

## DEAR INVESTOR:

### PERFORMANCE

Shares of Baron Global Advantage Strategy declined 32.5% during the second quarter, which compared to declines of 15.7% for the MSCI ACWI Index and 20.2% for the MSCI ACWI Growth Index, the Strategy's benchmarks. Year-to-date, the Strategy's shares declined 47.9% compared to declines of 20.2% and 27.9% for the Strategy's benchmarks, respectively.

**Table I.**  
**Performance†**

Annualized for periods ended June 30, 2022

	Baron Global Advantage Strategy (Net) <sup>1</sup>	Baron Global Advantage Strategy (Gross) <sup>1</sup>	MSCI ACWI Index <sup>1</sup>	MSCI ACWI Growth Index <sup>1</sup>
Three Months <sup>2</sup>	(32.45)%	(32.32)%	(15.66)%	(20.15)%
Six Months <sup>2</sup>	(47.85)%	(47.64)%	(20.18)%	(27.92)%
One Year	(52.11)%	(51.72)%	(15.75)%	(23.46)%
Three Years	0.68%	1.50%	6.21%	7.62%
Five Years	9.64%	10.43%	7.00%	9.16%
Ten Years	12.47%	12.89%	8.76%	10.29%
Since Inception <sup>3</sup> (May 31, 2012)	12.37%	12.79%	9.20%	10.62%

"Following the six months ended June 30, 2022, *The Wall Street Journal* headlined the period as the "worst first half of a year in over five decades" for U.S. stocks.

Well... that about sums it up. It was the worst quarter and the worst six-month period in the Strategy's 10-plus year history in terms of both absolute and relative returns. In this section of the letter, we typically attempt to provide insights into the causes of recent performance by examining relative returns of the portfolio through the lens of market caps, geographies, GICS sector classifications, as well as individual investments. This time, we are going to spare you the gory details, as from a performance attribution perspective our holdings underperformed in every relevant category. Instead, we are going to describe the investing landscape as we see it and try to articulate why we are optimistic, and why we believe this may prove to be a particularly attractive time to invest in high-quality, competitively advantaged growth businesses for the long term!

Inflation. Inflation is not a new phenomenon. I have lived in this country for 35 years and there has always been inflation. I paid 79¢/gallon the first time I filled up my car in 1987. I remember paying a quarter for a can of soda, a nickel for gum, and \$3 for a haircut. The same haircut cost me \$40 earlier today, albeit in a different zip code. The point is that prices have risen pretty much every year and pretty much on everything. The price of land and housing, hotel rooms and travel in general, ticket prices for sports and entertainment, even babysitting has gone up (I used to get \$3/hour – my kids get \$20/hour, before overtime). Replacement costs of everything rise all the time. Over those 35 years, the standard of living has risen meaningfully, but so has the cost of living, and so, from our perspective, that is not new at all. What *IS* different this time is that COVID still going strong in its third year along with its related supply-chain disruptions, was met with unprecedented amounts of stimulus by global financial authorities causing what was arguably a predictable surge in inflation, which is why many thought that it should and would be transitory. But then Russia started a war and caused an energy AND a food supply-related crisis.

For Strategy reporting purposes, the Firm is defined as all accounts managed by Baron Capital Management, Inc. ("BCM") and BAMCO, Inc. ("BAMCO"), registered investment advisers wholly owned by Baron Capital Group, Inc. As of June 30, 2022, total Firm assets under management are approximately \$37.7 billion. Gross performance figures do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Actual client returns will be reduced by the advisory fees and any other expenses incurred in the management of the investment advisory account. A full description of investment advisory fees is supplied in our Form ADV Part 2A. Valuations and returns are computed and stated in U.S. dollars. Performance figures reflect the reinvestment of dividends and other earnings. The Strategy is currently composed of a U.S. mutual fund, a SICAV fund, a sub-advised account, and a Collective Investment Trust managed by BAMCO. The Strategy invests mainly in growth companies of all sizes located throughout the world. BAMCO and BCM claim compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of the Firm's Strategies please contact us at 1-800-99BARON. For a GIPS-compliant presentation, [click here](#).

Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance is no guarantee of future results.

<sup>1</sup> The Strategy'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 Strategy's level of participation in IPOs will be the same in the future.

<sup>2</sup> The **MSCI ACWI Index** measures the equity market performance of large and midcap securities across developed and emerging markets, including the United States. The **MSCI ACWI Growth Index** measures the performance of large, mid and small cap growth securities across developed and emerging markets, including the United States. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Strategy include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The index performance is not Strategy performance; one cannot invest directly into an index.

<sup>3</sup> Not annualized.

