Baron Global Advantage Strategy

June 30, 2021

Dear Investor:

Performance

Baron Global Advantage Strategy gained 11.9% during the second quarter, which compared favorably to gains of 7.4% for the MSCI ACWI Index and 10.0% for the MSCI ACWI Growth Index, the Strategy's benchmarks. The Strategy gained back most of its relative underperformance from the prior quarter and is now trailing its benchmarks by 243 bps and 42 bps, respectively, for the year-to-date period.

Table I.
Performance†
Annualized for periods ended June 30, 2021 – Figures in USD

	Baron Global Advantage Strategy (net)[1]	Baron Global Advantage Strategy (gross)[1]	MSCI ACWI Index[1]	MSCI ACWI Growth Index[1]
Three Months[2]	11.88%	12.11%	7.39%	9.98%
Six Months[2]	9.87%	10.31%	12.30%	10.29%
One Year	45.86%	47.07%	39.26%	39.69%
Three Years	34.98%	36.00%	14.57%	20.40%
Five Years	34.27%	35.03%	14.61%	19.15%
Since Inception[3] (May 31, 2012)	23.44%	23.84%	12.37%	15.20%

From a broad perspective, the market continued its march higher during the second quarter, extending its rally over the last 15 months, with the MSCI ACWI now up a remarkable 66.0% cumulatively since March 31, 2020. Over the same period, the MSCI ACWI Growth Index is also up significantly at 74.8%, and the Strategy up 113.7%.

Looking deeper however, the second quarter was quite different from the first. Growth stocks rebounded sharply, as the yield on the 10-year U.S. Government bond stabilized below 1.5%, after hitting a high of nearly 1.8% during the prior three months. The powerful rotation into stocks perceived to be the beneficiaries of the "reopening of the economy" had slowed down, enabling our portfolio to both post solid gains and recover some of the lost ground from the first quarter. As is customary, most of the Strategy's outperformance during the quarter was due to stock selection, which contributed 396 bps of the Strategy's 449 bps of outperformance relative to the MSCI ACWI Index. After a correction during the first quarter, our holdings in Information Technology ("IT") recovered almost as sharply and were responsible for 323 bps of our outperformance. Within IT, we benefited from being overweight internet services & infrastructure, systems software, and application software, which were the top three sub-industries and were all up double digits in the quarter (after being some of the worst performing sub-industries within IT in the first quarter).

Offsetting some of that strength was poor stock selection in Consumer Discretionary, Real Estate, and Health Care. In Consumer Discretionary, there was particular trouble in education services, the worst performing sub-industry in the benchmark, which was down 43.7%. Though we fared significantly better, by being down *only* 6.5%, it still hurt our returns.

Geographically, we were able to add value in the U.S. (57% of the average weight of the Strategy), Uruguay, Canada, the U.K., and the Netherlands. Not being in Japan was a good thing as well. Our overweight and stock selection in China combined detracted 111 bps from relative returns.

At the company-specific level, we had a large number of sizable winners with *22 investments up over 20% each*. Newcomers **Dlocal** and **Monday.com** joined our existing holdings in **Endava**, **CrowdStrike**, **Zai Lab**, **Shopify**, **Cloudflare**, **Nuvei**, and **Afya** in a list of companies that appreciated over 30% each. All in all, it was a solid, satisfying, albeit

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, 2021 Firm assets under management are approximately $53.5 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, and a subadvised account 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 or a GIPS-compliant presentation 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. Returns could be reduced, or losses incurred, due to currency fluctuations.

† The Strategy's YTD, 1-, 3- and 5-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.

unspectacular quarter, set up to a large degree by a pullback in many of our core names in the prior three-month period.

We have written in the past how we thought Poker and Fantasy Football could provide useful training ground for aspiring investors. Both are games of incomplete information that require patient and opportunistic capital allocation in the face of a wide range of outcomes, with the ability to manage the inherent uncertainty the future brings emerging as a critical skill set. From that perspective, Chess has little to offer us. Chess is a classic game of certainty. There is a "correct" move and a countermove at every step, where good decisions are rewarded and bad ones punished. There are no "*ugly*" river cards that radically change the texture of the board or catastrophic knee injuries that wreak havoc on your team's receiving corps, and the better player wins almost every game. Yet, there is a critical part of a chess game that we think investors can learn from.

