DEAR BARON OPPORTUNITY FUND SHAREHOLDER:

PERFORMANCE

Baron Opportunity Fund (the "Fund") had an up-and-down quarter, with both the market and Fund trading off in September, finishing the period down 2.03% (Institutional Shares). For the period, the Fund trailed the Russell 3000 Growth Index, which rose 0.69%, and the S&P 500 Index, which increased 0.58%. The Fund has performed well to start the fourth quarter, and as of this writing (October 15), the Fund is up 14.08% year-to-date, a solid follow through on top of 2020's nearly 90% return. But long-term returns are what really matter, and as shown in the chart below, the Fund continues to outperform its benchmarks across all annual trailing periods.

Table I.
Performance
Annualized for periods ended September 30, 2021

	Baron Opportunity Fund Retail Shares[1,2]	Baron Opportunity Fund Institutional Shares[1,2,3]	Russell 3000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(2.09)%	(2.03)%	0.69%	0.58%
Nine Months[4]	8.64%	8.86%	13.49%	15.92%
One Year	33.58%	33.91%	27.57%	30.00%
Three Years	33.88%	34.26%	21.27%	15.99%
Five Years	32.60%	32.95%	22.30%	16.90%
Ten Years	21.19%	21.52%	19.40%	16.63%
Fifteen Years	15.54%	15.79%	13.13%	10.37%
Since Inception (February 29, 2000)	10.60%	10.77%	6.96%	7.51%

MICHAEL A. LIPPERT
PORTFOLIO MANAGER

Retail Shares: BIOPX
Institutional Shares: BIOIX
R6 Shares: BIOUX

REVIEW & OUTLOOK

From the perspective of stock prices – not fundamentals for the themes, trends, industry verticals, and companies in which we invest – the Fund and market had an up-and-down quarter. The market sold off in September, with U.S. equities struggling to preserve third-quarter gains as investor enthusiasm over strong corporate earnings, robust macroeconomic data, and the FDA's full approval of Pfizer's COVID-19 vaccine, among other positives, temporarily lost momentum to risk-off fears triggered by looming Fed tapering, higher interest rates, debt-ceiling politics, persistent supply chain disruptions, as well as President Xi's regulatory crackdown and "Common Prosperity" agenda and Evergrande's liquidity crisis.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2020 was 1.34% and 1.08%, respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.*

The Fund's 3Q21, 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 Fund's level of participation in IPOs will be the same in the future.

1 The **Russell 3000® Index** measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the **S&P 500 Index** 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 Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

4 Not annualized.

Aside from the partial impact of interest rates on valuation multiples – which we have addressed in recent letters, including our March 31, 2021 quarterly[1] – essentially none of the above issues have any influence over our long-term investing approach or the multi-year returns of our investments. Indeed, as mentioned above, the market and Fund have performed well to start October. But while that is nice to write, it is just more short-term noise. What matters – and what we doggedly focus our attention, research, analysis, and portfolio management on – is identifying the powerful and durable secular growth trends that will drive economic growth regardless of politics, short-term economic cycles, or stock market gyrations, and the individual companies that are leading or capitalizing on those trends. It is the bedrock of our long-term performance.

As I emphasize in all my investor communications, we believe secular trends, durability of growth, and free cash flow ("FCF") generation at scale are the key factors in long-term growth investing and ultimately stock returns. As an investment drives down the long-term return highway, the ability of the business to grow faster-for-longer is the engine that propels it steadily and relentlessly forward. Faster-for-longer is a mantra for the Fund's research team. As I look back over my 20-year career at Baron Capital, I cannot think of a great growth investment that didn't surprise the market with its durability of growth. Compounding is the long-term investor's reliable partner.