<sup>4</sup> The Strategy has a different inception date than its underlying portfolio, which is April 30, 2012.

<sup>5</sup> Based on performance of the representative account excluding fees.

# Baron Global Advantage Strategy

And so, instead of an anticipated *gradual* and *controlled* normalization of interest rates, the Fed found itself behind the curve, with little to no choice but to get on the warpath and fight inflation with consecutive 50 bps or 75 bps rate hikes at a time, when high inflation is already causing softening of demand. The conversation (i.e., sentiment) has shifted towards a hard landing, the increasingly likely recession, and ostensibly a broad economic slowdown. This is what we would describe as a *REGIME change*. In this environment, stock prices are driven *entirely* by sentiment instead of the fundamentals of businesses. Now, it is fair to point out that in the short term, stock prices are almost *always* driven by sentiment and so when investors are confident and feel good about the world and themselves in it, their time horizons expand. They are more than willing to consider what the business will look like three and five years from now. In that regime, investors encourage management teams to forgo today's profits and to invest in growth, while valuing the business on its future prospects. In this regime, when you're worried about the world and your place in it, the only thing on investors' minds is the here and now, and so the very metrics on which businesses are valued have changed. It's not just the multiples of everything that got compressed, it's that the only thing that matters now is your current free-cash-flow yield. It's no longer about your growth prospects, your revenues, your unit economics – it's about one thing only – **CURRENT FREE CASH FLOW**.

Now, we are not experts on economic theory and have never tried to predict GDP growth, interest rates, or the price of oil. What we are experts in is assessing competitive advantages and the uniqueness of a business. Are customers getting real value from the products that our businesses deliver? Can these products be easily replaced? What are the unit economics and do sales and growth create real economic value? For every one of the businesses we own, our research and due diligence suggest the answer is "Yes." We all understand that the stock price of the business does not always reflect the health of that business. This is true in good times and

bad. It has been our experience that booms are followed by the inevitable busts, which are then, just as inevitably, followed by new booms. At Baron, we do not believe it is possible to accurately or consistently predict markets... economies... interest rates... inflation... oil prices... wars... and election outcomes. To borrow from this quarter's Letter from Ron: "Since stock prices of a remarkable number of rapidly growing small businesses and highly regarded large companies have fallen so materially over the preceding eight months, we believe they are unusually attractively priced. This is relative to their businesses' long-term growth prospects, earnings potential, and interest rates."\* Here are a few reasons we agree:

1. Inflation appears to be moderating already. The price of crude oil (WTI) peaked in early March at just over \$130/barrel. It then traded down to \$100/barrel before rallying back to \$123 in the middle of June. It is now trading around \$95/barrel. The broader commodities index also appears to have peaked in early June and is now down around 17% since that day. More importantly, here is a chart of the U.S. 10-Year Breakeven Inflation Rate, which after an initial spike in November of 2021 and a more meaningful one from March to May of 2022 has returned back down to normalized levels.

2. While intrinsic values of most of our businesses continued to compound, the weighted average multiple\* of our holdings has contracted by a staggering 60% since the beginning of the year. The declines in multiples were so dramatic that we saw Meta (Facebook), Netflix, Zoom, PayPal, and our personal favorite Rivian, added to the Russell 1000 **Value** Index! We've been assured that our ownership of Rivian is unlikely to get us reclassified as value investors.

3. Rising interest rates and challenging macro-economic conditions are a headwind to ALL businesses. However, the majority of our investments are capital-light, have clean balance sheets, many with recurring, subscription-based revenue models that continue to see excellent business resiliency.

