Baron Global Advantage Strategy

September 30, 2022

Dear Investor:

Performance

The third quarter saw continued, broad-based market declines, while we were able to eke out a small gain.

Baron Global Advantage Strategy gained 1.77% during the third quarter, which compared to declines of 6.82% for the MSCI ACWI Index and 5.93% for the MSCI ACWI Growth Index, the Strategy's benchmarks. Year-to-date, the Strategy's shares are down 46.92% compared to declines of 25.63% and 32.19% for the Strategy's benchmarks, respectively.

Table I.
Performance†
Annualized for periods ended September 30, 2022

	Baron Global Advantage Strategy (net)[1]	Baron Global Advantage Strategy (gross)[1]	MSCI ACWI Index[1]	MSCI ACWI Growth Index[1]
Three Months[2]	1.77%	1.97%	(6.82)%	(5.93)%
Nine Months[2]	(46.92)%	(46.61)%	(25.63)%	(32.19)%
One Year	(48.78)%	(48.37)%	(20.66)%	(27.48)%
Three Years	2.61%	3.45%	3.75%	5.35%
Five Years	8.32%	9.11%	4.44%	6.63%
Ten Years	11.82%	12.26%	7.28%	8.87%
Since Inception[3] (May 31, 2012)	12.25%	12.67%	8.23%	9.70%

After the worst first half performance in over 50 years, the markets staged a rally in July, with the MSCI ACWI and MSCI ACWI Growth Indexes gaining 7% and 10%, respectively. We participated nicely, with the Strategy's shares appreciating 13% in July. However, it did not last long with the benchmarks declining 4% and 5%, respectively, in August (the Strategy was roughly flat), and a further 10% and 11% decline, respectively, in September (the Strategy was also down 10% that month). We thought we may have, or could have, turned the corner, but the historically aggressive pace of interest rate hikes amidst global financial tightening, combined with continued adverse geopolitical events in Europe and U.S./China tensions were simply too much for the markets to overcome.

Stock selection was responsible for most of the Strategy's outperformance relative to the MSCI ACWI Index. The Strategy's strong quarterly results were led by our investments in Consumer Discretionary and Communication Services, which contributed 658 basis points to relative returns. Investments in Information Technology (IT), Financials, and Health Care contributed an additional 242 basis points. We also benefited from our lack of exposure to Real Estate, which was more than offset by not holding any stocks in the Energy sector, the best performing sector in the Index.

At the sub-industry level, stock selection was strongest in internet & direct marketing retail, led by the Brazilian e-commerce platform **MercadoLibre** and the Korean e-commerce leader **Coupang**. Stock selection was also strong in the automobile manufacturers sub-industry, where we saw a rebound in the stock prices of EV makers **Rivian** and **Tesla**, and systems software with strong performance from **Snowflake**, **Cloudflare**, and **Zscaler**.

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 September 30, 2022, total Firm assets under management are approximately $36 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.

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.

† 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.

1 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.

2 Not annualized.

3 The Strategy has a different inception date than its underlying portfolio, which is April 30, 2012.

4 Based on performance of the representative account excluding fees.

From a geographical perspective, excess relative returns were partly driven by emerging markets, which punched above its weight, generating 363 basis points of our 859 basis points of outperformance (or 42% despite having an average weight of 15.5% in the quarter). This performance was largely driven by our investments in India (**Bajaj Finance** was up almost 30%), Korea (**Coupang** was up just over 30%), Brazil (**Afya** was up over 36%), and Poland. In addition, investments in Argentina, which is not considered an emerging market by MSCI, contributed 145 basis points, driven by the strong performance of **MercadoLibre** and **Globant**. While our developed markets holdings declined slightly in the quarter (down 1.2%), they declined less than the benchmark, contributing 406 basis points to our relative returns. Our investments in the U.S. added 439 basis points, while Canadian holdings detracted 62 basis points.