Faster-for-longer is a hallmark of all great growth stocks. It is what we look for in almost all our investments. But how does a management team and company achieve that? In our experience, it is through relentless disruptive innovation, trial and error, iterative improvement, knocking down walls. It is expanding and then capturing a meaningful share of a company's total addressable market, or TAM, by becoming a multi-product or service business with the right product-market fit – with the ambitious goal of being recognized as a ***platform*** company. Within our research team, we colloquially refer to such TAM expansion as ***open-ended growth***, ***second or third acts***, or ***multiple TAMs***. In our first quarter letter, we gave the example of **ServiceNow, Inc.**, where the compounding effects of seven years of strong revenue growth (and FCF generation) drove the company's 30%-plus annualized return over the period studied, despite eight valuation multiple declines averaging over 30%. ServiceNow started off as an Information Technology ("IT") service management cloud-software vendor, but over the years it became a workflow digital automation platform with new services including IT operations and asset management, customer service management, HR service delivery, field service management, financial close automation, and the ability for companies to automate custom workflows using the company's App Engine Studio. ServiceNow's management team believes these additional acts and multiple TAMs will enable it to achieve $10 billion of subscription revenue faster than any other software company.

Think about other great growth companies that are now household names – Google, Amazon, and Apple. Each grew faster for longer because of second, third or more acts; each achieved better-than-expected open-ended growth because they developed multiple TAMs; and each created enormous shareholder value. Google started out as just a search engine, a massive TAM in and of itself, before becoming a digital media company with YouTube, a business and consumer software provider with Gmail and Chrome, an ad-tech platform with DoubleClick, and an IT platform with Google Cloud, not to mention Waymo autonomous driving or Waze and Google Maps or many other services. Amazon launched its business as an online book seller, before expanding category-by-category to become an e-commerce platform that sells pretty much everything. It also disrupted legacy logistics by building the rails that can deliver products to your door the day after you order them if not the same day, and it pioneered the current generation of cloud computing with Amazon Web Services, not to mention Amazon Prime, Amazon Video and Music, Whole Foods, Twitch, digital advertising, etc. Lastly, Apple, which spent years innovating in the computer space to capture a few percentage points of share from the Microsoft Windows operating system ecosystem, before forever changing the world – and driving unprecedented growth and shareholder returns – with iPods, iPhones, iPads, the AppStore, AirPods, iTunes, etc., effectively ushering in the age of digital mobility.

The Fund continues to own ServiceNow, Google (now a subsidiary of **Alphabet Inc.**), and **Amazon.com, Inc.** Here are a few other ***faster-for-longer***, ***second or third act***, or ***multiple TAM*** examples from across our portfolio:

- **Tesla, Inc.** – CEO Elon Musk co-founded Tesla with the auspicious goal of addressing and disrupting the entire automobile market, in which about 100 million new cars are sold each year, to bring sustainable and safer automotive transportation to the entire world, with a full line of vehicles of various styles and price points and innovations like Autopilot autonomous driving. Tesla has had more "acts" and TAM expanders over the last decade than most companies have over their lifetimes. Tesla first hit the market with the Roadster, an ultra-high-end sports car. It further attacked the high end of the auto market with the Model S sedan and the Model X SUV. But Tesla vastly expanded its TAM, and forever disrupted the automotive mass market, with its Model 3 and Model Y vehicles. Model 3 is now the best-selling car of its class globally, with Model Y set to surpass it next year. Future vehicles aimed at addressing nearly the entire 100 million new passenger car market include the Cybertruck and a $25,000 model. Tesla is now well positioned to achieve CEO Elon Musk's public goal of selling 20 million cars by growing vehicles delivered at a 50% annual rate. Moreover, Tesla has multiple acts or new TAMs that have yet to hit their stride with Autopilot, for Tesla vehicles and third-party cars; solar and battery storage; ride share; humanoid robots; and more.
- **Ceridian HCM Holding Inc.** – Ceridian, a payroll and human capital management software company, hit the market with a focus on payroll automation. Over the years, it innovated and expanded its Dayforce software platform to become a full-service human capital management ("HCM") vendor, with modules including human resources, workforce management, talent management, benefits and more. As discussed more fully below, Ceridian recently launched the Dayforce Wallet, which addresses a pain point for many workers, who live paycheck to paycheck, by enabling them to have same-day access to the wages they earn. Wallet significantly expands Ceridian's TAM with the

[1] "In our internal valuation and price target work, we don't shift our targets around based on applying prevailing multiples – which often overshoot or undershoot intrinsic value. Instead, we calculate and establish ranges of long-term average or median multiples for sets of comparable companies (reflecting sectors and peer groups), based on and adjusted for our projections of revenue growth rates, profit margins and cash generation at scale, competitive intensity and risks, and other fundamental factors. We establish (and monitor) short- and long-term price targets for our holdings and prospects, utilizing our own internal projections of revenues, earnings, and free cash flow, and what we believe is the appropriate multiple (or tight ranges of multiples) for each company based on the factors cited above."

potential to double the per-employee-per-month revenues it earns from some of its customers. We believe Ceridian's Dayforce recurring revenue can compound at a 30% rate.