A game of chess is divided into three distinct phases, known as the **Opening**, the **Middlegame**, and the **Endgame**, each with its own distinct strategies. The Opening typically covers the first 10 to 15 moves of the game in which both players are moving their pieces from their starting positions to take up active posts ready to do battle in the Middlegame. Advanced players usually have this stage of the game figured out where a decision to open with the Queen's Gambit or a Sicilian Defense is made before the game ever starts. This is akin to an investment team knowing/deciding how they will allocate strategies on day one of a new strategy . In both cases, it is not uncommon to stay up all night just before, agonizing over the final decisions of what you want to accomplish and what you need it to look like once the Opening is complete. The Endgame in Chess has been thoroughly analyzed and is rarely played out at a higher level since piece positioning makes it obvious who the winner will be. It has even less relevance to us since the investing we do has no Endgame. We do not optimize a portfolio to perform over any specific period of time (a quarter or a year). The investing we do is neither a sprint nor a marathon because there is no finish line. That brings us to the remaining phase of a Chess game that we think can be instructive to investors – the Middlegame!

According to Wikipedia "The *middlegame* in chess is the portion of the game in between the *opening* and the *endgame*. The middlegame begins when both players have completed the development of all or most of their pieces… Theory on the middlegame is less developed than the opening or endgames. Since *middlegame positions are unique* from game to game, memorization of theoretical variations is not possible as it is in the opening. Likewise, there are usually too many pieces on the board for theoretical positions to be completely analyzed as can be done in the simpler endgames." The Middlegame is often considered the most exciting phase of the Chess game. It is in this stage of the game, after the Opening has finished, but while there are still plenty of pieces on the board, that the outcome of the game is most frequently decided. One of the great challenges of the Middlegame is how to make progress when there are no obvious moves.

We think of investing as the perpetual Middlegame. We go to great lengths to research, understand, and develop conviction in the companies in which we invest. More often than not, we are happy with our "Opening" and are comfortable with our "board." This is what Garry Kasparov, the greatest Chess player of all time, refers to as the "nothing to do" phase of the game. Interestingly enough, it is this stage of the game when action (as opposed to reaction) is required most! It is this ability to improve one's positioning through subtle, seemingly unimportant or insignificant moves that separates contenders from pretenders. Just like in Chess, we find there are frequent periods of time when there are no obvious buys or sells. Just like Mr. Kasparov, we believe that being proactive and not reactive is one of the keys to long-term success. We are always in the Middlegame and there are many "nothing to do" moments. So, we proactively build a pipeline of ideas – great businesses that benefit from disruptive change with platform economics and network effects, run by talented entrepreneurs. And then we work on building the conviction, stress-testing our assumptions, analyzing the competitive landscape, comparing them to our existing investments – always asking ourselves where we could be wrong and then taking action when we feel the time is right.

These letters are often focused on new ideas and we write about a few things that impacted the recent results the most. Often, the subtle, "seemingly unimportant" moves do not attract a lot of attention because they do not become apparent or impactful until some time in the future. For example, Alphabet (up 42% year-to-date) and Facebook (up 27% year-to-date) were two of our largest additions in the fourth quarter of last year and then again in the first quarter of 2021. At the same time, we starved most of our Chinese investments of fresh capital (while taking in meaningful new inflows at the Strategy level), which caused us to have lower absolute and relative exposure to China then we have had historically.

The Baron Global Advantage Strategy compiled an upside capture of 128.35% and a downside capture of 75.29% since its inception on 5/31/2012. We believe it is our ability to excel in the Middlegame and take advantage of these "nothing to do" moments that have been the key to that success.

Table II.
Top contributors to performance for the quarter ended June 30, 2021

	Quarter End Market Cap (billions)	Percent Impact
Alphabet Inc.	$1,658.8	1.21%
Dlocal Ltd.	15.4	0.93
Endava plc	6.2	0.88
EPAM Systems, Inc.	28.8	0.83
Facebook, Inc.	985.9	0.69

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet were up 21% in the quarter driven by a continued recovery in ad spending, strong cloud revenue growth (up 46% in the first quarter year-over-year), and improved cost controls (with operating margins reaching 30% in the first quarter). We remain excited about Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrues to its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's investments in AI, autonomous driving (Waymo), and life sciences (Verily, Calico).

Dlocal Ltd. is a Uruguay-based financial technology company that facilitates cross-border and local-to-local e-commerce payments in emerging markets for global enterprise merchants. Dlocal shares were up 138% during the period held in the quarter, as investors responded with excitement to the company's successful IPO. Dlocal is benefiting from secular trends including the globalization of commerce, growing penetration of digital payments, and increasing purchasing power of middle-class consumers. In addition, the volumes processed by the company are tied to the sales growth of the largest global enterprise merchants around the world. With strong tailwinds for revenue growth and improving operating leverage, we believe Dlocal has the potential to deliver sustainable earnings growth for years to come.