At the security level, we had a balanced quarter, with 22 contributors and 25 detractors. **Rivian**, **MercadoLibre**, **Bajaj Finance**, **Coupang**, and **ZoomInfo** contributed more than 50 basis points each to absolute returns, while we had no absolute detractors over 50 basis points. **Snowflake**, **EPAM**, **Afya**, **Alphabet**, **Amazon**, and **Innovid** added between 30 basis points and 50 basis points each, while **DLocal**, **Shopify**, **Veeva**, **Endava**, **10X Genomics**, **NVIDIA**, **Nuvei**, **Meituan**, and **argenx**, were in the same 30 basis points to 50 basis points range, as detractors.

All in all, a gain of 1.77% felt like a small victory in a continued sea of carnage.

As in the prior two quarters, the action in stock prices continued to be dominated by macro rather than business fundamentals or company specific news flow. Over the last nine months, if I had a dollar for every time some "wise guy" on TV said, "***Do Not Fight The Fed!***" we would have seriously mitigated some of the year-to-date losses. We don't want to fight the Fed, but what's a long-only growth investor to do?

In early summer, I caught the tail end of a presentation by a global economist at a sell-side conference. He was arguing that prior decades of low inflation and general financial prosperity were underpinned by globalization and the two geo-strategic, geo-economic blocks: "Chimerica" and "Eurussia" (terms supposedly coined by Niall Ferguson). The gist, as I understood it, was the U.S. outsourced its manufacturing to China and was happy to pay U.S. dollars for cheap Chinese imports, while cheap Russian natural gas was fueling German industry and Europe more broadly. In return, China and Russia recycled their earned U.S. dollars and euros back into the G7 claims, making everyone richer and more prosperous. But that dynamic was now over because globalization only works during peace time. Wars, hot and cold, tend to disrupt supply chains and are inflationary in nature (as are pandemics) and so, his argument was that inflation will prove to be sticky and far from transitory, forcing the Fed to raise interest rates faster, bigger, and for longer. He made a good argument, although I remember wondering how he knew how long the hot war in Europe or the cold war with China would last. At the end of his presentation, he recommended investors short growth stocks and go long Oil/Energy and Financials. Four months later, this economist certainly appears to have gotten the macro picture right, though his conclusion/recommendations would not have made investors money. WTI Crude Oil was around $120/barrel at the time, and at the end of the third quarter it was below $80/barrel. Since the beginning of summer, Energy and Financials are down as much as, if not more than, growth stocks. Of course, though we listen to and consider all opinions, macro considerations are not part of our investment process. This is a good segue into addressing investor questions that we are fielding most frequently today.

> "What have you learned from the last 12-month calamity?"
>
> "Have you changed your investment philosophy and process given that the world around has changed?"
>
> "Have you repositioned the portfolio for a higher interest rate for longer, more recession-proof environment?"
>
> "Have you improved your risk management techniques to better protect investor capital from ongoing market volatility?"

These are difficult but fair questions to think about.

We have often said that we prefer to measure success in lessons learned rather than percentage gains or dollars and cents. It may not be prudent to internalize lessons learned while in the middle of a storm. But if there is one thing that came into clear focus – it's the importance of ***balance***. Capital-allocation decisions are made against a range of outcomes taking into account our subjective views of probabilities and their respective consequences. As the range of outcomes widens and our confidence in probabilities and consequences diminishes, it becomes increasingly difficult to maintain balance, which is critical to good decision-making. Balance between conviction and hubris, or arrogance. Patience vs. complacency or stubbornness. Discipline vs. dogmatism and inflexibility. Good decision-making requires as much of the first part of the scale as possible, without tipping over to the other side. It's been extremely challenging to maintain this balance over the last 12 months. We have found that investment mistakes were made because at times, we tipped to the other side. We are doing everything we can to foster an environment wherein we can stay balanced, which we believe will enable us to make better decisions overall. While this will likely seem counterintuitive, we think ***balance*** is the answer to the other questions as well.