- **PayPal Holdings, Inc.** – PayPal first caught consumers' attention as a peer-to-peer digital payment application, particularly as a convenient and trustworthy way for eBay buyers to pay eBay sellers in the early days of online shopping. Over the years it expanded to become a near-ubiquitous online retail payments platform, while also offering other shopping tools and digital services, such as digital wallet, bill pay, Buy Now-Pay Later, crypto-currency, in-store retail, and more. According to PayPal's CEO, these new acts enabled the company to increase the TAM it "play[s] in" by "over six times in the last three years." PayPal has 403 million active accounts today and is on its way towards its 750 million target by 2025 and 1 billion longer term, for a total TAM sized at over $1 trillion.
- **HubSpot, Inc.** – HubSpot started out focused on inbound marketing, providing cloud software that helps businesses attract customers by creating valuable content and experiences tailored to them when users visit a company's website or App. Over the years, HubSpot expanded to become a full platform for sales, marketing, and service for the more than 3 million small and mid-market businesses (with 200 to 2,000 employees) globally. More recently, HubSpot launched a customer data platform, which integrates and analyzes a company's customer data from every source, and payments to help customers close the loop on business-to-business ("B2B") buying, which has been a notable laggard in digital payments. We estimate that over 50% of the $1 trillion of the B2B payments market is still paper based today. These second and third acts have propelled HubSpot to accelerated growth this year (over 40% from 31% in 2020), and we believe should enable the company to grow at a 30%-plus rate for years to come.
- **CrowdStrike, Inc.** – CrowdStrike disrupted the cybersecurity market with a cloud-native endpoint protection solution, replacing the legacy anti-virus tools used to protect computers, smartphones, and the like. Today, CrowdStrike offers over 20 different modules – collecting data once and analyzing it in different ways – to protect enterprise endpoints and cloud workloads from many different types of cyber threats, and providing threat intelligence, cyber analytics, vulnerability management, and automated and people-based remediation services. CrowdStrike has a highly efficient go-to-market motion because its single, integrated, cloud-native platform enables existing and new customers to start free in-App trials at the click of a button to try out CrowdStrike's offerings for themselves. We believe these new TAMs have enabled CrowdStrike to expand its addressable market over five times from its initial offering and should yield over 30% growth for the next several years.
- **Stitch Fix, Inc.**, an online apparel retailer, has been transitioning from a subscription-style service (a Fix, with a box of personalized outfits delivered to your door) to an open online shopping experience where consumers can browse an AI-driven personalized "virtual closet." Stich Fix's goal is to offer a much wider swath of customers a personalized digital store by leveraging its data-driven approach and proprietary algorithms. With this new offering, branded Freestyle, Stitch Fix will be breaking out a blockbuster new second act and expanding its TAM from the niche fashion subscription market to the $400 billion U.S. apparel market.

Below is a partial list of the secular megatrends we focus on. These themes will be the key drivers of revenue, earnings, and cash flow growth – and stock performance – for the companies in which we are invested:

- Cloud computing
- Software-as-a-service ("SaaS")
- Artificial Intelligence ("AI") and big data
- Mobile
- Digital communications
- Digital media/entertainment
- Targeted, people-based digital advertising
- e-commerce
- Genomics
- Genetic medicine
- Minimally invasive surgical procedures
- Cybersecurity
- Electric-drive vehicles/autonomous driving
- Electronic payments

By investing in businesses capitalizing on these potent trends, we have been able to build portfolios that have revenue growth rates that are multiples of the general economy, as reflected in broad market indexes. Below we compare the revenue growth rates of our Fund and three indexes for the trailing four quarters for which we have reliable data (please note that the data below for the most recent periods, particularly the broad market indexes, are skewed by reopening trends, not sustainable underlying growth):

Comparison of Revenue Growth (based on quarter-end holdings)

	Actual Q2 2021	Actual Q1 2021	Actual Q4 2020	Actual Q3 2020
Baron Opportunity Fund	38.2%	38.5%	30.6%	24.0%
S&P 500 Index	25.5%	12.7%	2.8%	–1.1%
Russell 3000 Index	27.7%	12.5%	2.5%	–1.6%
Russell 3000 Growth Index	34.2%	16.8%	8.9%	4.0%

Sources: BAMCO and FactSet.

