

# **Attribution Analysis Commentary - Annual**

## **Baron Emerging Markets Fund - I - 12/31/2020**

### **Commentary**

Baron Emerging Markets Fund (Institutional Shares) appreciated 29.22% for the year and significantly outperformed the MSCI EM Index by 10.91% due to a combination of stock selection, relative sector weights, and a variety of style biases.

On a country level, investments in China were up more than 58% as a group, accounting for the entirety of the Fund's outperformance in the period. Favorable stock selection in India, Taiwan, Brazil, Argentina, Russia, and Mexico, higher exposure to strong performing Chinese stocks, and lower exposure to declining South African and Thai equities also added value. These positive effects were somewhat offset by lower exposure to outperforming Korean and Taiwanese equities, unique exposure to Panama, and higher exposure to lagging stocks in Brazil, India, and Mexico. Cash exposure in a sharp up market and adverse stock selection in South Africa and Korea also hampered relative performance.

On a sector level, investments in IT, Health Care, Financials, and Energy and lower exposure to the underperforming Real Estate sector added the most value. Strength in IT was related to sharp gains from Chinese cloud software and data center holdings Kingdee International Software Group Co. Ltd., Glodon Company Limited, and GDS Holdings Limited, whose fundamentals were enhanced by the accelerating pace of digitization following the COVID-19 pandemic. The Fund's overweight position in IT, which outperformed the broader market in the period, and share price gains from Brazilian payment processors StoneCo Ltd. and PagSeguro Digital Ltd. also added value. Within Health Care, higher exposure to outperforming biotechnology and life sciences tools & services stocks contributed more than 285 basis points to relative results. Stock selection was also positive in the sector owing largely to Chinese biotechnology company Zai Lab Limited, whose shares more than tripled in the period. Within Financials, meaningfully lower exposure to declining banks and outperformance of Indian non-bank financial company Bajaj Finance Limited bolstered relative results. Within Energy, lower exposure to this lagging sector and outperformance of Reliance Industries Limited lifted relative results. As India's leading conglomerate, with business interests in telecommunications, digital services, retail, and oil refining, Reliance is benefiting from accelerated adoption of 4G connectivity and digital services. The company raised more than \$20 billion from strategic (Facebook/Google) and financial investors in its Jio Platforms and Reliance Retail business verticals.

Aside from cash, Industrials investments detracted the most from relative results, largely due to the underperformance of Latin American airlines Azul S.A. and Copa Holdings, S.A. These stocks were down sharply for the period held due to a collapse in demand related to the COVID-19 outbreak.