Baron Large Cap Growth Strategy

March 31, 2021

Dear Investor:

Performance

Baron Large Cap Growth Strategy declined 1.6% (Institutional Shares) during the first quarter, which compared to gains of 0.9% for the Russell 1000 Growth Index (the "Index") and 6.2% for the S&P 500 Index.

Table I.
Performance
Annualized for periods ended March 31, 2021

	Baron Large Cap Growth Strategy (net)[1]	Baron Large Cap Growth Strategy (gross)[1]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[2]	(1.55)%	(1.38)%	0.94%	6.17%
One Year	64.35%	65.47%	62.74%	56.35%
Three Years	23.58%	24.40%	22.80%	16.78%
Five Years	24.19%	25.01%	21.05%	16.29%
Ten Years	17.90%	18.70%	16.63%	13.91%
Since Inception[3] (September 30, 2004)	12.36%	13.26%	12.34%	10.25%

After two years of strong absolute and relative performance through December 31, 2020, with the Strategy gaining 103.2% (cumulatively), compared to returns of 88.9% and 55.7% for the Russell 1000 Growth Index and the S&P 500 Index, respectively, we suspected that many of our investments might take a breather.

From a performance attribution standpoint, relative to the Index's, the Strategy underperformed mostly due to stock selection with our holdings in Information Technology ("IT"), Consumer Discretionary, Health Care, Real Estate, and Industrials (basically all of them) floundering and or not keeping up with the Index's returns. In terms of sector allocation, an underweight in Industrials and an overweight in IT were also modest headwinds.

Looking on a level deeper, within Consumer Discretionary, which cost us 71 bps of relative returns, our results were impacted by not owning any of the double-digit gainers such as retailers or homebuilders and being significantly overweight e-commerce (internet & direct marketing retail) instead, which was one of the worst performing sub-industries during the quarter with a 3.2% decline.

At the company-specific level, decliners outnumbered gainers three to two, while double-digit decliners pushed with double-digit gainers with seven for each side. All in all, we scored a modest loss against an even more modest gain for our primary benchmark.

There has been a perceptible change in market leadership with value indexes of all market capitalizations outperforming their growth counterparts over the last six months and with small- and mid-cap value now outperforming growth over the last 12 months. At the same time, as vaccinations have started to take hold the "reopening trade," or rotation, being funded by the work-from-home ("WFH") stocks has picked up steam. Though this has little to do with the way we think or make investment decisions, we believe it partially explains our recent results. Index returns have been driven by homebuilders, energy, banks, airlines, cruise lines and hotel businesses–areas in which we typically do not invest, while many of the WFH beneficiaries (i.e., companies enabling digital transformation, some of which we have been involved with for years) have been used as the sources of funds and have sold off as a result. And so, after experiencing, and giving credit to a favorable investing environment over the last several years, we think it is fair to point out this headwind, which while challenging, was not entirely unexpected. In fact, we have discussed it at length in our last several quarterly letters.

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 March 31, 2021, total Firm assets under management are approximately $49.6 billion. The Strategy is a time-weighted, total return composite of all large-cap accounts greater than $1 million using our standard investment process. Since 2010, accounts in the Strategy are market-value weighted and are included on the first day of the month following one full month under management. Prior to 2010, accounts were included on the first day of the quarter after one full quarter. Gross performance figures do not reflect the deduction of investment advisory fees. 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 one mutual fund managed by BAMCO and separately managed accounts managed by BCM. 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.

[1] The **Russell 1000® Growth Index** is an unmanaged index that measures the performance of large-sized U.S. companies that are classified as growth and the **S&P 500 Index** measures the performance of 500 widely held large-cap U.S. companies. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group. The indexes and the Strategy include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Strategy performance. Investors 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, 2004.

So, if this change in the investing environment and the resultant underperformance were not unexpected, why not adjust the portfolio accordingly?

The reasons are rooted in our investment philosophy and process, and how we execute it in circumstances like these:

- **We focus on big ideas–companies that we believe to be beneficiaries of disruptive change**. These types of businesses are rarely found in sectors that are currently benefiting from the reopening of the economy. Brick and mortar retailers, for example, will see more foot traffic/sales in the short run, but will continue to be structurally disrupted by e-commerce.
- **We are long-term investors with a focus on the duration of growth.** A longer time horizon is a competitive advantage. If our research suggests that a company has sustainable competitive advantages that will enable it to compound its intrinsic value for extended periods of time, we will exercise patience, even during periods of underperformance.
- **We believe all investing is value-based investing–**everything else is speculation. Valuations matter. We only allocate capital to investments when they are trading at 20% discounts (or more) to our estimate of their intrinsic values ("IVs"). Because we focus on the duration of growth and prioritize businesses that we believe will compound their IVs over extended periods of time, we are willing to hold them when they are fairly valued, or even modestly overvalued, to allow the fundamentals to catch up to the price of the stock. Many big ideas appeared to have high valuations in the early stages of their life cycles only to be recognized as great bargains once their growth rates proved to be durable (with the obvious caveat that no company can sustain high growth forever).
- **We think of risk differently than many others. As long-term investors we do not equate risk to market volatility. We define risk as probability of permanent loss of capital.** As a result, we do not attempt to manage market volatility through either cash management or sector rotation. There is nothing wrong with either, it is simply not a part of our process or skill set. We cannot add value that way.

We believe it would be beneficial for shareholders to know that we are not looking to outperform every quarter or every year. Instead, we focus on executing our investment process. We know that it works, and that if we execute it well, it will enable us to make good investment decisions over longer periods of time. If we focus on taking only good "shots" and avoid taking bad ones, the winning (or outperforming) will take care of itself.

Table II.
Top contributors to performance for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Percent Impact
Alphabet Inc.	$1,392.6	0.77%
ASML Holding N.V.	259.0	0.69
10X Genomics, Inc.	19.7	0.50
Facebook, Inc.	838.7	0.38
EPAM Systems, Inc.	22.3	0.32

Alphabet Inc. is the parent company of Google, the world's largest search engine and online advertising company. Shares rose 17.7% in the quarter on strong fourth quarter results that saw continued recovery in ad spending and accelerating cloud revenue growth, which was up 47% year-over-year with a backlog that nearly tripled. 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. Alphabet's investments in AI, autonomous driving (Waymo), and life sciences (Verily, Calico) add additional layers of optionality to the story.

ASML Holding N.V. designs and manufactures semiconductor production equipment, specializing in photolithography, in which light sources are used to photo-reactively create patterns on wafers that ultimately become printed integrated circuits. Shares of ASML appreciated 26.6% on continued market confidence that the semiconductor cycle has turned positive, driven by tight supply and a robust demand environment with strength in logic and foundry and rising memory prices. We maintain conviction in ASML as it is the de facto standard in next generation lithography, which is a required step for advanced semiconductor chip production.

10X Genomics, Inc. sells products combining hardware, software, and chemistry to offer life sciences researchers single-cell, spatial, and in situ (targeted gene expression maps on specific tissue sections) views of biological systems. Shares performed well during the first quarter and were up 27.8% driven by growing excitement about the company's positioning on the cutting edge of research, with a strong core competency in single-cell analysis and continued innovation in launching new instruments and product lines. We see a future for applications in clinical diagnostics as well.

Facebook, Inc. is the world's largest social network with 2.6 billion daily active users across Facebook, Instagram, Messenger, and WhatsApp. Shares of Facebook were up 7.9% during the first quarter on robust fourth quarter results driven by strong ad pricing growth and tailwinds to newer shopping and payments products from rapidly increasing e-commerce penetration. In our view, Facebook continues to utilize its leadership in mobile to provide global advertisers targeted marketing capabilities at scale, with substantial monetization opportunities across its various assets including WhatsApp, video tools including Watch and IG TV, and community-based marketplace, shopping, jobs, and dating features.

EPAM Systems, Inc. provides outsourced software development to business customers. Shares gained 10.7% during the quarter driven by strong financial results that exceeded Street expectations. Demand is rebounding after last year's slowdown as the pandemic has highlighted the need for greater investment in digital transformation. 2021 guidance called for a return to 20% or more revenue growth albeit with some temporary margin pressure from investments and catch-up spending as the company is ramping up hiring to meet this rebounding demand. We remain investors due to EPAM's long runway for growth underpinned by the need for digital transformations and the company's strong execution in addressing this growing demand.

Table III.
Top detractors from performance for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Percent Impact
RingCentral, Inc.	$ 27.0	–0.79%
Splunk, Inc.	21.9	–0.44
Amazon.com, Inc.	1,558.1	–0.37
CrowdStrike, Inc.	40.9	–0.34
ServiceNow, Inc.	98.1	–0.33

RingCentral, Inc. provides global cloud communications and collaboration solutions across multiple channels (voice, video, and messaging). Despite continued solid execution with revenue growth accelerating to over 32% year-over-year during the fourth quarter, RingCentral's stock corrected 21.4% as investors took profits after shares rose 125% in 2020 and rotated into stocks that benefit from the economy's reopening. With its distribution advantage and the COVID-19 pandemic crystalizing the need for a communications platform that is agile, scalable, and global, and with just 3 million current users, RingCentral remains early in the migration from premise-based communications solutions to the cloud, which should drive sustainable growth for years to come.