Andy Jassy, Amazon's current CEO and founder of Amazon Web Services, said, "*There is no compression algorithm for experience.*" We have been doing this for over 25 years. Baron's research and investment team has a combined total of over *600 years of research and investment experience*. We have lived and managed through many market cycles. Booms and busts. Rising interest rates and falling rates. Global recessions, hot and cold wars, and geopolitical tensions. While tinkering and making small improvements at the margins, we have remained steadfast in our investment approach, philosophy, and process. We seek to invest in unique, competitively advantaged, high-quality companies that benefit from disruptive change and exhibit characteristics of platform businesses (e.g., network effects, power law distribution, etc.). Management and entrepreneurial culture matter a great deal to us, and when enough boxes are checked off, we start evaluating whether a company could qualify as and become a *Big Idea*. *A long-term ownership mindset is fundamental* to our investment philosophy, and our research and due diligence are focused on developing conviction around the sustainability of competitive advantages and the duration of growth, and we allocate capital only when we can do it at prices that we believe to be attractive, with an appropriate margin of safety. This approach does not change with the weather (i.e., with different parts of market cycles).

From a portfolio construction perspective, we do not "position" the Strategy for different market regimes or environments since we have no ability to forecast them. Our analysis suggests that the Strategy's underperformance over the last 12 months can be attributed largely to applying the same discipline, investment philosophy, and process that produced category-leading returns over the prior nine-plus year period since the Strategy's inception.

Consistent with the above, we do not move to cash, purchase convertible preferreds, or invest in commodities for the purpose of mitigating market volatility. In fact, as long-term investors we do not equate risk to market volatility; we think of it instead in terms of the probability of a permanent loss of capital. This is not because we are ignorant to the potential harmful impact that extreme market volatility can have on investors, but because as long-only investors, our toolbox is severely limited and we do not believe mitigation techniques available to us at the margins can add any consistent or real value to long-term shareholder returns.

Having internalized and acknowledged our own struggles in maintaining balance and discipline during this period of extreme uncertainty and widened range of outcomes, we imagine it must be equally difficult for our investors to keep the faith. We believe it is **most important to focus on your time horizon!** Human beings are emotional. When they feel good about themselves, the world around them, and their place in it, they tend to think longer term, recognize that high-quality businesses generally improve over time, and *exercise patience even when markets rise clearly faster than they should*. On the other hand, psychological pressures of declining stock prices and the resultant stress and insecurity causes them to *focus only on the here and now* – which of course, does not *feel* good at all. But we have all seen this before! It would pay to remember that our prospective or expected returns are always negatively correlated to the current and recent results.

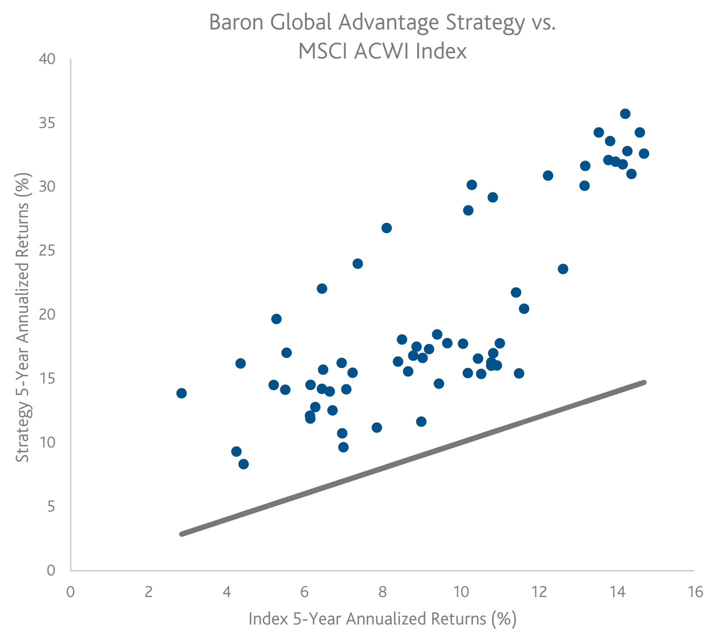
We have always suggested that investment performance should be measured over longer periods of time and, ideally, over full market cycles. We have a lot of conviction in our process and look at the Strategy's relative 3-year and 5-year monthly rolling returns as one of the key indicators of whether we are executing it properly. We do not know what will happen tomorrow, let alone a year from now, but we do know that our portfolio offers a much better deal/investment opportunity now than it did at the end of 2021. New money invested today will have significantly better long-term returns than investments we made 12 months ago. That is as good a reason as any… to be optimistic.

