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**Mike Lippert's fund has returned 33% so far in 2023 by betting on AI stocks. He shared 3 companies in the industry he thinks will deliver the biggest returns over the next 5 years.**

By William Edwards

- **Mike Lippert's Baron Opportunity Fund has beaten 92% of peers over the last decade.**
- **This year, the fund is up 33% thanks in large part to investor interest in AI.**
- **In the AI space, Lippert said he's bullish on Microsoft, Nvidia, and Amazon going forward.**

**A**round the end of 2022, Mike Lippert had a feeling the market was ripe for a shift. Many of the high-growth stocks Lippert puts into the fund he has managed since 2006 — the Baron Opportunity Fund (BIOIX) — were likely due for a turnaround at some point after the 2022 bear market largely brought down valuations.

So he leaned into positions where he saw the most opportunity over the long term, especially Microsoft and Nvidia.

Right around the same time, interest in artificial intelligence soared, and investors piled into those two names, among others.

“Obviously just having a weak year, it was inevitable we were going to have a bounce-back year, and we’ve had that this year,” Lippert said.

“When the market went back to being focused on, in a



BARON OPPORTUNITY FUND

Mike Lippert

sense, digital transformation, maybe this AI theme, we were honestly just very, very well positioned,” he continued. “We came into the year with Microsoft as the largest position and if NVIDIA wasn’t the second-biggest position, it was a very large position.”

The demand for AI-related stocks has helped drive impressive returns for Lippert in 2023. Year-to-date, his fund is up 33.6% compared to the S&P 500’s 11.8%.

But success is nothing new for Lippert and the Baron Opportunity Fund. Over the last 5 years, it’s beaten 96% of similar funds, and 92% over the last 10 years.

The last decade has seen a great market for growing tech companies amid near-zero interest rates. Lippert said the fund has differentiated itself by focusing on firms developing groundbreaking technology. Among them are electric vehicles, genetics-impacting medicine, cloud computing, and artificial intelligence, he said.

“You want to find the big trends,” Lippert said. “These are generational shifts, tectonic shifts... We’ve been investing in AI for a decade.”

Lippert said his firm uses a combination of quantitative and qualitative analysis. On the quantitative side, he said the Baron funds develop proprietary models that take into account valuation and future earnings potential. On the qualitative side, he said he looks for companies that he believes have a competitive advantage via their products, and those that can defend an advantage.

## AI stocks Lippert is betting on

Despite their big returns so far this year, Lippert continues to like **Microsoft** (MSFT) and **Nvidia** (NVDA) over the next three-to-five-year period.

For Microsoft, he said their relationship with OpenAI — which produced ChatGPT — will help them institute AI technology across their already widely used products to improve them.

“Most knowledge workers around the world are now on Office 365 delivered from the cloud. But anything you can roll into Office 365 — whether it’s word processing, emailing, spreadsheets, PowerPoints, basic level analytics — you can become more efficient with AI,” he said. “It’s very simple, first draft of an email, summarizing something, telling your computer ‘create a slide for this.’”

Microsoft is also working AI into their \$20 billion cybersecurity business by helping programmers develop code, Lippert said.

As for Nvidia, he pointed to the massive lead it has built in the semiconductor industry with its CPU and GPU products.

“They’re incredibly well-positioned. Of this market of accelerated computing and parallel computing, they have like 80-90% market share,” he said. “The quarter we saw from Nvidia and the guidance is historic. For a large company like that, where the Street was looking for about \$7 billion in revenue, to guide \$11 billion, to beat by four, over 50% higher ... just an unbelievable inflection I’ve never seen before.”

Lippert said he also likes **Amazon** (AMZN) as an AI play, as the technology will make the shopping experience better for customers.

“They’re perceived to be behind OpenAI and Microsoft right now. I do think they’re going to be a fast catcher up,” he said. “Nobody in the world has better ecommerce data than Amazon. So building all of that in to make it easier for you to find the right product that you wish to buy.”

He added that their digital ad business — fueled by AI — is seeing year-over-year growth above 20%, while Google is seeing single-digit growth.

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**Baron Opportunity Fund's** annualized returns for the Institutional Shares as of March 31, 2023: 1- year, -19.70%; 5-years, 14.87%; 10-years, 14.03%; Since Inception (2/29/2000), 8.32%. Annual expense ratio for the Institutional Shares as of September 30, 2022, was 1.05%. The **S&P 500 Index's** annualized returns as of March 31, 2023: 1-year, -7.73%; 5-years, 11.19%; 10-years, 12.24%; Since Fund Inception (2/29/2000), 6.90%.

*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 may reimburse certain Fund expenses pursuant to a contract expiring on August 29, 2033, 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 [www.BaronFunds.com](http://www.BaronFunds.com) or call 1-800-99BARON.*

The Fund's 3-, 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.

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.

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## Top 10 Holdings

Baron Opportunity Fund

3/31/2023

GICS Sector	Holding	% Holding
Information Technology	Microsoft Corporation	14.4
Information Technology	NVIDIA Corporation	6.5
Consumer Discretionary	Tesla, Inc.	6.2
Consumer Discretionary	Amazon.com, Inc.	5.8
Financials	Visa Inc.	3.4
Information Technology	Gartner, Inc.	3.1
Financials	Mastercard Incorporated	2.9
Communication Services	Alphabet Inc.	2.9
Information Technology	ServiceNow, Inc.	2.8
Industrials	CoStar Group, Inc.	2.8
	Total	50.7

**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 index and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The index is unmanaged. Index performance is not Fund performance. Investors cannot invest directly in an index.

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