Dear Baron Opportunity Fund Shareholder:

Performance

Baron Opportunity Fund (the "Fund") fell sharply and significantly lagged the broader market during the first quarter. For the period, the Fund dropped 16.02% (Institutional Shares), trailing the Russell 3000 Growth Index, which fell 9.25%, and the S&P 500 Index, which declined 4.60%. As we emphasize at Baron with our philosophy, approach, and process, long-term returns are what really matter, and as shown in the chart below, the Fund continues to outperform its benchmarks across the three-year and longer annualized trailing periods.

MICHAEL A. LIPPERT

PORTFOLIO MANAGER

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

Table I.
Performance†
Annualized for periods ended March 31, 2022

	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]	(16.08)%	(16.02)%	(9.25)%	(4.60)%
One Year	(6.77)%	(6.52)%	12.86%	15.65%
Three Years	27.06%	27.39%	22.68%	18.92%
Five Years	26.86%	27.19%	20.16%	15.99%
Ten Years	16.95%	17.26%	16.64%	14.64%
Fifteen Years	13.41%	13.67%	12.63%	10.26%
Since Inception (February 29, 2000)	9.63%	9.80%	6.82%	7.62%

Review & Outlook

As discussed in our last quarterly letter (which I ask all our shareholders to re-read because I wrote at length about the current atmosphere and our Baron process, and don't wish to be overly repetitive), the first quarter of 2022 was dominated by macroeconomics and geopolitics – not secular growth trends or fundamentals – and proved to be a challenging environment for the Fund, as well as the broader stock market. Further developments over the last three months continued along the lines described in our prior letter, and include U.S. inflation reaching new peaks; Russia's invasion of Ukraine, and tougher and broader-than-expected economic sanctions by the West against Russia; the Federal Reserve turning formally hawkish, with an increase in the Federal Funds Rate, a higher-rate dot plot, obvious hints of a 50 basis point increase at the May meeting and potentially others, and disclosures regarding "Quantitative Tightening" and normalization of the Fed's balance sheet; and another surge of COVID breakouts hitting China, leading to the shutdown of cities and economic centers, such as Shanghai, consistent with the country's zero-COVID policy. This has led to a current setting that strikes most investors as highly uncertain and fraught with hard-to-measure risks (such as when will the war in Ukraine end, how far will Western sanctions go, will the Fed be able to fight inflation and engineer a soft landing). Uncertainty like this often drives investors to cling to the all-too human emotion of fear,

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, 2021 was 1.31% and 1.05%, 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 1-, 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.

embrace a myopic focus on the "right now," and join the herd-mentality rush to perceived safety. This is today's backdrop.

But…as described in detail in our last letter…we are "running our play." We are sticking with our long-term philosophy and our well-established and iteratively honed research and portfolio management processes. As long-term Baron shareholders know – and anyone who analyzes our long-term results can see – in the now 40-year history of Baron Capital, we have dealt with many other periods that felt bleak as we lived them – the Black Monday crash of October 1987, the bursting of the Dot-Com Bubble in March 2000, the 9/11 Attacks in 2001, the Great Recession of 2008, and the global COVID pandemic of the last two years – and have delivered outstanding long-term investment results for our shareholders. In today's challenging environment, we urge our shareholders to focus on the undeniable and powerful underlying secular growth trends disrupting industries and driving significant growth opportunities for our investments, as we are doing, and not try to time or trade the market volatility. Please re-read what Ron, my colleagues, and I have written over the years regarding the perils and irrefutably poor results for most market timers.[1] As one example, please re-read my fourth quarter 2016 letter, where I discussed the so-called Trump trade after the November election, and how we anchored ourselves against the market undertow to end that year, deciding to stick with our process and philosophy, and how the market reversed when the ball dropped to begin 2017, even before the new administration's inauguration, and look at our performance for 2017 and the next several years.

Now, I am not calling for the market to reverse on a dime. I have written for my entire tenure as a Baron portfolio manager, as I did last quarter, that it is virtually impossible to call market sentiment or volatility in the short term, especially when it is driven by macro and geopolitical concerns, unknowns, and fears. But, without trying to sound too much like a broken record, in backdrops like these, we remain focused on finding great companies, now trading at valuations (yes, assuming a normalization of long-term interest rates) that we believe will deliver solid returns for our portfolio and our investors.

