using conventional valuation metrics, such as P/E, which are not always optimal. Because Baron takes a long-term view, Alex says, we may get opportunities to take advantage of those biases. Other companies may be misunderstood or under-appreciated.

A good example of investors' short time horizon affecting the performance of a stock is Amazon. Amazon has been weak for the past two month as the Kindle Fire,

the company's entry into the tablet market, received lukewarm reviews from critics, and various consumer tracking services suggested that the company's sales over the first six weeks of the quarter were tracking to "only" 38% growth, a few points below expectations. Alex believes that Amazon, 4.8% of the Fund as of 12/31/11, is the dominant provider of e-commerce services in the world with unparalleled customer service and fulfillment capabilities. Alex thinks neither this version of the Kindle, nor the sales over the first six weeks of this quarter threaten Amazon's competitive advantages or challenge its ability to grow and continue to dominate one of the most attractive markets that we can think of.

In his search for companies with sustainable competitive advantages, Alex is also taking a hard look at opportunities overseas. Among the additions he has made to the Fund are Baidu.com (2.8%), often described as the Google of China; Cetip (2.1%) and BM&F Bovespa (1.7%), both based in Brazil and the leading Fixed Income and Equities & Derivatives exchanges in Latin America; and Kuehne & Nagel International (1.6%), a Switzerland-based global leader in logistics that provides air, sea and land freight and distribution services.



Alex Umansky, Portfolio Manager

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As he fine tunes Baron Fifth Avenue Growth Fund, Alex is drawing upon his diverse background in research and portfolio management at Morgan Stanley. Alex began managing a large-cap growth fund in 2007 when he was named co-manager of the Morgan Stanley Opportunity Fund. Following his graduation from the New York University Stern School of Business in 1993, he began his career at Morgan Stanley as a research

analyst and was named lead manager of the Morgan Stanley Institutional Technology Strategy in 1998. In 1999, Alex became the co-manager of the Small Company Growth Fund. He became co-manager of the Morgan Stanley Global Opportunity Fund in 2008 and the International Opportunity and International Advantage Funds in 2010, at their inceptions. 🏰

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Baron Investor is written and edited by Paul L. Edwards