U.S. 10 Year Breakeven Inflation Rate



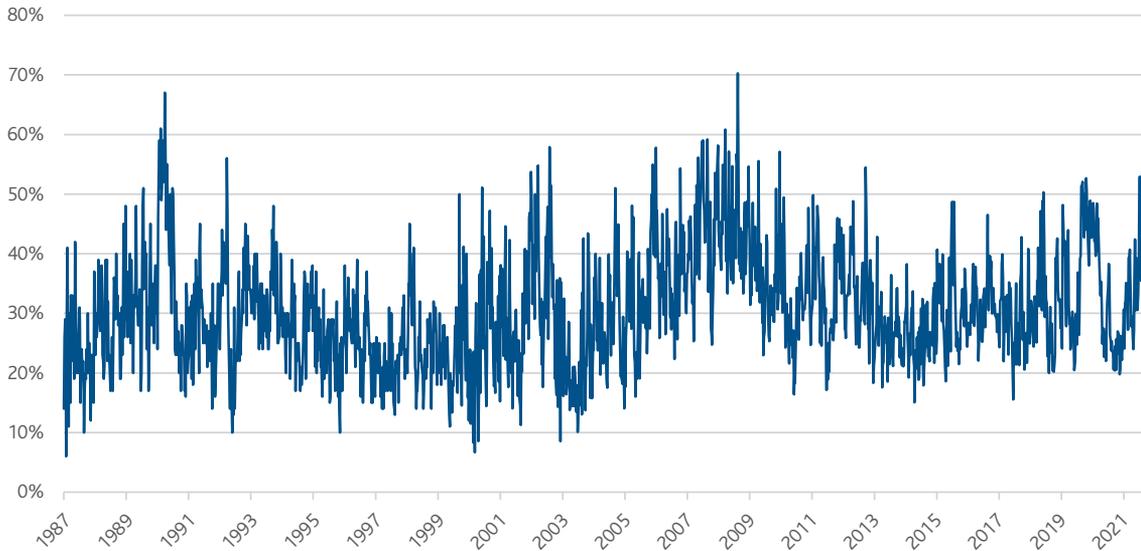
Source: FactSet.

\* We compare either P/E or P/Sales multiples depending on the company and its current profitability between December 31, 2021 and June 30, 2022 based on consensus expectations for the next 12 months.

Our companies have pricing power and, in many cases, a proven ability to pass on the cost of inflation. That means higher terminal growth rates and higher intrinsic values.

4. Investor bearishness is the highest it has been since the great financial crisis of 2008-2009 as measured by the American Association of Individual Investors. Historically, it has been a pretty good contrarian signal.

## Investor Sentiment (% Bearish)



And finally...

5. Can you think of a single bear market or a single significant decline in the history of the U.S. market that did not prove to be an attractive buying opportunity over a longer period of time???

It's been a horrific six months for the Strategy's shareholders, us included. We continue to have confidence in our process and are optimistic that performance will turn around. We always measured our performance objectives over longer periods of time and emphasized relative 3-year and 5-year monthly rolling returns (among other things) as a barometer of our progress. The table and charts below are another reason we are optimistic about what is to come!

### Percentage of time Strategy outperformed over different time periods from inception through June 30, 2022<sup>1</sup>

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Outperformance vs. MSCI ACWI Index	62%	66%	77%	95%	100%
Outperformance vs. MSCI ACWI Growth Index	57%	64%	75%	92%	100%
Outperformance vs. eVestment Global All Cap Growth Equity – Median	60%	65%	75%	94%	100%

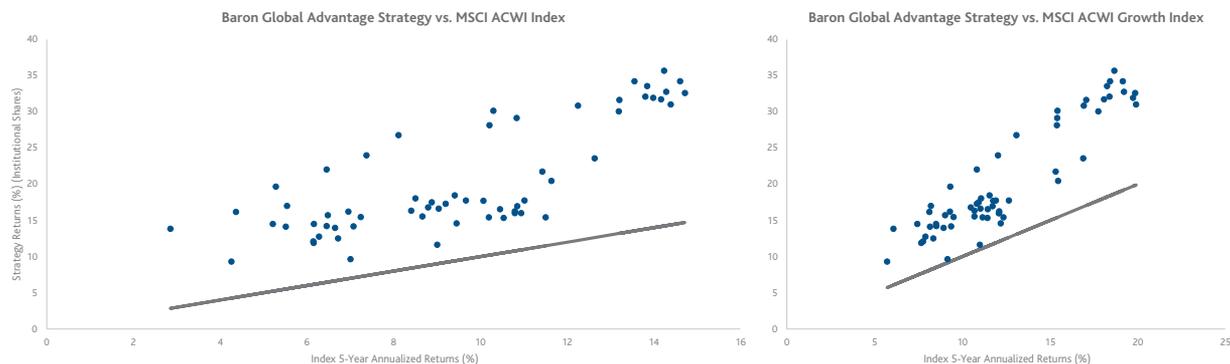
Source: BAMCO, eVestment Alliances

Calculation is based on the net returns of the Strategy

<sup>1</sup> With the exception of contributors and detractors, most of the ensuing data through the end of the letter is based on a representative account. Such data may vary for each client in the Strategy due to asset size, market conditions, client guidelines, and diversify of portfolio holdings. The representative account is the account in the Strategy that we believe most closely reflects the current portfolio management style for the Strategy. Representative account data is supplemental information.

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## 5-year rolling return scatterplot charts as of June 30, 2022



Source: BAMCO and MSCI, Inc.

Calculation is based on the net returns of the strategy

Table II.