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. Splunk enables customers to collect, index, store, and analyze data, generating insights through a flexible and efficient platform architecture. A meaningful deceleration in contract activity during Splunk's third quarter pressured the share price, which declined 20.1%. Despite improvements in business trends during the fourth quarter, Splunk's on-premises business remains under pressure as organizations migrate to the cloud at an accelerated pace. Although we expect continued volatility due to an uncertain spending environment, we believe Splunk's new cloud offering should drive growth in annualized recurring revenues. We also think that Splunk is a unique and scarce asset that will likely become an attractive target for a larger software company should they continue to mis-execute on their own.

Amazon.com, Inc. is the world's largest retailer and cloud services provider. Despite reporting extremely strong results for the fourth quarter of 2020, with revenues rising 44% year-over-year to over $125 billion, shares corrected 5.0% during the quarter as investors took profits (after shares were up 76% in 2020) and rotated into stocks that benefit from the economy's reopening. Amazon remains our largest position as we believe it remains one of the most competitively advantaged companies in the world with a leading position in multiple trillion dollar markets that are early in their disruption. Domestic e-commerce is still only 20% of retail (as of 2020), Amazon has around 1% market share of international commerce (about $150 billion out of $16 trillion), its advertising share is roughly 2%, and cloud is still only 7.5% in 2020 out of the $3.6 trillion global spending on information technology (according to Gartner). Areas such as logistics and health care present additional optionality.

CrowdStrike, Inc. provides cloud-delivered, next generation security solutions via its Falcon platform (consisting of end-point protection, advanced persistent threat, security information, event management, and cloud workload protection). Despite strong execution and best-in-class revenue growth at scale of over 70% with annualized recurring revenues passing $1 billion for the first time, CrowdStrike's stock corrected 13.8% during the quarter as investors took profits after the stock was up over 325% in 2020 and as they rotated into reopening names. With its disruptive technology platform, easy to consume product modules, and robust end-market demand for effective security solutions, CrowdStrike remains very early in penetrating its addressable market.

ServiceNow, Inc. offers cloud-based solutions focused on increasing workflow efficiency through automation and digitization. Despite strong fourth quarter results with revenue growth of over 30% year-over-year, shares corrected 9.1% due to an extended budgetary approval process for larger customers, as a result of a more cautious spending environment during the pandemic. We retain conviction that ServiceNow will benefit from the accelerated pace of digitization that was brought on by the pandemic as it continues innovating across a growing number of use cases supported by its flexible platform and ecosystem capabilities.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level determining the size of each investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

As of March 31, the top 10 positions represented 43.6% of the Strategy, and the top 20 were 70.4%. IT, Health Care, Consumer Discretionary, Communication Services, and Financials made up 95.4% of net assets. The remaining 4.6% was made up of Equinix, Inc., a REIT classified in Real Estate, GM Cruise and SpaceX, two new private investments classified in Industrials, and cash.

Table IV.
Top 10 holdings as of March 31, 2021[1]

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$1,558.1	$59.6	8.1%
Alphabet Inc.	1,392.6	45.0	6.1
Facebook, Inc.	838.7	33.1	4.5
Twilio Inc.	58.1	27.9	3.8
Mastercard Incorporated	353.7	27.7	3.8
Veeva Systems Inc.	39.8	26.2	3.6
ServiceNow, Inc.	98.1	26.2	3.6
EPAM Systems, Inc.	22.3	25.2	3.4
Adobe Inc.	227.9	25.1	3.4
ASML Holding N.V.	259.0	24.2	3.3

[1] Top 10 holdings, 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.