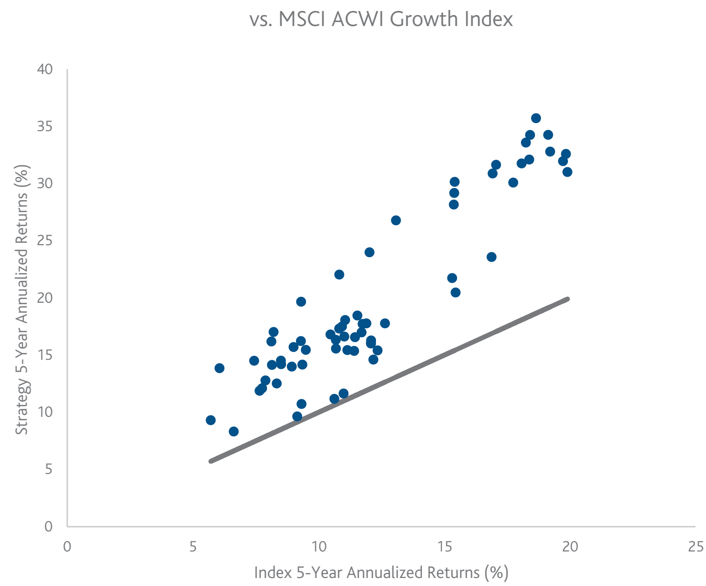
Percentage of time Strategy outperformed over different time periods from inception through September 30, 2022[1]

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Outperformance vs. MSCI ACWI Index	62%	66%	75%	92%	100%
Outperformance vs. MSCI ACWI Growth Index	58%	64%	73%	89%	100%
Outperformance vs. eA Global All Cap Growth Equity Universe Median	61%	65%	73%	91%	100%

Source: BAMCO and eVestment.

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





Source: BAMCO and MSCI, Inc.
Calculation is based on the net returns of the Strategy

[1] 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.

Table II.

Top contributors to performance for the quarter ended September 30, 2022

	Percent Impact
Rivian Automotive, Inc.	0.90%
MercadoLibre, Inc.	0.84
Bajaj Finance Limited	0.82
Coupang, Inc.	0.63
ZoomInfo Technologies Inc.	0.59

Rivian Automotive, Inc. designs, manufactures, and sells consumer and commercial electric vehicles (EVs). Shares of Rivian were up 28% in the third quarter, driven by second quarter production that beat expectations, a new partnership with Mercedes Benz, and the positive potential impact of the recently announced Inflation Reduction Act on accelerating broader EV adoption. While Rivian continues to be impacted by supply-chain issues that are causing delays in its production ramp, it is addressing the challenges by diversifying its supply chain to alleviate shortages while also consolidating the number of variants in development to reduce cash burn (the company guided that current cash will be enough to support the company's future platform launch R2 in 2025). The company also recently reported stronger-than-expected third quarter production results while reiterating its annual guidance of producing 25,000 units. As semiconductor shortages ease, we believe the company will be able to rapidly ramp its production. While we retain conviction in the shares given the company's vision, product positioning, relationship with Amazon.com, and strong balance sheet, we have reduced the size of our position.

MercadoLibre, Inc. is the largest e-commerce company in Latin America. Shares appreciated 30% on quarterly results that beat consensus expectations, with 53% year-over-year growth in revenues and 63% year-over-year growth in EBITDA. E-commerce trends continue to show resiliency, as MercadoLibre is not experiencing the same post-COVID normalization seen by e-commerce companies in developed markets. Additionally, business trends in the fintech division showed continued positive momentum, with 80% year-over-year growth in total payment volumes, leading to consensus upgrades. We believe MercadoLibre will be the dominant player in a Latin American e-commerce industry that remains early in its growth lifecycle, driven by the relative low e-commerce penetration in the region. We remain shareholders.