### Top contributors to performance for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
argenx SE	\$ 20.6	0.82%
Meituan Inc.	153.1	0.45
Space Exploration Technologies Corp.	–	0.29
GM Cruise Holdings LLC	–	0.25
Arrowhead Pharmaceuticals, Inc.	4.8	0.01

**Argenx SE** is a biotechnology company focused on autoimmune disorders. Shares increased 20% driven by the strong launch of Vyvgart, a treatment for generalized myasthenia gravis, a chronic autoimmune disease that causes muscle weakness. Early sales tripled consensus expectations and global approvals are coming in earlier than previously expected by investors. Data from Vyvgart's trial to treat immune thrombocytopenia was positive as well. We expect the next two years to have many catalysts, and, assuming a well-received commercial launch, 2022 should be another year of solid performance. Longer term, Vyvgart has multi-billion dollar sales potential in our view. The company also has a pipeline of additional drug candidates with significant commercial potential.

Shares of **Meituan Inc.**, the largest food delivery network in China, appreciated 32% in the second quarter on a broader recovery in Chinese internet stocks following signs that the Central Government's crackdown on large internet companies was starting to ease and a broader recovery in Chinese Consumer Discretionary stocks following the first quarter's lockdown-related underperformance. First quarter results were also strong with 25% revenue growth year-over-year. We remain shareholders given Meituan's dominant position in a winner-take-most industry.

**Space Exploration Technologies Corp.** (SpaceX) is a high-profile private company founded by Elon Musk that designs, manufactures, and launches rockets, satellites, and spacecrafts. Its long-term goal is to enable human beings to inhabit Mars. We believe SpaceX is creating substantial value through the expansion of its Starlink broadband service. It also reliably provides reusable launch capabilities, including crewed space flights, and is making progress on its largest rocket, Starship. We value SpaceX using prices of recent financing transactions and a proprietary valuation model.

**GM Cruise Holdings LLC** offers an autonomous driving fleet with the goal of reducing the cost and improving the safety of transporting people and goods. The company reached significant milestones including paid, driverless rides on public roads in San Francisco. This milestone is a positive early sign of GM Cruise's ability to execute against a large Transport-as-a-Service market opportunity. We expect the commercial progress to be significant over the following several years. We value GM Cruise using prices of recent transactions and a proprietary valuation model.

**Arrowhead Pharmaceuticals, Inc.** is a biotechnology company developing RNA interference medications to treat a variety of diseases. While the stock price declined during the quarter, our timing in selling the stock contributed to results. We sold our shares in order to fund redemptions and reallocate to higher conviction ideas.

Table III.

### Top detractors from performance for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	\$1,080.6	–2.19%
Endava plc	4.9	–2.08
MercadoLibre, Inc.	32.1	–2.04
ZoomInfo Technologies Inc.	13.4	–1.82
Cloudflare, Inc.	14.3	–1.77

**Amazon.com, Inc.** is the world's largest retailer and cloud services provider. Shares of Amazon declined 35% in the quarter due to profits that missed consensus estimates resulting from an overcapacity of resources coming out of COVID. We expect Amazon to grow into its retail capacity in the quarters to come, which would enable it to improve profitability accordingly. Amazon remains one of our largest holdings due to its durable competitive advantages with a leading position in multiple trillion-dollar markets with a long runway for growth. According to the U.S. Census Bureau, domestic e-commerce was only 14.3% of retail as of the first quarter of 2022. Internationally, the opportunity is even earlier as Amazon has still less than 2% market share of international retail spending. Its advertising share is roughly 3% and growing, underpinned by its structural

closed loop, which enables accurate targeting and measurement. Lastly, Amazon Web Services or AWS, remains the leading cloud provider, while cloud computing still represents only 9.5% out of the \$4.3 trillion of global IT spending according to Gartner. Areas such as logistics and health care present additional optionality.

**Endava plc** provides consulting and outsourced software development for business customers. Shares gave back some of their big gains from last year, declining 34% due to increased investor caution regarding Endava's work force in Central and Eastern Europe, despite having no presence in Ukraine, Russia, or Belarus, and the broad sell-off in growth stocks. We retain conviction. Endava reported strong business momentum with 50% revenue growth and 59% EPS growth in the recent quarter and a positive full-year outlook. We believe Endava will continue gaining share in the large global market for IT services for years to come.

Shares of **MercadoLibre, Inc.**, the largest e-commerce platform in Latin America, declined by 46% in the second quarter. Underperformance was principally driven by continued selling pressure on global internet stocks, a devaluation in the Brazilian real (where MercadoLibre generates 50% to 60% of revenue), and concerns that non-performing loans in its fintech arm will rise owing to consumer macro weakness in Brazil. We believe MercadoLibre will be the dominant player in a Latin American e-commerce industry that still has a decade of double-digit growth ahead of it. We remain shareholders.