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

	Percent Impact
Acceleron Pharma Inc.	0.73%
Gartner, Inc.	0.49
ZoomInfo Technologies Inc.	0.44
Atlassian Corporation Plc	0.40
Microsoft Corporation	0.39

Acceleron Pharma Inc. is a biotechnology company with the rare profile of having two blockbuster assets in the pipeline: cardiovascular drug sotatercept and anemia drug luspatercept. Shares increased during the quarter on news that Acceleron was the target of a potential acquisition by Merck. On September 30, Merck entered into an agreement to acquire Acceleron for $180 per share in cash. (Josh Riegelhaupt)

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to performance after reporting financial results that exceeded Street estimates, with revenue beating by $50 million and operating cash flow by $80 million. Growth in the company's research business has reaccelerated to double-digit levels. Research growth is led by the company's Global Business Sales segment, which delivered 18% contract value growth and is benefiting from a multi-year investment cycle. We expect improved revenue growth and focus on cost control to drive margin expansion and enhanced cash generation. The company's balance sheet is in excellent shape and can support aggressive share repurchases and bolt-on acquisitions. (Neal Rosenberg)

ZoomInfo Technologies Inc. contributed to performance following a well-received acquisition and a positive earnings report. Quarterly revenues were meaningfully above Street expectations, with sales up 57% versus the Street expecting a 47% increase, as was forward-looking guidance. Its recent acquisition of Chorus.ai, a conversation intelligence business, dramatically increased the data visibility and benefits that ZoomInfo can offer its clients. We continue to believe that ZoomInfo will become a much larger company over time as it grows into its $70 billion TAM. ZoomInfo is founder led and a rare 40/40 business, with both revenue growth and free cash flow margins above 40%. (Ashim Mehra)

Atlassian Corporation Plc provides development and collaboration software tools to help software developers, IT professionals, and business users such as project managers. Shares performed well after reporting a strong quarter underpinned by an acceleration in subscription growth of more than 50% year-over-year and increased guidance calling for low- to mid-40% growth in fiscal year 2022, up from prior projections of the mid-30% level. We continue to believe Atlassian is one of the best long-term-positioned companies in software, with a founder-led management team and a top-quality business model delivering high growth and healthy free cash flow. (Brian Neigut)

Shares of **Microsoft Corporation**, a cloud-software leader and provider of software productivity tools and infrastructure, rose during the quarter following a strong earnings report highlighting solid demand for its broad product stack and continued momentum migrating its business to the cloud. Microsoft's results continued to be strong across the board, with total revenue beating Street estimates by 4.5%, an acceleration in Commercial Cloud revenue to 31% constant-currency growth, a four-point improvement in Commercial Cloud gross margins (to 70% from 66%), and GAAP earnings up 42%. We believe the company is positioned to deliver 13% to 15% organic growth over the next three years, underpinned by TAM expansion across its disruptive cloud product portfolio, as more companies look to transform and digitize their businesses, as well as strong operating leverage as its cloud products gain scale. (Brian Neigut)

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

	Percent Impact
Stitch Fix, Inc.	–0.66%
RingCentral, Inc.	–0.62
Pinterest, Inc.	–0.60
Arrowhead Pharmaceuticals, Inc.	–0.59
Alibaba Group Holding Limited	–0.50

Stitch Fix, Inc., an online apparel retailer, detracted due, in large part, to the company's poorly communicated changes to its stylist employment program. Mostly part-time workers who help clients select outfits, stylists were abruptly notified that they had to choose between a full-time work schedule or a severance package. Despite the optics of the announcement, we retain conviction in Stitch Fix's expansion from a business model heavily reliant on personal stylists to an online retailer with multiple offerings, including its newly launched direct buy service (branded "Freestyle"), that delivers personalization through a data-driven, algorithmic, and digital approach. Stich Fix's fiscal fourth quarter results significantly beat Street projections, with sales up 29% and operating cash flow more than tripling Street estimates. Still, Stich Fix's management team gave what we believe is conservative guidance for fiscal year 2022, as it invests in and ramps up its Freestyle offering. (Ashim Mehra)