Endava plc provides outsourced software development services to business customers. The company operates at the forefront of the digital revolution by helping clients find new ways to interact with their customers, enabling them to become more engaging, responsive, and efficient. Endava's stock was up 34% during the second quarter after reporting strong quarterly results with accelerating organic revenue growth, while raising full-year guidance. As companies continue to digitally transform to avoid being disrupted (especially in a post-COVID-19 world), they turn to companies like Endava for help. We believe that this dynamic will drive Endava's market share in the large global market for IT services for years to come.

EPAM Systems, Inc. provides outsourced software development services to business customers. Shares gained 29% during the quarter driven by strong financial results that exceeded Street expectations. EPAM is benefiting from similar trends to Endava with a rebounding demand following last year's COVID-19 driven slowdown as investments in digital transformation have risen in the priority list for customers. We remain excited about EPAM's long runway for growth underpinned by the need for digital transformations and the company's strong execution in addressing this growing demand. Despite years of strong double-digit growth, it still accounts for less than 2% of the $150 billion annual spend on digital engineering services.

Shares of **Facebook, Inc.**, the world's largest social network, were up 18% this quarter on results that came ahead of market forecasts with 44% revenue growth (in constant currency), which compared to Street expectations of 31%, driven by the recovery in ad spend. In our view, Facebook continues to utilize its leadership in mobile to provide global advertisers targeted marketing capabilities at scale, with substantial future monetization opportunities across its various assets including WhatsApp, Instagram, video tools including Watch and IG TV, and community-based marketplace, shopping, jobs, and dating features.

Table III.
Top detractors from performance for the quarter ended June 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
TAL Education Group	$16.3	–0.84%
Opendoor Technologies Inc.	10.2	–0.54
Guardant Health, Inc.	12.6	–0.44
Splunk, Inc.	19.0	–0.28
Coupang, LLC	72.5	–0.21

TAL Education Group is a leading K-12 after-school tutoring company in China with over 1,000 learning centers in 110 cities. Shares declined 53% during the second quarter following continued rumors regarding the severity of the upcoming regulatory changes that investors fear will adversely impact the after-school tutoring industry in China. While we have reduced the weight of our position over the last year, we continue to hold the stock as we believe the probability of a severe impact on the demand for high-quality tutoring is relatively low, given the competitive nature of the educational system in China. We are awaiting official regulatory announcements and will assess our position accordingly.

Opendoor Technologies Inc. operates a digital platform for home purchases and sales on which buyers can tour homes, make offers, and secure financing, and sellers can receive next-day cash offers with flexible close dates. Shares were down 17% in the quarter driven by rising mortgage rates and growing investor concerns regarding the potential negative impact higher rates could have on the housing market. However, as the iBuying industry leader, disrupting the $1.3 trillion U.S. residential real estate market and being in the early stage of market disruption, we believe that Opendoor will be able to sustain growth even in a less favorable housing market environment.

Guardant Health, Inc. offers liquid biopsy tests for advanced stage cancer and recurrence monitoring and is developing a test for early cancer detection. Shares declined 19% during the quarter as investors took profits after the stock was up 68% in 2020, followed by an increase of another 18% in the first quarter, and after the company reported first quarter revenues only modestly ahead of expectations and left its annual guidance unchanged. We maintain conviction for the long term as we believe Guardant is a unique growth company that has the potential to transform cancer care.

Splunk, Inc. is a data analytics company selling software solutions that help enterprises run their IT organizations, including security, internet-of-things, application and business analytics, and infrastructure. The stock declined 13% for the period held in the quarter, following a meaningful earlier deceleration in contract activity. We exited our position and reallocated capital to higher conviction opportunities.

Coupang, LLC is a leading e-commerce platform in South Korea. Coupang shares corrected 15% during the quarter as investors took profits after the company's successful IPO after which its share price increased 41% in the first quarter. While benefiting from the continued growth in underlying e-commerce penetration in South Korea, we believe Coupang, leveraging its unrivaled logistics capability and differentiated customer experience (99% of orders delivered within one day) will keep gaining market share over time.

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, 2021, the top 10 positions represented 34.3% of the Strategy, and the top 20 represented 57.0%. Our investments in the IT, Consumer Discretionary, Health Care, Communication Services, and Financials sectors, as classified by GICS, represented 91.9% of the Strategy's net assets. Our investments in companies domiciled outside the U.S. represented 41.5% of net assets and our investments in emerging markets and unclassified countries totaled 23.5%.