**ZoomInfo Technologies Inc.** operates a cloud-based B2B platform that provides sales, marketing, and HR teams with comprehensive business intelligence, enabling shorter sales cycles and higher win rates. Shares declined 44% during the quarter, driven by the broad sell-off in growth stocks as well as a short report that questioned ZoomInfo's compliance with existing and upcoming privacy regulations. Based on our diligence including outside counsel, we remain comfortable that the company is compliant with all current legislation and that it has every intent and likelihood to remain compliant with any new or pending privacy legislation. While the stock corrected, fundamentals remain strong with quarterly revenues up 58% year-over-year (over 49% organically) along with 39% adjusted operating margins. New products are building momentum, and we believe ZoomInfo can become a much larger company over time as it grows into its \$100 billion total addressable market.

Despite posting solid quarterly results with 54% revenue growth, and a record addition of 14,000 customers, shares of **Cloudflare, Inc.**, a software infrastructure provider, declined 63% in the quarter along with other fast-growing names in the software universe that penalize current profitability by reinvesting back in their businesses. We believe Cloudflare's disruptive global platform and unmatched pace of innovation will enable the company to continue to take share across multiple large addressable markets for years to come.

## PORTFOLIO STRUCTURE

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant roles in determining the size of each individual investment. Sector and country weights are an outcome of the stock selection process and are not meant to indicate a positive or a negative "view."

As of June 30, 2022, the top 10 positions represented 43.5% of the Strategy, and the top 20 represented 68.2%. As we articulated in prior letters, we have now returned to a higher conviction, more concentrated portfolio (top 10 and top 20 positions were 42.5% and 61.9% in December 2021, and 35.0% and 58.0% of the Strategy in December 2020, respectively). We ended the second quarter with 47 investments.

Our investments in Information Technology, Consumer Discretionary, Health Care, and Communication Services (as classified by GICS) represented 91.0% of the Strategy's net assets. Our investments in non-U.S. companies represented 42.6%, while companies classified as being in emerging markets were 14.3% of net assets. An additional 6.6% is invested in companies based in Argentina and Uruguay, which are classified as "Other" by MSCI.

**Table IV.**  
Top 10 holdings as of June 30, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Endava plc	\$ 4.9	\$64.2	6.2%
Amazon.com, Inc.	1,080.6	55.0	5.3
Alphabet Inc.	1,437.8	54.3	5.2
CrowdStrike, Inc.	39.1	49.0	4.7
argenx SE	20.6	49.0	4.7
Think & Learn Private Limited	20.2	38.8	3.7
Rivian Automotive, Inc.	23.2	36.8	3.6
Veeva Systems Inc.	30.7	35.1	3.4
MercadoLibre, Inc.	32.1	34.9	3.4
Snowflake Inc.	44.2	33.8	3.3

## EXPOSURE BY COUNTRY

**Table V.**  
Percentage of securities by country as of June 30, 2022

	Percent of Net Assets
United States	57.2%
Netherlands	8.7
India	7.4
United Kingdom	6.2
Argentina	4.8
Israel	3.6
Canada	2.7
China	2.3
Korea	2.0
Uruguay	1.8
Brazil	1.4
Poland	1.2
Spain	0.5

## RECENT ACTIVITY

During the second quarter, we initiated one new position – the leading fintech company, **Block** (formerly known as Square). We also added to five existing investments, taking advantage of market volatility to add to our

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positions in the Korean e-commerce leader, **Coupang**; the cloud-based data analytics platform, **Datadog**; the data cloud platform, **Snowflake**; the AI/ML leader, **NVIDIA**; and the EV leader, **Tesla**. We reduced 15 positions and sold out of 6 investments, which were lower conviction holdings, to fund redemptions and our purchases mentioned above.

**Table VI.**  
Top net purchases for the quarter ended June 30, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Block, Inc.	\$ 35.7	\$13.7
Coupang, LLC	22.5	9.0
Datadog, Inc.	30.0	6.4
Snowflake Inc.	44.2	3.4
NVIDIA Corporation	379.0	0.9