Bajaj Finance Limited is a leading, data-driven, non-bank financial company in India. Shares of Bajaj rose 30% in the third quarter, driven by accelerating new customer additions as well as loan growth above expectations. The company remains well positioned to benefit from growing demand for consumer financial services such as mortgages, personal and credit card loans, vehicle financing, and other related products. Consumer credit penetration in India is still under 15% of GDP, which creates a multi-year growth opportunity for well-managed financial institutions such as Bajaj. CEO Rajeev Jain is a best-in-class leader who is fast transforming the company to become India's largest fintech player by leveraging its proprietary technology platform to create an omnichannel "supermarket of financial services." In our view, Bajaj is well positioned to generate 25% to 30% compounded earnings growth over the next five years as the company continues to gain market share from capital-constrained public sector banks while also deploying conservative risk management frameworks to generate superior risk-adjusted returns for shareholders.

Shares of **Coupang, Inc.**, the largest e-commerce platform in South Korea, appreciated 30% during the third quarter, after the company reported a sizeable beat on second quarter earnings with its first quarter ever of positive EBITDA while also significantly raising its annual EBITDA guidance. Upside was concentrated in e-commerce, where Coupang is now driving sequential margin expansion while maintaining a growth rate that is roughly three times the industry average, all of which lend credence to the investment case that Coupang will consolidate the heretofore fragmented e-commerce industry in Korea across both general merchandise and grocery, with healthy long-term margins to follow.

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 were up 25% during the quarter, driven by the company's robust results which were above expectations, with revenues up 54% year-over-year and adjusted operating margins of 40%, making ZoomInfo a "Rule of 94" company (revenue growth plus operating margins). ZoomInfo remains early in its core market with only about 30,000 customers out of a 700,000 B2B opportunity. Additionally, new products continue building momentum, and we believe ZoomInfo can become a much larger company over time as it grows into its $100 billion total addressable market.

Table III.

Top detractors from performance for the quarter ended September 30, 2022

	Percent Impact
DLocal Limited	–0.50%
Shopify Inc.	–0.50
Veeva Systems Inc.	–0.46
Endava plc	–0.42
10X Genomics, Inc.	–0.34

DLocal Limited is a Uruguay-based financial technology company that facilitates cross-border payments in emerging markets for large global merchants such as Google, Microsoft, and Netflix. Despite posting strong results for the second quarter, with payment volume growth of 67% year-over year, revenue growth of 72%, net revenue retention of 157%, and adjusted EBITDA margins of 38%, shares of DLocal declined 21% as the company maintained its full-year guidance, implying a decline in its net revenue retention rate and EBITDA margins in the back half of the year. We are not concerned with sacrificing near-term profits in order to drive longer duration growth, and we retain conviction in DLocal's ability to continue benefiting from the growing purchasing power of an expanding middle class in emerging markets for years to come.

Shopify Inc. is a cloud-based software provider offering an operating system for multi-channel commerce. Shares declined 15% in the third quarter due to continued e-commerce normalization as economies reopen, as well as increased concerns about competition following Amazon's Buy with Prime announcement. We remain shareholders due to Shopify's strong competitive positioning, innovative culture, and long runway for growth as it currently addresses less than 1% of global commerce spending.

Shares of **Veeva Systems Inc.**, a cloud platform offering solutions to the life sciences industry, declined 17% in the quarter as the business was negatively impacted by foreign currency exchange rates, deceleration in its marketing-related offerings, and results that were modestly below expectations from small and medium customers. The company continued to benefit from growing traction for its newer products targeting large pharmaceutical customers that are increasing their spending on the company's platform. We remain confident that Veeva will continue to benefit from the life sciences industry's ongoing modernization initiatives by selling its innovative end-to-end software platform.

Endava plc provides consulting and outsourced software development for business customers. Shares declined 9% despite strong business momentum, with 35% year-over-year revenue growth and 23% EPS growth in the recent quarter and a positive outlook for the next fiscal year. The share price decline likely reflects concerns about the impact of macroeconomic uncertainty on client demand and the impact of currency depreciation given that two-thirds of revenues are from non-U.S. customers. We believe Endava will continue gaining share in the large global market for IT services for years to come and therefore remain shareholders.

10X Genomics, Inc. sells products that offer life sciences researchers single-cell, spatial, and in-situ views of biological systems. Shares underperformed in the quarter, declining 37% after the company reported second quarter results that were below expectations due to softness in China as well as cold chain logistical issues in Europe. We view 10X as a leader in cutting-edge life sciences research and maintain long-term conviction, as the company remains early in penetrating the markets for single-cell and spatial analysis. In addition, we believe there is optionality in clinical diagnostics through 10X's in-situ platform.