This is our differentiated view. Not about inflation or interest rates. Not about domestic politics or international relationships. But on the key ingredients of a great long-term investment. A word we think about all the time, which for me has become another Baron-research catchphrase, is "durable" or "durability." Businesses with durable revenue and cash flow streams in today's uncertain world and economic environment. <u>And</u> (not or) businesses that will deliver durable growth for many years – our related mantra of "faster for longer." Faster for longer has key elements that we have discussed at length and are ingrained in our research and analytical processes and culture at Baron: significant growth opportunity or total addressable market (TAM); low penetration of the TAM and/or multiple TAMs (second or third acts); durable competitive advantages; a favorable competitive environment; product-market fit; go-to-market efficiency; long-term oriented management teams; and more. Of course, the second and critical piece of that is companies that will generate substantial free cash flow as they scale.

Here is a real-time snapshot of what I just described – a line, more poetic than mine, from a recent internal e-mail analyzing **CrowdStrike, Inc.**, a cybersecurity leader highlighted in top contributors below, in which we have a material investment and to which we added this quarter:

> "<u>Continue to View as a Must Own in SMID/Large Cap</u>. I continue to believe CrowdStrike has a strong chance to become the first broad security platform in the market…The company continues to disrupt the legacy end point protection (EPP) market where I estimate they have ~20% market share and now offer 22 modules addressing a TAM ~2.8x larger than at the time of the IPO or ~$71B today. With more than adequate market share to take in its core EPP market + the very strong early adoption and contribution to ARR we are already seeing from non-endpoint products such as cloud security, identity, observability, and SIEM I believe CrowdStrike can maintain growth rates <u>***stronger for longer***</u> and <u>***generate FCF margins of over 40%+***</u> as they scale." (Emphasis added)

As I have written so many times, including elements of the paragraphs just above, the best historical investments – across different market, economic, and geopolitical environments – are those companies that have delivered durable revenue growth (faster for longer) and meaningful levels of free cash flow. To demonstrate this point, I asked our analytics department to prepare the following chart, showing 10-year annualized growth rates and returns for select current holdings[2] of the Fund. As you can see, these companies have all grown faster for longer and delivered 10-year annualized returns two-times the level of the Russell 3000 Growth Index.

<u>Growth Rates and Annualized Returns – Last 10 Years</u>

Ticker	Company Name	Revenue Growth (%)	EBITDA Growth (%)	FCF Growth (%)	Annualized Return (%)
MSFT	Microsoft Corporation	9.2	10.5	8.6	36.8
GOOGL	Alphabet Inc.	21.1	20.5	19.7	27.6
AMZN	Amazon.com, Inc.	25.6	37.4	–	36.9
TSLA	Tesla, Inc.	74.6	–	–	62.8
NVDA	NVIDIA Corporation	21.0	29.8	26.6	50.2
IT	Gartner, Inc.	12.4	16.8	19.3	21.3
CSGP	CoStar Group, Inc.	22.7	33.0	40.1	25.3
NOW	ServiceNow, Inc.	51.5	44.7	51.2	38.1
Select Holdings		**24.9**	**22.7**	**19.4**	**35.8**
Russell 3000 Growth Index		16.8	15.9	14.7	16.6

In connection with "running our play," as explained above and in our last letter, we tactically responded to the sell-off by attempting to upgrade the quality of our portfolio by buying or adding to businesses that, based on our research and analysis, possess the faster for longer and FCF generation characteristics we look for. We bought or added to, among others:

Software: **Datadog, Inc.**, **MongoDB, Inc.**, **Snowflake Inc.**, **HubSpot, Inc.**, **CrowdStrike, Inc.**, **ServiceNow, Inc.**, and **Workday, Inc.**

1 For example, please see my Letter from Ron story in my first quarter 2021 letter.

2 This table is for illustrative purposes. Not all the above select holdings have been held by the Fund for the 10-year period shown. These are the actual holding periods (in years) for these companies: Microsoft (4.4 years), Alphabet (6.6 years), Amazon.com (7.3 years), Tesla (7.9 years), NVIDIA (3.5 years), Gartner (15.0 years), CoStar (20.4 years), and ServiceNow (6.6 years).