We initiated a new position in **Block, Inc.**, a provider of commerce solutions for merchants and financial services for consumers. The company enables sellers to accept payments and provides other software solutions to help them run their businesses (such as: appointments, invoices, loyalty, marketing, and financial services). In addition, Block's Cash App is an ecosystem of financial services, providing an easy way for consumers to deposit, invest, lend, send, and spend money. We have long admired the company's product innovation and rapid growth. Gross profit increased by more than 12 times since the IPO in 2015 and by more than 5 times over the last four years. Following the sell-off in the stock, we were able to finally build a position with compelling margin of safety on our purchase price. The opportunity arose partially due the broader sell-off in growth stocks and partially due to investor concerns over Block's exposure to areas of the market with greater near-term uncertainty: small businesses, lower-income consumers, and short-term lending through its recently acquired BNPL (Buy-Now-Pay-Later) solution, Afterpay. We believe that Block's long-term opportunity outweighs the near-term concerns. In our view, the company will benefit from a long duration of growth, driven by less than 3% penetration into its \$190 billion addressable market, and sustainable competitive advantages, which are powered by its ecosystems for sellers (Square) and consumers (Cash App) as well as the emerging connections between those ecosystems. As importantly, we believe that Block's innovative culture will enable it to continue expanding its addressable market, solving more problems for customers over time. Its TAM expanded from \$60 billion in 2017 to \$190 billion today as it added new products and expanded to new geographies and customer segments.

During the quarter, we also added to our position in the leading Korean e-commerce player, **Coupang, LLC**, taking advantage of the stock's volatility. While the stock sold off, the business remains robust, growing revenues by 32% in the most recent quarter (year-over-year in constant currency) while gaining market share (the industry grew 8%) and reaching profitability in its product commerce segment three quarters ahead of plan. We also added to two of our higher conviction cloud infrastructure positions – **Datadog, Inc.** and **Snowflake Inc.** While investors are concerned that a weaker macroeconomic environment will be a near-term headwind to growth due to their usage-based revenue models, we remain focused on the long duration of growth, competitive advantages, and innovative capabilities— and are happy to increase our positions at a

discount. We also added to **NVIDIA Corporation** and **Tesla, Inc.**, taking advantage of their stock price declines to continue building our positions.

**Table VII.**  
Top net sales for the quarter ended June 30, 2022

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
argenx SE	\$ 20.6	\$21.9
Shopify Inc.	36.0	18.2
Alphabet Inc.	1,437.8	18.1
Arrowhead Pharmaceuticals, Inc.	4.8	17.1
Sarissa Capital Acquisition Corp.	0.2	14.7

During the second quarter, we sold 6 investments that were lower conviction and reduced 15 others in order to fund redemptions and further concentrate our portfolio on our highest conviction ideas.

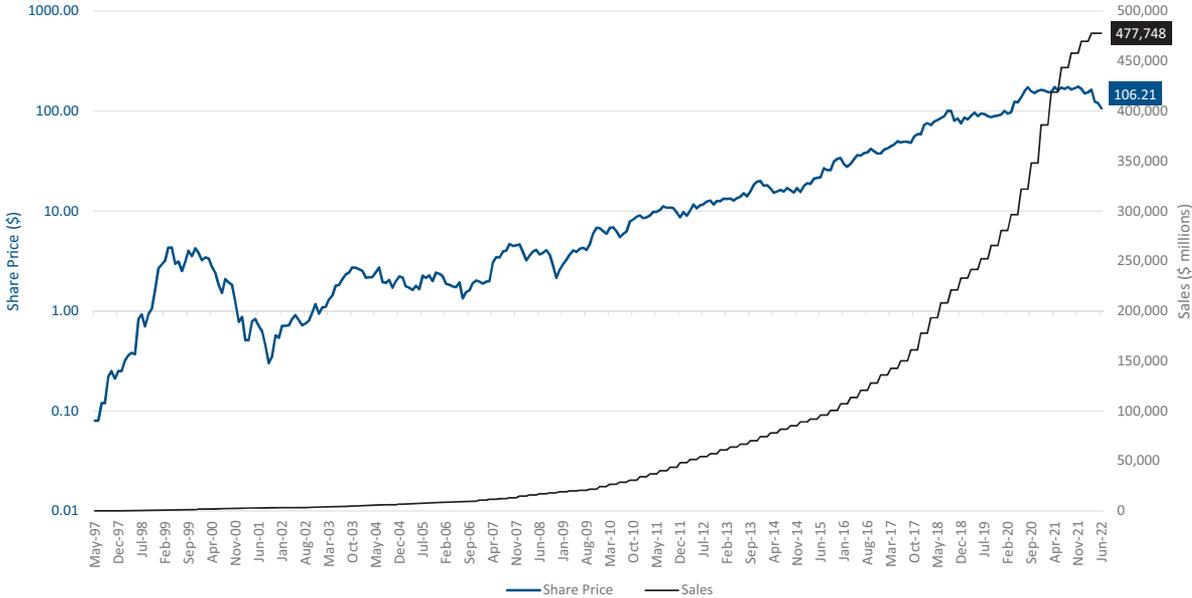
## OUTLOOK

Benjamin Graham famously said that *"in the short run, the market is a voting machine but in the long run, it is a weighing machine."* There's been a regime change and it is difficult to know how long the current "voting" environment will remain or exactly when the proverbial bottom is reached. One of the more common mistakes we believe investors often make is trying to time the market.