There has been a steady rise in the number of holdings in the Strategy over the last four quarters and we exited June with a reported total of 65 positions. Most of it is attributable to the significant influx of fresh capital, which coincided with an exceedingly strong period of performance that made valuations less attractive and prevented us from allocating new capital to some of our existing investments. We think this to be transitory and expect the number of holdings to return to its historical range of 40 to

50 over the next few quarters. Still, the top 50 investments represented 92.5% of the Strategy's net assets, and the top 55 were 94.8%, with the balance being stub holdings and cash. Guarding against overdiversification remains an important part of our process.

Table IV.
Top 10 holdings as of June 30, 2021

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alphabet Inc.	$1,658.8	$157.8	5.4%
Amazon.com, Inc.	1,735.0	132.2	4.6
Facebook, Inc.	985.9	111.7	3.9
Alibaba Group Holding Limited	614.8	111.7	3.9
EPAM Systems, Inc.	28.8	87.6	3.0
Endava plc	6.2	82.4	2.8
Acceleron Pharma Inc.	7.6	80.3	2.8
Fiverr International Ltd.	8.7	79.3	2.7
SoFi Technologies, Inc.	15.2	75.9	2.6
RingCentral, Inc.	26.4	75.2	2.6

Exposure By Country

Table V.
Percentage of securities by country as of June 30, 2021

	Percent of Net Assets
United States	55.3%
China	11.3
Israel	6.5
Netherlands	4.8
Canada	3.9
Brazil	3.1
Argentina	3.1
United Kingdom	2.8
India	2.5
Uruguay	1.5
Korea	0.9
Poland	0.5
Mexico	0.3
Indonesia	0.3

Recent Activity

During the second quarter, we initiated four new investments and added to nine existing holdings. We now hold six private investments that together represent approximately 3% of the Strategy's net assets: **Farmers Business Network**, **Rivian Automotive**, **Resident Home**, **SpaceX**, **GM Cruise**, and **Think & Learn**. We also exited five positions during the quarter, reallocating capital to higher conviction ideas.

Table VI.
Top net purchases for the quarter ended June 30, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
SoFi Technologies, Inc.	$15.2	$39.6
Zymergen Inc.	4.0	21.3
Dlocal Ltd.	15.4	17.8
ION Acquisition Corp 1 Ltd.	0.7	13.4
RingCentral, Inc.	26.4	7.6

Our largest new purchase in the quarter was **SoFi Technologies, Inc.**, a branchless digital bank ("neobank") that provides a range of financial services including non-lending products such as money and investment management through its financial services platform. SoFi was founded on the premise of offering a better student-loan refinancing solution (the thesis being that while students at top universities have little current income, their future earnings potential is large and so their default risk is relatively small), and has since expanded to other types of loans, along with additional banking products (account, debit and credit cards, and brokerage). We believe that SoFi offers the broadest product suite of any neobank in the U.S. targeting the higher income demographic, while most of its competitors target unbanked or underbanked Americans. The breadth of products offered and SoFi's ability to acquire customers at a younger age (such as students) provide multiple touch points in its customer's lifecycle, growing its new customer acquisition funnel, as well as the lifetime value of existing customers, who are more engaged and churn less. In addition to the consumer finance offerings, SoFi owns Galileo, a technology platform that is used to power the banking experiences of other neobanks. We believe that Galileo gives SoFi attractive exposure to the broader, fast-growing consumer fintech space. Over time, we expect SoFi to continue to grow its member base and cross-sell them with multiple banking products, which should drive improving unit economics and durable revenue and EBITDA growth. We invested in SoFi via the PIPE ("Private Investment in Public Equity") transaction in Chamath Palihapitiya's Social Capital Hedosophia Holdings V SPAC ("Special Purpose Acquisition Company"). This is another good example of why SPACs present an attractive structure for us, enabling sizeable investments at attractive prices that are rarely possible with traditional IPOs.

During the quarter, we also invested in **Dlocal Ltd.**, a Uruguay-based financial technology company that facilitates cross-border and local-to-local e-commerce payments in emerging markets for global enterprise merchants (Netflix, Microsoft, Amazon, and Wix are customers). The company's proprietary technology platform enables global merchants

[1] Portfolio characteristics, top 10 holdings, sector and country 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 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.

to connect seamlessly with millions of consumers in emerging markets through a single Application Programing Interface. Dlocal addresses several pain points for global merchants looking to expand sales in emerging markets – it facilitates adherence to complex regulatory and tax requirements; enables acceptance of the relevant local payment methods; increases authorization rates versus existing alternatives; and helps reduce fraud. We believe these factors have allowed Dlocal to create a strong competitive moat, which has led to fast growth in merchant partners and increasing share of wallet with existing clients, as evidenced by a high net revenue retention rate of 159% in 2020. Dlocal is benefiting from secular trends including the globalization of commerce, growing penetration of alternative digital payment methods, and increasing purchasing power of middle-class consumers in the markets it serves. In addition, the company's processed volumes are tied to the sales growth of the largest global enterprise merchants around the world. With strong tailwinds for revenue growth and improving operating leverage, we believe Dlocal has the potential to deliver exciting earnings growth for many years to come.