Portfolio Structure[1]

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 September 30, 2022, the top 10 positions represented 45.4% of the Strategy, and the top 20 represented 70.7%. As we articulated in prior letters, we have now returned to a higher conviction, more concentrated portfolio (top 10 and top 20 positions were 43.5% and 68.2% in June 2022, 42.5% and 61.9% in December 2021, and 35.0% and 58.0% of the Strategy in December 2020, respectively). We ended the quarter with 44 investments (down from a peak of 67 during the pandemic).

Our investments in the IT, Consumer Discretionary, Health Care, and Communication Services (as classified by GICS) sectors represented 90.1% of the Strategy's net assets. Our investments in non-U.S. companies represented 46.8%, while companies classified as being in emerging markets were 17.9% of net assets. An additional 8.3% is invested in companies based in Argentina and Uruguay, which fall outside of MSCI's developed/emerging/frontier markets framework.

Table IV.
Top 10 holdings as of September 30, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Endava plc	$ 4.5	$58.1	6.0%
Amazon.com, Inc.	1,151.2	51.1	5.2
CrowdStrike, Inc.	38.5	47.9	4.9
MercadoLibre, Inc.	41.7	45.4	4.6
argenx SE	19.4	43.8	4.5
Bajaj Finance Limited	54.6	42.4	4.3
Snowflake Inc.	54.4	41.3	4.2
Think & Learn Private Limited	21.2	40.7	4.2
ZoomInfo Technologies Inc.	16.8	38.8	4.0
EPAM Systems, Inc.	20.8	34.2	3.5

Exposure By Country

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

	Percent of Net Assets
United States	53.2%
India	9.1
Netherlands	8.2
Argentina	6.3
United Kingdom	6.0
Korea	3.4
Israel	3.2
Canada	3.0
China	2.1
Uruguay	2.0
Brazil	2.0
Poland	1.3
Spain	0.5

Recent Activity

During the third quarter, we added to six existing investments. These included bringing **Shopify** back to a mid-sized position after harvesting tax losses last quarter; continuing to build our **Tesla** position; and increasing our position in the Latin American payments company **DLocal**, and the Korean e-commerce company **Coupang**. We took advantage of price volatility to build out our investments in **Block** and **Datadog**. We also reduced 12 positions and sold three investments: **Alphabet**, **Twilio**, and **Okta**. Our exit from Alphabet (the owner of Google) is an instructive example for one of the main reasons we would sell a stock – the company, as it has evolved and progressed along its growth S-Curve, has become more mature and less of a *Big Idea*.

[1] Portfolio characteristics, top 10 and 20 holdings, sector exposures, top net purchases, and top net sales are based on a representative account. Such data may vary for each client in the Strategy due to asset size, market conditions, client guidelines, and diversity 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.

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

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Shopify Inc.	$ 29.1	$12.4
Tesla, Inc.	831.2	11.8
DLocal Limited	6.1	6.2
Coupang, Inc.	29.5	5.8
Datadog, Inc.	28.1	3.5

We bought back most of the shares of the leading commerce platform, **Shopify Inc.**, after selling them during the prior quarter largely due to redemptions and tax loss harvesting. The stock price decline has been driven by near-term uncertainty regarding e-commerce growth in a normalized, post-COVID world as well as the increased investments in fulfillment (through Shopify Fulfillment Network or SFN) and Amazon's announcement of Buy with Prime, which enables third-party merchants to take advantage of Amazon's fulfillment services to offer their consumers, who are also Prime members, two-day shipping. While SFN increases Shopify's capital intensity, we believe the company's hub and spoke model will enable it to remain measured in the level of required spending and treat it as positive optionality when valuing the shares. Additionally, while some merchants might be attracted to Buy with Prime, our due diligence suggests that many would prefer to use SFN and maintain full control over customer relationships and data. Amazon and Shopify are both customer-focused; however Amazon's customers are the end consumers, while Shopify's customers are the merchants. Unlike Amazon, which also competes with its merchants (through first-party sales), Shopify is in the background, quietly helping merchants of all sizes to sell more online (and increasingly offline), aggregating the scale of the many merchants it has (over two million) to enable the benefits that only the largest merchants could get in the past. Over time, as it expands its platform horizontally to larger merchants and B2B sellers, and vertically, by solving more problems for its merchants, we believe that Shopify would be able to address a larger portion of the market, while also increasing retention rates and expanding opportunities for monetization. With still less than 1% of global commerce volume (excluding China) running through its platform, we believe that Shopify has a long runway of growth ahead of it.