In this Strategy, we hunt for Big Ideas. There are many components and characteristics of a business needed to make it a Big Idea, but none are more important than duration of growth. We have often used an example of a hypothetical 26% grower to illustrate this concept. If a company can compound its cash flows (or earnings, or stock price) at 26%, it would double after three years. If we overpay for this company by 50%, we will have significantly impaired our return, which would decline from 26% to 10% CAGR over that time. However, if growth proves to be durable, and this company can compound at that 26% for an additional 7 years, it would become a 10-bagger. Overpaying by the same whopping 50% for this business in this scenario, would reduce our CAGR from 26% to 21%, which is dramatically different. The insight from this exercise is that duration of growth (rather than the multiple paid) is the most important variable in the long-term performance of a stock and that the margin of safety at purchase is significantly larger when growth is durable than what is generally understood by the investing public. To illustrate further, here are a few well known case studies:

**Amazon.com, Inc.** – a darling of the dot com bubble had reached a market cap of \$30 billion in late 1999. With \$1.6 billion in revenues that year and no profits to speak of, the stock traded at an EV/Sales multiple of 19 times current year or about 10 times expected next year's sales. As the bubble burst, the stock price declined precipitously and was trading at one times sales by late 2001. Because the company continued to grow at a rapid pace its stock price increased nine-fold from the bottom over the next two and a half years, and 356 times by June 30, 2022. Amazon's sales increased from \$1.6 billion in 1999 to \$470 billion in 2021, compounding at an astounding 29.5% CAGR, proving to be incredibly durable, indeed.

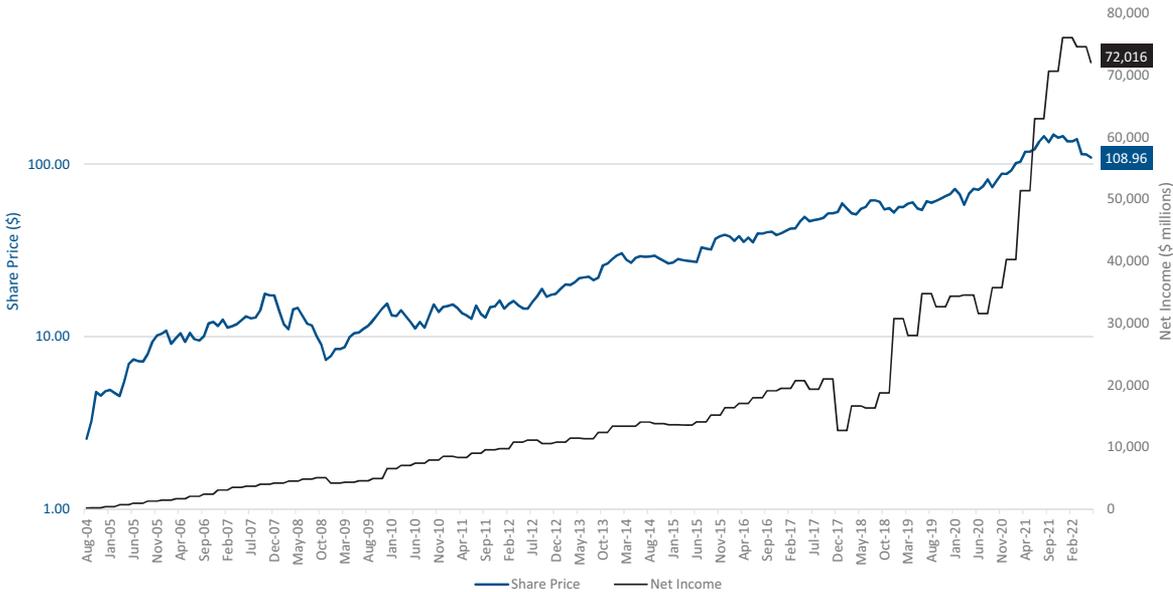
Amazon.com, Inc.



Source: FactSet.