Despite an acceleration in revenue and increased guidance, shares of **RingCentral, Inc.**, a leading cloud unified communications (phone, video, messaging) provider, lagged during the quarter on investor fears around contraction of its TAM and increasing competition from Microsoft and Zoom Video. On the earnings front, RingCentral's subscription revenue growth accelerated to 37% (from 34%) and it had a record number of $1 million-plus total contract value wins, including one deal over $10 million, and it guided for revenue to continue to grow over 30% this year. Regarding competition, we have long believed the cloud communications market is big enough to support multiple long-term winners – at 300 million to 400 million seats and single-digit penetration today – and that RingCentral can continue to innovate at a fast rate and leverage its partners' installed base of over 200 million legacy phone seats, winning healthy enough share to support 30%-plus top-line growth for the next several years. (Brian Neigut)

Visual search, discovery, and inspiration platform **Pinterest, Inc.** detracted from performance after the company provided disappointing monthly active user engagement metrics despite a strong quarter financially (revenue growth of 125% and almost 30% operating cash flow margins). As the economy reopened and COVID-19-related restrictions were lifted, user engagement for web users (who tend to be less engaged and generate less revenue) declined. At the same time, the company pivoted to a new video-based engagement model, called Idea Pins. The transition to Idea Pins (not yet monetized) may cannibalize some monetized engagement in the near term, thus penalizing short-term revenues, but we remain encouraged by the long runway for growth as Pinterest improves its platform and expands internationally. (Ashim Mehra)

Arrowhead Pharmaceuticals, Inc., a biotechnology company developing RNAi (i=interference) drugs, and a top performer last quarter, lagged this period. Shares dropped after a July announcement that the company was pausing its early-stage clinical trial for a treatment for cystic fibrosis. A few weeks after the July announcement, the company presented positive data for a treatment targeting a protein in kidney cancer. We retain conviction in Arrowhead and the long-term prospects of RNAi as a drug category. (Josh Riegelhaupt)

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and T-Mall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were down given crackdowns by Chinese regulators on various aspects of digital technology and consumer data, as President Xi and the Chinese Communist Party seek to seize greater control of social discourse and consumer data and curb monopolistic behavior. We decreased our Alibaba weighting in light of this uncertainty. Despite the uncertain environment, we do retain conviction that Alibaba will benefit from rapid growth in cloud services, logistics, and digital retail. (Ashim Mehra)

Portfolio Structure

The Fund invests in secular growth and innovative businesses across all market capitalizations, with the bulk of the portfolio landing in the large-cap zone. The Fund is categorized as US Large Growth by Morningstar. As of the end of the first quarter, the largest market cap holding in the Fund was $2.1 trillion and the smallest was $435 million. The median market cap of the Fund was $21.1 billion.

The Fund had $1.6 billion of assets under management. The Fund had investments in 72 securities. The Fund's top 10 positions accounted for 39.0% of net assets.

Fund inflows, which accelerated during 2020, continued to be positive year-to-date.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Microsoft Corporation	$2,118.6	$139.2	8.6%
Alphabet Inc.	1,779.8	105.4	6.5
Amazon.com, Inc.	1,663.7	79.7	4.9
Tesla, Inc.	776.9	52.7	3.3
ZoomInfo Technologies Inc.	25.2	47.6	3.0
Acceleron Pharma Inc.	10.5	45.7	2.8
Ceridian HCM Holding Inc.	16.9	43.1	2.7
NVIDIA Corporation	517.9	42.8	2.6
Gartner, Inc.	25.4	40.0	2.5
argenx SE	15.5	34.3	2.1

Recent Activity

Table V.
Top net purchases for the quarter ended September 30, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Natera, Inc.	$10.5	$16.1
Nerdy Inc.	1.7	15.5
Markforged Holding Corporation	1.2	7.7
Toast, Inc.	25.1	7.4
Ceridian HCM Holding Inc.	16.9	5.4