Internet/e-commerce: **Shopify Inc.**, **Figs Inc.**, and **MercadoLibre, Inc.**

Interactive gaming: **Take-Two Interactive Software, Inc.**

Technology services: **CoStar Group, Inc.** and **Endava plc**

Electric vehicles: **Tesla, Inc.**

Health Care/genomics: **Illumina, Inc.**

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 Q4 2021	Actual Q3 2021	Actual Q2 2021	Actual Q1 2021
Baron Opportunity Fund	20.7%	26.2%	36.5%	34.0%
S&P 500 Index	16.1%	16.6%	25.5%	12.7%
Russell 3000 Index	17.8%	17.7%	27.7%	12.0%
Russell 3000 Growth Index	19.9%	21.7%	34.2%	16.0%

Source: BAMCO and FactSet.

Table II.
Top contributors to performance for the quarter ended March 31, 2022

	Percent Impact
ShockWave Medical, Inc.	0.32%
CrowdStrike, Inc.	0.24
MongoDB, Inc.	0.17
Tesla, Inc.	0.13
Visa, Inc.	0.11

ShockWave Medical, Inc. provides intravascular lithotripsy for the minimally invasive treatment of arterial plaque. Shares increased on continued success with the rollout of its product for coronary artery disease in the U.S. For the fourth quarter, ShockWave reported revenue growth of 271%, with the U.S. coronary launch leading the way, and issued 2022 revenue guidance of 71% to 79%, both beating Wall Street expectations substantially. We think ShockWave has a differentiated technology serving a significant unmet need in arterial disease with potential to expand into treatment of heart valves.

CrowdStrike, Inc. is a cloud-native cybersecurity vendor, which we believe is evolving from an endpoint security vendor to a broader platform, with 22 modules in the market today, 69% of customers adopting four or more modules, and significant sales traction in cloud security, identity protection, log management, and other areas. Shares increased on the back of impressive fiscal fourth quarter results, with 63% total revenue growth and net new annual recurring revenue accelerating for the second straight quarter to 52% growth. Moreover, the company reported 37% adjusted free-cash-flow margins for the fiscal year (adjusted for a one-time acquisition-related intellectual property transfer tax payment). These results put CrowdStrike in rare company as a Rule of 100 company (revenue growth plus free-cash-flow margins), when 40 is considered a healthy number by software investors ("Rule of 40" is a term of art and a widely used measure by software analysts).

MongoDB, Inc. is the market leader in modern operational databases, with its differentiated document database model. Shares increased on strong fourth quarter results, with an acceleration across total revenue (up 56%), subscription revenue (up 58%), and Atlas cloud revenue, its database as a service or DBaaS offering, (up 85%), and improved profitability. Customer additions grew more than 30%. More importantly, customer spending was also strong, especially for customers spending above $1 million annually, demonstrating that the expansion aspect of MongoDB's business strategy is resonating as more companies are standardizing on MongoDB's application data platform.

Tesla, Inc. designs, manufactures, and sells fully electric vehicles ("EVs"), solar products, energy storage solutions, and battery cells. Tesla outperformed as it continues to report strong growth and record profitability despite a historically complex and challenging supply-chain environment, while the rest of the automotive industry continues to struggle. We believe this is due to Tesla's vertical integration, which provides flexibility in manufacturing and sourcing, while its direct-to-consumer model enables more control of pricing and product mix. Despite over 70% vehicle delivery growth during the second half of 2021, Tesla is experiencing such strong customer demand that it remains production constrained, allowing the company to raise prices and better address inflationary forces in its supply chain. This strong demand, together with operational efficiencies, enabled Tesla's automotive gross margins to expand to best-in-class levels exiting 2021, with fourth quarter margins (excluding regulatory credit revenue) coming in at just under 30%, a 40% increase year-over-year. Moreover, in a span of just a few years, Tesla has expanded its production capacity multiple times across all key geographies. Recently, it initiated production at new and strategic factories in Austin, Texas and Berlin, Germany, which we expect will help Tesla further penetrate Europe, drive additional manufacturing efficiencies, and serve as another stepping stone on a path to achieving CEO Elon Musk's goal of reaching 20% market share of new vehicles sold from just over 1% today. With these new factories, Tesla is also introducing its 4680 battery cells, as well as advanced underbody metal-casting (resulting in 2 metal pieces versus 171 and over 1,600 fewer welds) and structural battery-pack technologies, all of which we expect will further drive manufacturing improvements, cost efficiencies, and enhanced production quality. We remain as confident as ever in Tesla's ability to continue to grow its automotive business, and we also believe Tesla will achieve success over time with its newer initiatives, including full self-driving, robotaxi's, energy storage, solar roofs, insurance, and other software products.