Google, now known as **Alphabet Inc.**, is another good one. A well-established, blue-chip leader with a market capitalization of over \$200 billion, the stock was trading at a multiple of 39 times next year's consensus earnings estimates at its peak in 2007. During the financial crisis of 2008-2009, Google's stock price declined 65% (from a peak of \$369 to \$128 at a bottom) and was trading at a P/E multiple of 14 times. Once it bottomed out, the stock price more than doubled in a year and is up 16 times since then. Google's net income grew from \$4.2 billion in 2007 to \$76 billion in 2021, compounding at 23%, which in our opinion is the primary reason for the performance of the stock.

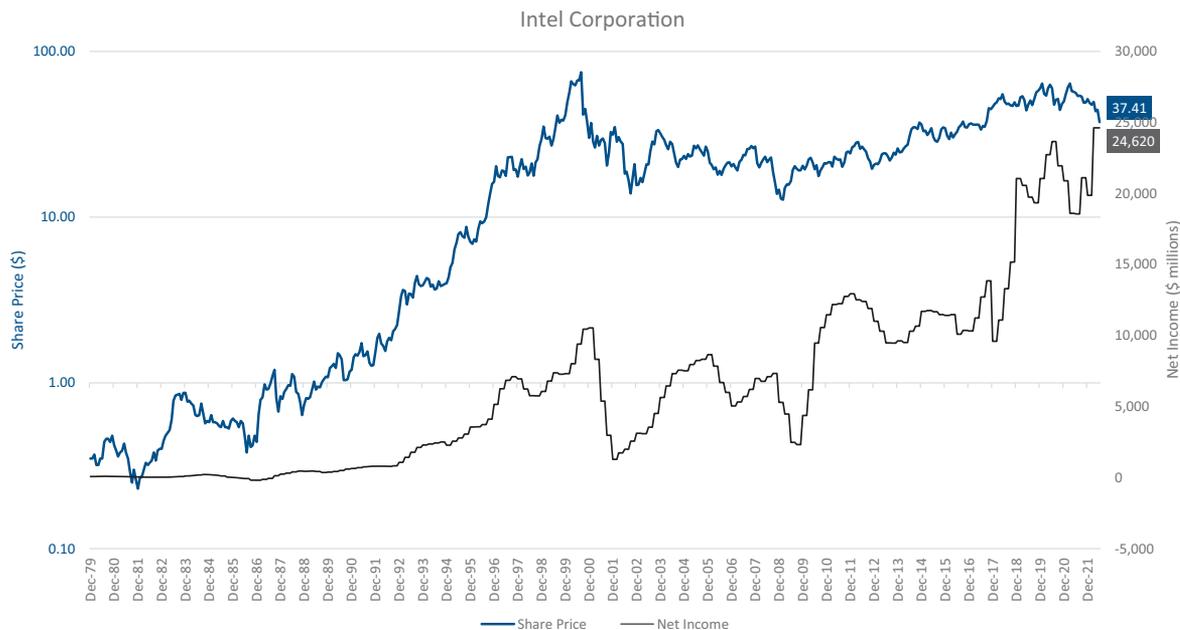
Alphabet Inc.



Source: FactSet.

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Then, there is the case of **Intel Corporation**. A blue-chip tech champion with a market capitalization of over \$500 billion in early 2000, the stock was trading at a P/E multiple of 42. It was a fast-growing company whose stock price and multiple declined more or less in line with its peers. However, unlike Google, Intel's net income has grown from \$7.3 billion in 1999 to \$19.9 billion in 2021, a compounded annual growth rate of just 4.7%. Its growth from the dot com era has not proven to be durable, and Intel has yet to trade at the price it attained in 1999.



Source: FactSet.

While the overwhelming majority of market participants are incessantly preoccupied with the here and now, we are focused on disruptive change, Big Ideas, and duration of growth. Though the future is inherently uncertain, bear markets and meaningful stock price declines have historically offered attractive buying opportunities for long-term investors. We are not suggesting that this is “easy,” in fact, it is times like this that test our resolve and our ability to maintain objectivity and a balanced decision-making process. We believe the intrinsic values of the businesses we own, and the cumulative “weight” of our portfolio companies have continued to grow while their stocks have fallen significantly. In our view, the margin of safety has widened considerably, and the prospective investment returns of our portfolio look attractive at this time.

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly

uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading at attractive prices relative to their intrinsic values.

Sincerely,

Alex Umansky  
Portfolio Manager  
June 30, 2022

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*The performance of accounts in the Strategy may be materially different at any given time. Differences that may affect investment performance include cash flows, inception dates, and historical prices. Positions may not be the same or may be traded at different times. In addition, accounts in the Strategy may be pursuing similar investment strategies, but may have different investment restrictions.*

**Risks:** Past performance is not a guide to future performance. The value of investments and income from them may go down as well as up. Your capital is at risk. Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. The Strategy may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.