During the quarter, we continued to build our investment in **Tesla, Inc.** The leading EV manufacturer is executing exceptionally well in one of the most challenging periods in recent history as it relates to supply-chain bottlenecks, rising costs, and semiconductor shortages. Despite the challenges, the company continues to scale production, while still achieving profit margins that are two to three times the industry average. We expect the recently introduced Inflation Reduction Act will serve as a catalyst for broader EV adoption, while Tesla is well positioned to benefit from domestic manufacturing credits, which should further support its dominant competitive positioning in the market. With approximately 1% market share, we believe the company is well positioned to enjoy long duration growth as the shift to electric vehicles will continue to play out over the next decade.

We also added to our leading Latin American fintech **DLocal Limited**. Despite continued strong execution with 67% year-over-year payment volume growth and 72% revenue growth, while maintaining 38% adjusted EBITDA margins, shares remained volatile, widening the margin of safety for long-term investors such as us. Similarly, we continued scaling up our investment in **Datadog, Inc.**, recognizing significant opportunities for the long term, while the majority of investors remain preoccupied with the here and now. While the company may see some short-term headwinds to growth (the company reported seeing some impact to its volume-driven logs and Application Performance Management modules), long-term prospects remain bright, in our view. Datadog reported a best-in-class gross retention rate in the *"mid-to-high 90s%,"* 74% year-over-year revenue growth, and 21% adjusted operating margins. Lastly, we added to our holdings in **Coupang, Inc.**, as the company is showing rapid progress towards profitability, while continuing to achieve significant market share gains.