Shares of global payment network **Visa, Inc.** contributed on strong quarterly results with 24% revenue growth and 27% earnings growth. Payment volume grew 20%, with notable strength in cross-border volumes as travel activity rebounded from depressed levels. Management raised full-year guidance to reflect high-teens revenue growth. Shares also likely benefited from a "flight to safety" during a volatile quarter for equities. We continue to own the stock due to Visa's long runway for growth and strong competitive advantages.

Table III.
Top detractors from performance for the quarter ended March 31, 2022

	Percent Impact
Rivian Automotive, Inc.	-4.10%
Ceridian HCM Holding Inc.	-0.92
Arrowhead Pharmaceuticals, Inc.	-0.65
Microsoft Corporation	-0.58
Shopify Inc.	-0.57

Rivian Automotive, Inc. designs, manufactures, and sells consumer and commercial EVs that share a similar underlying architecture, including differentiated software-enabled services. Though Rivian's IPO was initially received favorably by investors, market dynamics and a slower production ramp – due to unprecedented supply-chain challenges affecting the entire automotive industry – generated pressure on the stock during the quarter. To be sure, Rivian launched production of its R1 consumer vehicles at perhaps the most challenging time anyone could envision, the tightest automotive supply chain in decades, particularly for semiconductors, as the industry struggles to ramp supplies in the aftermath of the COVID pandemic. As a result, Rivian was unable to meet its initial production goals for the end of 2021 and lowered its guidance for 2022 to 25,000 units, which is still materially above the level Tesla achieved in its first year of production. In addition, Rivian reversed a price increase, aimed at offsetting inflationary forces, as Tesla and other manufacturers had done, when it faced resistance from the company's first 80,000 customers with vehicle pre-orders, which Rivian management view as brand ambassadors. We recently visited Rivian's Normal, Illinois manufacturing site and met with CEO R.J. Scaringe, key members of his team, test drove cars, and toured the factory. This was our second on-site visit in the past six months. We remain confident in Rivian's product innovation, manufacturing infrastructure and technology, authentic brand, and its deep and talented management team. Rivian's management has publicly expressed confidence in its ability to produce 50,000 vehicles in 2022 in the absence of supply constraints – twice its current projection – and the reasons for their confidence were apparent on our visit. Moreover, management has reiterated its ability to hit its longer-term production and margin goals and has stated that the pace of vehicle orders continues at healthy levels even with increased pricing for new orders. Further, we believe that over time the company's unique relationship with Amazon.com, as both its largest shareholder and keystone commercial customer, will translate into a material commercial vehicle and software revenue opportunities for Rivian.

Shares of **Ceridian HCM Holding Inc.**, a leader in global payroll software, fell as valuations for high-growth technology stocks compressed. We retain conviction. Growth in Ceridian's flagship Dayforce platform is reaccelerating toward 30%, helped by continued share gains, a move up-market, and the employment recovery. We expect Ceridian's growth to be amplified by its Wallet suite, which allows all employees on Dayforce to request and receive their wages as they are earned at no cost to employer or employee. We think this feature has the potential to revolutionize payroll.

Arrowhead Pharmaceuticals, Inc. is a developer of RNAi (interference) technologies for drug development. Arrowhead has a large pipeline of both internal and licensed drug candidates, and we expect this pipeline to drive continued success for the company. Shares fell given a lack of near-term catalysts to drive news flow and the lack of new disclosures regarding targeting tissues beyond the liver. We retain conviction in Arrowhead as we think RNAi as a modality is well established and believe it will lead to many important drugs in the future.