We invested in the PIPE of the Israeli SPAC, **ION Acquisition Corp 1 Ltd.**, as part of its merger with the leading internet recommendations platform, **Taboola.com Ltd**. Taboola's recommendation engine helps publishers present the right content to users to drive better engagement – across both organic content as well as ads. Taboola's technology is integrated directly into the publishers' websites, providing a steady stream of proprietary data on user behavior that is used to train its artificial intelligence models, driving continuous improvement in its recommendation engine. This dynamic creates a sustainable competitive moat as Taboola's recommendation engine gets better with the growing scale of its network of publishers and advertisers. Taboola powers over two billion clicks per month across 500 million daily active users, while serving 13,000 advertisers. It generated $1.2 billion of revenues in 2020 with adjusted EBITDA margins of 28%. As the company's recommendation engine continues improving over time and it adds additional ad formats and attracts more advertisers, we believe that Taboola will see a steady increase in advertising yield, driving durable revenue growth for years to come. We also believe Taboola can expand over time outside of its core market into e-commerce, games, and video recommendations. The recent capital injection as part of the SPAC merger enables Taboola to accelerate organic investments while increasing the flexibility to add tuck-in acquisitions to further strengthen its positioning.

As mentioned earlier, we got to know **Zymergen Inc.** well after making a small private investment in the company in the third quarter of 2020. We followed up with a more meaningful investment when the company went public during this quarter. We also added to several of our other high-conviction ideas, including the leading Unified Communications as a Service provider, **RingCentral, Inc.**, after its stock sold off during the first quarter amid the rotation out of growth names.

Table VII.
Top net sales for the quarter ended June 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Splunk, Inc.	$ 19.0	$38.5
PTC Therapeutics	3.0	26.5
PagSeguro Digital Ltd.	14.2	21.6
Alphabet Inc.	1,658.8	18.5
Opendoor Technologies Inc.	10.2	16.9

We exited our investment in **PTC Therapeutics**, a broad-based drug development company with RNA splicing capabilities, which we discussed in our previous letter. We also sold out of **PagSeguro Digital Ltd.**, the Brazilian payments provider to micro-merchants and **Splunk, Inc.**, the data analytics software provider, as we reallocated capital to higher conviction investments.

We slightly reduced our position in **Alphabet Inc.**, after several quarters of buying, as the stock appreciated significantly (now up over 40% year-to-date), and we saw good opportunities to redeploy capital while still maintaining Alphabet as a top position. As part of portfolio risk management, we slightly reduced our **Opendoor Technologies Inc.** position to account for rising rate scenarios though we remain excited about its long-term upside potential.

Lastly, we sold our stub positions in **BigCommerce Holdings, Inc.** and **Kuaishou Technology Co., Ltd.** as we were unable to develop enough conviction to make them more meaningful positions at current valuations.

Outlook

In the last quarterly letter, we wrote about not being too concerned with the much anticipated "reopening" trade, even though the concurrent rotation from growth to value stocks was clearly unfavorable to the kinds of businesses in which we tend to invest, and it had a negative impact on our quarterly returns. We did suggest that paying attention to the yield of the 10-year U.S. Treasury bond, which peaked at almost 1.8% during that time was important, as higher interest rates (specifically, significantly higher interest rates) would likely present a material headwind for many of our investments. We also reiterated that we do not attempt to predict inflation or interest rates.

Well…the annualized inflation rate for May (the CPI Index) came in at 5%. This is the first-time inflation reached 5% since *2008*. Jerome Powell, the chairman of the Federal Reserve then reiterated that in his opinion this high inflation number is "transitory" and that the Fed will not start raising rates until 2023. Though the message was consistent with his prior statements, this time the market had a different reaction and the yield on the 10-year bond came down to almost 1.3%. Last time we checked; we are all "transitory."

The Fed believes that the inflation rate will likely come back down to 2% to 2.5% annual rate in the next few months, which would be considered benign for the U.S. economy. The more interesting phenomenon from our perspective is that whether inflation is running at 5% or at 2.5% one is absolutely guaranteed to lose money (in real terms) by investing in a 10-year government bond yielding less than 1.5%!

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), 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 confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

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 significantly below 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: 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.

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