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

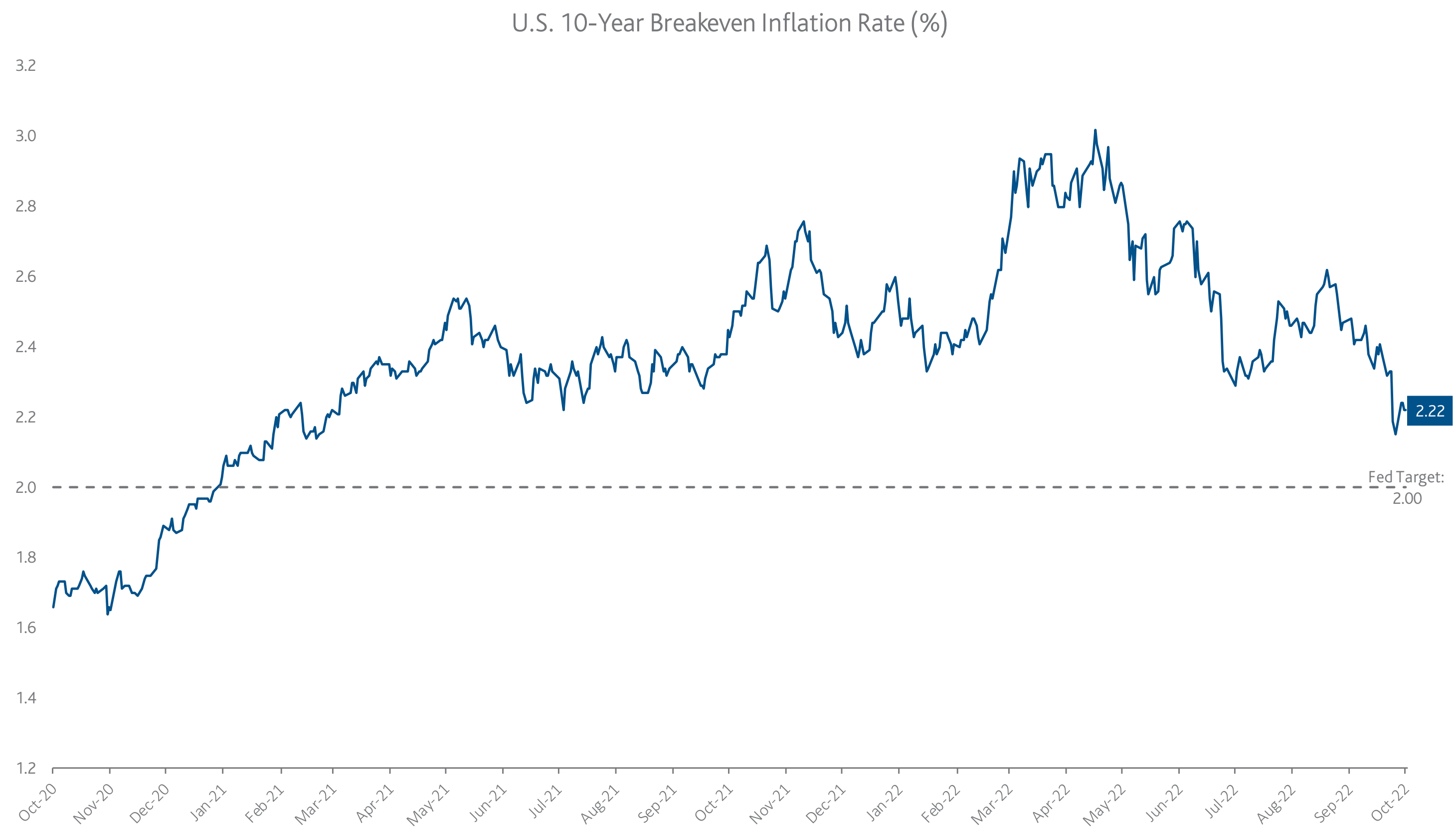
	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alphabet Inc.	$1,535.6	$58.4
Rivian Automotive, Inc.	30.2	25.4
Twilio Inc.	13.4	16.8
Amazon.com, Inc.	1,151.2	7.6
Okta, Inc.	9.3	6.3

During the third quarter, we reduced 12 existing holdings and eliminated three others. As mentioned above, while we believe it remains one of the best business models in the world, we sold **Alphabet Inc.** because it is no longer as big of an idea as it was in the past when digital advertising penetration was at earlier stages. We also sold our **Twilio Inc.** and **Okta, Inc.** positions and reduced 12 others in order to fund redemptions and further consolidate the portfolio.

Outlook

Do Not Fight The Fed! Do Not Fight The Fed! Do Not Fight The Fed!!!

OK… we get it. Maybe the Fed still has a way to go, and maybe it doesn't. The talking heads seem to suggest that bringing the economy to a screeching halt is the only way to stop inflation, and that a recession in 2023 is a foregone conclusion, unless of course… it is already here. However, we are long-term investors and as such feel compelled to point out that longer-term data continue to move in the right direction, at least as it relates to inflation. The 10-year inflation breakeven rate remains at its *lowest* level since early 2021 prior to the Fed's rate hike cycle – implying that in the long term, the market is pricing in that inflation would revert to 2.22%, or just 22 basis points above the Fed's long-term stated 2% objective.



Source: FactSet.

Now, we would be the first to admit that we cannot add much value here. We have no idea whether the next hike will be 50 basis points or 75 basis points, whether inflation has peaked or whether the Fed can somehow engineer a soft landing. We spend our time thinking about competitive advantages and the duration of growth.

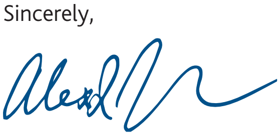
"Don't stare at your screens. Talk to your companies. Go visit with management teams and talk to customers and competitors and don't worry about the market!" – We hear Ron hollering on a daily basis. Well… he doesn't really holler, but the message is delivered loud and clear. All the time!

We do not know what will happen tomorrow, let alone a year from now, but we do know that our portfolio offers a much better deal/investment opportunity now, than it did at the end of 2021. New money invested today will have significantly better long-term returns than investments we made only 12 months ago. If only we can stop our emotions from getting in the way…

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

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.