Shares of mega-cap software company **Microsoft Corporation** pulled back with the broader software sector. The company posted another solid quarter, highlighted by total revenues increasing 20% and Microsoft Cloud revenues, now 45% of total revenues, growing 32%. These results were driven, in large part, by strong demand for large Azure contracts. We believe Microsoft can compound revenue in the low double digits for the next three years, underpinned by its expansion in its total addressable market and market share gains.

Shopify Inc. is a cloud-based software provider offering an operating system for multi-channel commerce. Shopify has been adopted by over 2 million merchants who processed $175 billion of gross merchandise volume in 2021, making it the second largest e-commerce player in the U.S. The stock corrected sharply in the first quarter, as a result of the investor rotation out of fast-growing, long-duration stocks and after the company released quarterly results, expecting a normalization in the rapid growth it experienced during the early stages of the pandemic. We remain shareholders since we believe Shopify has a long runway for growth as it has less than 1% of global commerce spending. See top net purchases below for further discussion of Shopify.

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 U.S. Large Growth by Morningstar. As of the end of the first quarter, the largest market cap holding in the Fund was $2.3 trillion and the smallest was $796 million. The median market cap of the Fund was $35.6 billion.

The Fund had $1.3 billion of assets under management. The Fund had investments in 51 securities. The Fund's top 10 positions accounted for 51.0% of net assets.

Fund flows were negative during the first quarter, a reversal from 2020 and 2021.

Table IV.
Top 10 holdings as of March 31, 2022

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Microsoft Corporation	$2,311.4	$150.7	11.9%
Alphabet Inc.	1,842.3	107.7	8.5
Amazon.com, Inc.	1,658.8	79.1	6.3
Tesla, Inc.	1,113.7	57.0	4.5
NVIDIA Corporation	684.9	52.8	4.2
Rivian Automotive, Inc.	45.2	47.9	3.8
ZoomInfo Technologies Inc.	24.1	46.5	3.7
Gartner, Inc.	24.5	36.9	2.9
argenx SE	17.0	34.3	2.7
Visa, Inc.	480.0	32.0	2.5

RECENT ACTIVITY

Table V.
Top net purchases for the quarter ended March 31, 2022

	Quarter End Market Cap (billions)	Amount Purchased (millions)
MongoDB, Inc.	$30.0	$13.8
Datadog, Inc.	47.5	13.1
Illumina, Inc.	54.9	6.0
Snowflake Inc.	72.1	5.7
Shopify Inc.	85.2	5.1

Recent market dynamics provided us an opportunity to initiate and expand our holdings in **MongoDB, Inc.**, **Datadog, Inc.**, and **Snowflake Inc.** These companies offer highly differentiated solutions and are part of a core group of enablers for enterprises across the world to successfully execute their digitization initiatives. As we emphasized in our previous letters, our research increased our conviction that the pandemic accelerated the already strong secular trends of digital transformation and cloud computing. We expect these trends to fuel durable growth (faster for longer) for the leading software companies operating within the megatrends we have highlighted over the years. For example, big data, cloud computing, and a growing need for "DevSecOps" tools to provide tighter integration and collaboration among developer, security, and IT operational teams within companies. Data continues to grow rapidly, more distributed than ever before. IDC has estimated that between 2021 and 2025, the amount of digital data created "will be greater than twice the amount of data created since the advent of digital storage." While companies are looking to analyze this data for operational optimization and competitive differentiation initiatives, on-premises solutions lacked the elasticity, cost structure, and scale required to effectively act upon these initiatives. The rapid move to the cloud is now only gaining momentum, as demonstrated by a record year for the top three cloud hyperscale providers (Amazon Web Services, Microsoft Azure, and Google Cloud Platform) growing more than 40% at over $120 billion of annualized revenue.[3] These three companies sit at the intersections of our cloud computing, SaaS, and Big Data/AI themes.