Recent Activity

During the first quarter, we initiated six new investments: **NVIDIA**, **Square**, and **BridgeBio Pharma** as well as three private investments: **SpaceX**, **GM Cruise**, and **Rivian Automotive**. SpaceX is the leading designer and manufacturer of rockets, satellites, and spacecrafts, and disrupted the space launch market with its reusable launch systems. Cruise is one of the leaders in autonomous mobility solutions, with the company currently in development of purpose-built software and hardware that are expected to enable better-than-human driving capabilities. Rivian designs, manufactures, and sells electric vehicles ("EVs"), and we first invested in the company in the third quarter of 2020 for our global strategy. Since then, we have seen the company execute well and have decided to participate in its current round of capital raising for this strategy as well. Rivian is operating in two different segments including B2C and B2B, both sharing a similar underlying architecture. Amazon, our largest holding, is a customer and an investor. Its first vehicles are an electric pickup truck and an SUV that will leverage the R1 platform with production expected this year. As the electrification of the fleet is still in its infancy (less than 5% of cars are electric), we believe there is room for multiple winners in the EV space. We also believe that even though traditional auto OEMs will enter the EV market more aggressively over the next few years, they may face greater challenges due to their decades-long investments in combustion engine technologies, manufacturing processes, and dealer-focused distribution networks. We believe companies that are focused on a single architecture, starting from a clean slate, without the gravity of sunk costs, have a better shot at successfully attacking this opportunity. We expect Rivian to leverage its growing brand, talent, capital, and partners to build a successful EV company, while expanding its addressable market via cost reductions and product efficiencies as it scales. The three private investments combined, account for less than 1% of the Strategy's assets.

We also added to 11 existing positions as we continued to put the Strategy's inflows to work in our highest conviction names. We sold two investments–AstraZeneca and DoorDash, exiting the first quarter with 41 holdings. This number includes a stub position in Airbnb, in which we invested during its IPO but were unable to acquire a "real" position before its stock price moved away from us. It also includes our investment in Slack Technologies, which will be acquired by Salesforce, as well as our three new private investments.

Table V.
Top net purchases for the quarter ended March 31, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
NVIDIA Corporation	$ 331.0	$8.3
Square, Inc.	103.2	8.2
BridgeBio Pharma, Inc.	9.2	8.2
Alphabet Inc.	1,392.6	6.6
Facebook, Inc.	838.7	5.1

Our largest new additions this quarter were the Artificial Intelligence ("AI") leader **NVIDIA Corporation**, the payments leader **Square, Inc.**, and a genetics focused biotechnology company **BridgeBio Pharma, Inc**.

NVIDIA Corporation is a fabless semiconductor mega cap that is a global leader in gaming cards and accelerated computing hardware and software. Jensen Huang founded the company in 1993 to focus on graphics. Over the years, NVIDIA has become the leader in gaming cards for PCs and over the last decade has become one of the key enablers of AI. NVIDIA's cards are at the heart of several large secular trends, including AI, autonomous driving, gaming, and robotics. The main innovation responsible for NVIDIA's success was the realization that its graphic cards' parallel processing capabilities (which is core to gaming computations–parallel rendering), is also the main computation required for AI workloads (matrix multiplication), while the existing CPU architecture is at its core a sequential calculation machine. With that realization, NVIDIA has invested in an integrated hardware and software stack to make its gaming architecture relevant for these new use cases. Today, it is powering most of AI training and inference across hyperscalers and enterprises. It has over 75% gaming market share (desktops and notebooks), it is one of two key players in the autonomous driving space (the other is Mobileye/Intel), and it is expanding into robotics, AI at the edge, health care industrial AI, and more. With demand for computing power doubling every one to two years, and Moore's Law coming to an end, there is more need for computing than ever. At the same time, "near free" supply growth (that was possible thanks to Moore's law) has slowed dramatically. NVIDIA's accelerated architecture, with parallel computing at scale, meets that need and creates a long runway for NVIDIA to disrupt computing.

We initiated a new position in **Square, Inc.**, a provider of commerce solutions for merchants and financial services for consumers. The company enables sellers to accept card payments and provides other software solutions to help them run their businesses. In addition, Cash App is a digital service that provides an easy way for consumers to send, spend, and invest money. We have long admired the company's product innovation and rapid growth (gross profit is up over seven times over the last five years). In the early days of the pandemic, we were concerned about the stock given Square's exposure to in-store payments at small businesses. However, Square continues to demonstrate its technology differentiation through share gains at the physical point of sale. The company is helping sellers adapt to the current environment by making it easier for them to develop an online presence, with omni-channel and e-commerce now representing over 50% of seller Gross Payment Volume (in the fourth quarter of 2020). Cash App has emerged as the leading digital challenger to traditional banks with over 35 million active customers. Through its P2P payment network, we believe Cash App has the lowest customer acquisition costs of any of the challenger banks, and it is adding more services to drive higher user engagement and monetization. With an admired brand, culture of innovation, and about 6% penetration of a $160 billion revenue opportunity, we believe Square has a long runway for growth.