We initiated a position in **Natera, Inc.**, a diagnostics company with a cell-free DNA platform that detects tiny amounts of DNA in a blood sample. Natera first applied its technology platform to women's health, where the company markets a blood test that can detect fetal DNA in the blood of pregnant women, enabling early detection of chromosomal abnormalities with a non-invasive test. Through the strength of its technology platform, clinical data, and customer service, Natera has established a market leadership position in non-invasive prenatal testing. Natera is seeing tailwinds in its women's health business from recently expanded insurance coverage for average risk pregnancies. Natera is now applying its technology platform to other markets, including the oncology market and the organ transplant market. In the oncology market, Natera offers a personalized blood-based DNA test called Signatera, which detects and quantifies how much residual cancer DNA remains in the body after surgery. Signatera helps physicians determine whether chemotherapy is necessary after surgery and monitor for cancer recurrence before the cancer is detectable with standard imaging. We think Signatera will change the standard of care and is in the early innings of adoption in a market we estimate at over $15 billion. We think Natera has a long runway for growth with expanding margins and profitability.

Nerdy Inc. operates Varsity Tutors, a leading platform for delivering live online learning. Varsity Tutors has helped over 500,000 students with an average 4.9/5.0 rating (according to its site). Upon signing in, students can take evaluation quizzes so they can be better matched to a personally tailored curriculum that addresses their specific learning needs. Nerdy also provides industry-leading instructors flexible scheduling, so that they may tutor after work hours. This unlocks a highly skilled workforce of professionals, professors, and educators. As a marketplace that operates virtual classes, Nerdy can match the best instructor for a specific student, regardless of where in the U.S. each is located. The offering includes K-12 courses, college, professional, GMAT, SAT, and other prep. Nerdy is experiencing strong growth and momentum in its core one-on-one class offering, small group classes, and professional certificates. We believe Nerdy

will continue to innovate and accelerate the launch of new products that will drive incremental growth by reaching new audiences and going deeper with existing learners. For example, Nerdy recently launched an after-school club subscription program. It also launched star courses, where celebrities like Bill Nye can host an open session that attracts new users to the site. This has been a powerful customer acquisition tool. Further, Nerdy should benefit from the recently passed American Rescue Plan, which is set to provide $24 billion to schools to address COVID learning loss. Nerdy has already launched "Varsity Tutors for Schools" which allows state educational agencies and school districts to deliver online tutoring at scale. We believe that Nerdy has a long runway for growth given the vast opportunity ahead.

During the quarter, we participated in the SPAC offering of **Markforged Holding Corporation**, an innovative 3D printing or additive manufacturing company. The stock traded down materially after the SPAC deal closed and we ultimately decided to sell some of our Markforged shares to harvest a short-term tax loss and provide capital for an investment in another 3D printing company.

Toast, Inc. is a cloud-based end-to-end technology platform purpose-built for the restaurant industry. Its platform provides a comprehensive suite of cloud software products and financial technology solutions to its customers to connect front-of-house with back-of-house operations across all customer channels. Toast's core module is its point-of-sale software solution and requires all customers to use Toast as their payment processor. Customers then have the option to bundle or add-on additional modules across operations, digital ordering and delivery, marketing and loyalty, team management, and back office. Toast today powers 48,000 restaurants within the 860,000 U.S. restaurant industry, largely focusing on small- and medium-sized ("SMB") restaurant customers (generally fewer than 10 locations but up to 50), with some larger enterprise customers as well. Toast is the clear market leader in SMB restaurant technology with the best product offering and only full, end-to-end platform. We believe that as restaurants continue to invest in technology at an accelerated pace emerging from COVID, Toast will be a big beneficiary given its leading market position and best-in-class product. At less than 6% penetration of U.S. restaurants and 3% penetration of its $15 billion recurring-revenue TAM, Toast has a long runway for growth by signing on additional locations to the platform and increasing the attach rate of its value-add modules. Only 54% of customers today use 4 or more of Toast's 10-plus modules, each of which provide significant value to the customer and would drive Toast's recurring revenue stream higher.