MongoDB is the database powering a growing share of the new applications built by enterprises as they expand their digital footprints, benefiting from MongoDB's developer-friendly and differentiated document-oriented approach, thriving open-source community, and growing cloud functionality. The database market represents one of the largest areas of spending in all of IT with an estimated TAM of $70 billion in 2021 and expected to grow to $106 billion by 2024, according to IDC. MongoDB has become the clear market leader of independent "NoSQL" database pure-plays and is rapidly becoming a widely adopted general-purpose operational database, as it is seeing faster growth than competitors at much larger scale (its 50% growth at almost $900 million in annual recurring revenue is twice as fast as its closest competitor at 5 to 6 times the size). According to MongoDB's CEO Dev Ittycheria, who we recently met with at our offices, MongoDB wins deals because its proprietary "document" model is how developers think and code ("we have massive developer mind share"); its product is a general-purpose database with full features and a broad ecosystem of integrations; and its platform has proven to be "massively scalable, performant, and resilient." With the launch of its cloud DBaaS product, branded Atlas, in 2016, together with the high rate of innovation to the product since that time, MongoDB can now address a growing number of use cases, enabling developers and enterprise customers to standardize more workloads on the MongoDB platform. With Atlas now comprising 58% of the total revenue mix and growing substantially faster than the company average at 85%, we project faster for longer growth in the years ahead. Moreover, we believe 2022 will represent an important milestone year for the company, as we project an inflection in free cash flow generation later in the year.

Datadog provides a SaaS data analytics platform for cloud infrastructure monitoring, application performance monitoring (APM), and log management. These products give customers better visibility of their cloud IT environments, help improve application performance, and reduce downtime by solving problems faster after they occur. We have tracked Datadog closely since its IPO and decided to reinvest on its recent pullback, given a more attractive return profile, and after we built further conviction in the company's platform strategy, go-to-market advantages, and new product traction. Datadog's strong brand, ease of use, and compatibility with all major cloud computing environments have powered one of the most efficient go-to-market models in software, with sales growth significantly outpacing sales and marketing spending. This has led to expanding free-cash-flow margins and has enabled Datadog to invest more heavily than its competitors in new product development. Over the last three years, the company has released more than 30 new products in complementary areas like cloud security and database monitoring. Its APM and log products – both less than four years old – account for more than half a billion in run-rate revenue and are still in hypergrowth mode. New product cross-sells together with increased consumption of existing products have driven Datadog's existing customer base to increase their annual spending with Datadog at a 30%-plus rate for 18 straight quarters, resulting in a best-in-class 130%-plus net revenue retention rate, an important metric for software investors. We see a long runway for profitable growth as customers expand their cloud architectures and adopt more Datadog products.

Snowflake provides an efficient and elastic cloud-native data platform that is mainly used by customers today for large-scale data queries and analytics. As enterprises continue to rapidly digitize their operations, they are generating more data than ever before. Management teams are looking to

3 Jeffries, Mega Cloud Q4 Update: Big 3 Grow Revs 42% in '21, dated February 6, 2022.

make better decisions by harnessing and harvesting their growing data assets. We believe Snowflake is well positioned to support customers on this data journey. Snowflake's ability to query data across multiple cloud platforms, ease of use, better performance at lower costs, and data sharing capabilities are some of the key reasons customers choose Snowflake over competitors. We decided to add to the position during the quarter as our conviction in Snowflake's growth and profitability potential continue to improve, as our confidence in its highly experienced management team strengthened, and as recent market dynamics offered a materially better risk/reward opportunity for long-term investors. Snowflake's recent results shattered industry records, including over 100% organic growth at over $1 billion revenue and earlier-than-anticipated profitability and FCF generation.