BridgeBio Pharma, Inc. is a biotechnology company focused on developing a portfolio of breakthrough medicines for genetic diseases and cancers with genetic drivers. BridgeBio operates with a decentralized corporate structure in which each program is housed in its own subsidiary. We believe that this structure better aligns the experts (who are economically incentivized at the program level) with the success of their programs, enhancing operational decisions and making the development process more efficient. In addition, by focusing on drugs that target well-characterized genetic diseases at their source, the company increases its probability of success compared with other therapeutic categories. As evidence of the platform's ability to deliver, there are four late-stage trials and a small initial commercial opportunity expected to launch in 2021, just six years after the company's founding. We expect the number of key value-creating pipeline candidates to keep increasing every year.

We also added to our investment in **Alphabet Inc.**, the parent company of Google. Alphabet once again reported strong financial results with $57 billion of fourth quarter revenues, accelerating to over 23% year-over-year growth and with 28% operating margins, driven by a rapid recovery in advertising spending from the troughs of the pandemic. Google Cloud ("Cloud") is now a $15 billion run rate business and growing revenue over 45% annually and with a backlog that nearly tripled year-over-year. We believe that Cloud has become (and especially since Thomas Kurian took the lead of that business in 2019) a fiercer competitor in the public cloud market, as the company increased its investment in go-to-market direct and through partnerships, while refocusing the product vertically (making it more attractive to large enterprise customers). Alphabet has also recently made strategic changes to its commerce offering, opening the platform to third parties like Shopify and enabling merchants to list products for free, which we believe increases the likelihood for success in this business. Lastly, Alphabet recently decided to start breaking out profitability by segment, which could, in our view, reduce the relative discount investors apply to Alphabet's various earlier-stage businesses, such as Cloud.

Lastly, we took advantage of our inflows to add to **Facebook, Inc.** and 10 other existing investments that are high conviction holdings and present a margin of safety at their current prices.

Table VI.
Top net sales for the quarter ended March 31, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
AstraZeneca PLC	$131.4	$7.9
Vertex Pharmaceuticals Incorporated	55.9	5.1
Datadog, Inc.	25.5	3.9
Slack Technologies Inc.	23.6	3.1
DoorDash Inc.	42.0	2.8

We exited our position in **AstraZeneca PLC**, a multi-national pharmaceutical company focused on development and commercialization of drugs in the oncology, respiratory, cardiometabolic, and inflammation areas. Despite AstraZeneca's solid growth profile, it has suffered what we perceive to be irreparable reputational damage from its COVID-19 vaccine efforts that will likely take years to repair. Moreover, we were unsure about the recent transformational $39 billion acquisition of Alexion, which was done despite AstraZeneca's organic growth runway and have therefore decided to move on. We also sold our stub position in **DoorDash Inc.**, one of the leading food delivery platforms, which was an IPO in which we attempted to invest, but were unable to purchase a real position before its stock price rose meaningfully above our estimate of intrinsic value. We also reduced our investments in **Vertex Pharmaceuticals Incorporated**, the leading cystic fibrosis biotechnology company, and **Datadog, Inc.**, the leading infrastructure and application performance management solution provider, as we reallocated capital to ideas with a more favorable risk-reward profile. Lastly, we reduced our **Slack Technologies Inc.** position, as it was acquired by Salesforce, with the deal expected to close later in 2021.

Outlook

To the uninitiated, the markets' continued march higher may appear to be "more of the same." However, the recent changes in market leadership have been unfavorable to the kinds of businesses that we tend to favor. We are not all that concerned with a much talked about rotation from growth to value or with even more talked about "reopening" trade, though both present obvious headwinds. The more important development, in our view, is the steady rise in interest rates. The yield on the 10-year U.S. Treasury bond moved from around 0.7% six months ago to 1.7% by the end of March. Why is this important? Well, besides offering a bit of an alternative to savers for the first time in a long time, higher interest rates make fast growing companies more expensive since their future earnings must be discounted back at higher rates. Having said that, we think some perspective here is in order. Jerome Powell, the chairman of the Federal Reserve, in his most recent comments said that the Fed intends to keep short-term interest rates low until *at least* 2023. And as the saying goes, "do not fight the Fed," especially when the Federal government is helping with the fiscal stimulus.

In any case, we think rotations, pull backs, and corrections are generally necessary and healthy, and they often create attractive opportunities for long-term investors like ourselves. We continue to focus on the quality of our decisions, and on taking what we believe are high percentage shots. Our goal continues to be to generate 100bps to 150bps of alpha per year over the Index, net of all fees and expenses, over a three- to five-year cycle, while minimizing risk, which we define as probability of permanent loss of capital. Though we have exceeded our goals in the past, there is no assurance that we can meet or exceed them in the future.

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 the 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: The Strategy invests primarily in equity securities, which are subject to price fluctuations in the stock market. Even though the Strategy is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Strategy's returns. The Strategy may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.