We added meaningfully to our existing investment in **Ceridian HCM Holding Inc.**, which we have owned since its 2018 IPO. We believe that COVID has reshaped the traditional compact between employers and employees. Employers are rushing to recruit and retain employees by offering improved work-life balance, including remote or hybrid positions, and enhancements to training, benefits, and pay cycles. We think this is driving an increase in demand for Ceridian's innovative Dayforce payroll and HCM platform, which allows employers to deliver this innovation and flexibility at scale with a consumer-grade user experience. We also believe that the COVID-induced employment headwinds of 2020 have now turned to tailwinds, helping to generate incremental recurring revenue growth for Ceridian.

We are also more optimistic regarding the opportunity for Dayforce Wallet. Dayforce Wallet allows employees to request and be paid their earned wages at any point during a pay cycle, rather than having to wait for the traditional two week pay period. Ceridian is uniquely able to provide this service due to the native integration of its pay and time modules, which enables the continuous calculation of wages and lets Ceridian generate legally compliant payrolls on demand. Ceridian's innovative approach to pricing has made Wallet free to employees and employers and lets companies maintain their traditional two-week funding cycle. Instead, Ceridian gets paid via interchange fees every time a Wallet customer uses her Wallet debit card for a transaction. We think Ceridian has a long runway for additional innovation in Wallet, including a wide array of financial products and employment passporting.

We think that Dayforce recurring revenue can compound at a 30% rate for years. We think that Wallet can effectively double Ceridian's current revenue per employee, helping to drive growth that is additive to this target. Most excitingly, since Ceridian will be paid via interchange fees, revenue will effectively be 100% margin, so each incremental revenue dollar converts almost completely into a dollar of free cash flow.

Table VI.
Top net sales for the quarter ended September 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Farfetch Limited	$ 14.3	$11.7
Alibaba Group Holding Limited	402.4	10.7
Tripadvisor, Inc.	4.7	8.8
RingCentral, Inc.	19.9	8.3
Pinterest, Inc.	32.8	7.8

We sold our shares of **Farfetch Limited** to harvest a short-term tax loss. Farfetch's large opportunity in China and its partnership with Alibaba is unfortunately clouded by many of the issues discussed in the Alibaba discussion above.

We reduced our position in **Alibaba Group Holding Limited** as discussed above.

On our investments in **Tripadvisor, Inc.**, **RingCentral, Inc.**, and **Pinterest, Inc.**, we identified issues relating to our long-term theses in each company and focused our research on these topics. Given these issues and because we continued to have a solid flow of new ideas, we reduced each of these stocks to what we considered to be more appropriate position sizes.

- We decreased our weighting in Tripadvisor as we analyzed new developments in and changes to its Trip Plus subscription offering. Our research is ongoing, but our work so far has led us to remain convinced of Tripadvisor's long-term opportunity with Trip Plus, which we believe is an important ***second act*** and ***TAM expander*** for the company. Tripadvisor has massive reach and brand equity with 460 million unique visitors to its sites. However, the company has historically under-monetized that traffic, with most of its revenue coming from hotel advertising, not directly from its end users. The Trip Plus

subscription addresses this opportunity and is a differentiated new avenue for growth. For $99 per year, subscribers get perks like upgrades and discounts on Tripadvisor bookings. Management is passing on its commission from hotel bookings as savings to the end-consumer. We believe this is a compelling value proposition, which should drive customer loyalty and unlock a significant new revenue driver for the company.

- We decided to sell some shares of RingCentral that we bought earlier this year to harvest a short-term tax loss, as well as to partially fund other software investments, including Ceridian discussed above. We are digging into the developments in the competitive environment to support our long-term investment thesis in the company. As discussed above, we continue to have a meaningful investment in RingCentral and remain positive on its longer-term growth opportunity.
- Considering the issues discussed above, we decided to decrease our weighting in Pinterest and to carefully monitor the developments of user engagement and the Idea Pins rollout.

To conclude, I remain confident in and committed to the strategy of the Fund: durable growth based on powerful, long-term, innovation-driven secular growth trends. As we approach the "new normal" after the COVID crisis, we continue to believe that non-cyclical, sustainable, and resilient growth should be part of investors' portfolios.

Sincerely,

Michael A. Lippert
Portfolio Manager

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