We added to our **Illumina, Inc.** position in the quarter. Illumina is the market-leading provider of next-generation DNA sequencing instruments and consumables to academic and clinical laboratories, genomic research centers, hospitals, and biopharmaceutical companies around the world. Customers use the company's products for genetic analysis. For example, the company's DNA sequencing platform has been used throughout the COVID pandemic to sequence the genomes of the SARS-CoV-2 virus and its variants, which has been critical to the development of vaccines, therapeutics, and diagnostics. We have been long-standing investors in Illumina based on the thesis that Illumina is a platform technology company with a dominant competitive position in a large and expanding market. During the quarter, the stock was under pressure because of investor concerns about increased competition and uncertainty about the ongoing legal proceedings and European Commission's merger review related to Illumina's acquisition of Grail, a company that sells a multi-cancer early detection blood test. We saw this as an opportunity to add to our investment. We think Illumina has attractive growth ahead of it driven by the adoption of its platform in clinical applications, most notably in oncology, where Illumina's platform is being used across the patient journey in cancer care (therapy selection, recurrence monitoring, and early detection). While we acknowledge the competitive efforts of emerging players and have never projected that Illumina would have 100% market share, we believe Illumina will continue to innovate and remain dominant, particularly in the fastest growing markets, biopharmaceutical and clinical, where the barriers to entry are high and where Illumina is entrenched. Moreover, we think there is a reasonable likelihood that the litigation regarding the Grail acquisition will be resolved favorably for Illumina, resulting in a substantial new market opportunity for Illumina in the blood-based early cancer detection market.

We sold half of our **Shopify Inc.** position on the sharp pullback in its stock to harvest a short-term tax loss and then began repurchasing shares at a lower level due to our long-term conviction in the company's secular growth opportunity, competitive advantages, and talented and focused management team. Shopify is a cloud-based software provider offering an operating system for multi-channel commerce. Shopify acknowledged hiccups during the quarter, telling investors that after growing revenues by 57% in 2021, it could not predict growth in 2022 due to post-COVID normalization. In addition, the company announced that as part of the ongoing development of the Shopify Fulfillment Network ("SFN"), it will take a greater percentage of the operations in house, which will require higher near-term capital expenditures (forecasted to total around $1.2 billion over the next three years). While this approach has risks and is more capital intensive, we view it as the right long-term strategy to exert more control over operations and the customer experience, as Amazon.com has done so successfully with its own fulfillment/shipping investments and differentiation (e.g., Amazon Prime). In our proprietary analysis, we view SFN as positive optionality in our sum-of-the-parts valuation of Shopify, while the market appears to be putting a negative multiple on these investments, which we view as wrongheaded. In our view, if successful, SFN will increase the lifetime value of merchants, helping them deliver products faster to consumers, which in turn would drive greater consumer spending, while also increasing merchant stickiness to Shopify's platform. Additionally, it would reduce the hurdles for merchants starting new businesses as fulfillment tends to be a significant challenge for startups (especially due to the ever-increasing consumer demands). Importantly, in our price target work, we see significant upside in Shopify's stock even in scenarios in which SFN fails and we deduct all losses from our valuation. In short, we believe Shopify has a long runway for growth addressing less than 1% of global commerce spending with a unique and competitively advantaged platform.

Table VI.
Top net sales for the quarter ended March 31, 2022

	Market Cap When Sold (billions)	Amount Sold (millions)
PayPal Holdings, Inc.	$144.8	$14.4
RingCentral, Inc.	11.0	14.1
Kratos Defense & Security Solutions, Inc.	2.1	11.6
Natera, Inc.	6.4	10.3
Tripadvisor, Inc.	4.0	9.0

To put it simply, we sold all the above to fund other investments for which we had more conviction. **PayPal Holdings, Inc.** and **Tripadvisor, Inc.** because of significant management and strategic changes. **Kratos Defense & Security Solutions, Inc.** because we had more conviction in other industry groups (such as software) and companies due to the difficulty in predicting the size, allocations, and time of Congressional defense budgets. **Natera, Inc.** to partially fund our purchases of Illumina. **RingCentral, Inc.** to fund investments in other software names, including those described just above.

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. We continue to believe that non-cyclical, sustainable, and resilient growth should be part of investors' portfolios and that our strategy will deliver solid long-term returns for our shareholders.

Sincerely,

Michael A. Lippert
Portfolio Manager

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Risks: The Adviser believes that there is more potential for capital appreciation in securities of high growth businesses benefiting from innovation through development of pioneering, transformative or technologically advanced products or services, but there also is more risk. Companies propelled by innovation, including technological advances and new business models, may present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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