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BI PRIME

An investor who smashed 99% of competitors in 2019 shares his 5 favorite stock picks — and explains why Amazon could ‘easily’ triple over the next 5 years

By Marley Jay

- Alex Umansky's Baron Global Advantage Fund has beaten out 99% of its competition over the past three years by focusing on companies with big competitive advantages.
- Amazon has been a huge contributor to the fund's performance in recent years, and Umansky said the growth of online retail meant it could “easily” triple in value in five or 10 years.
- Technological trends around the world are driving some of his other winning investments, and Umansky told Business Insider about five of his highest-conviction buys.

If you had to ask anyone to predict the future, you'd want to talk to someone who had a pretty good idea how the present was going to look.

Alex Umansky, a portfolio manager for Baron Funds, can claim an impressive track record in that regard. He runs the Baron Global Advantage Fund, which is the best-performing global stock fund of 2019, according to Kiplinger. It's returned 45.45% this year.

The fund has also trounced 99% of its peers over the past three years, with an annual return of 28.05% over that stretch. Umansky says he starts with a simple mandate and wants to invest “with conviction” whenever he puts his money into a stock.

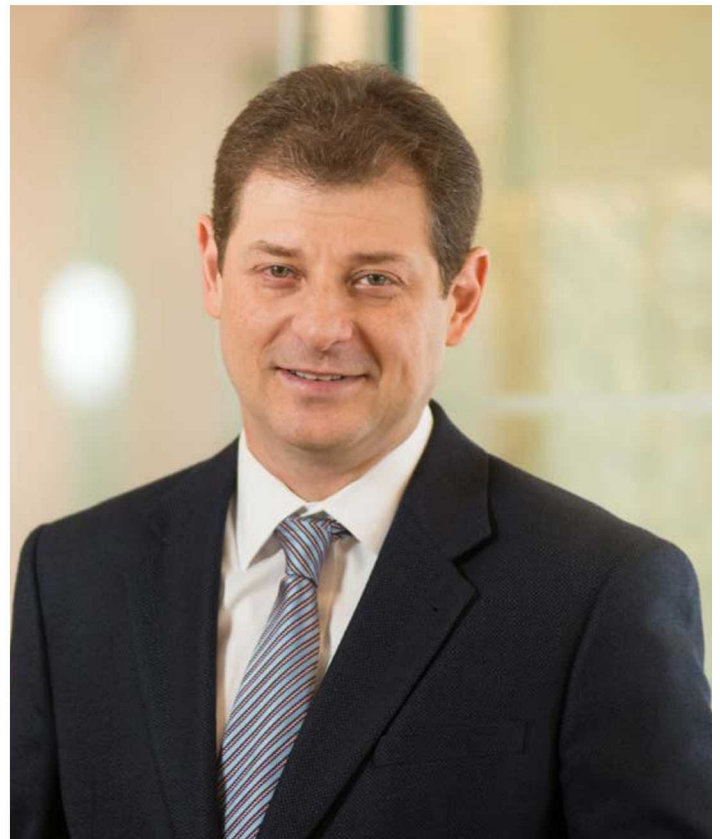
“All we want is 40 to 50 best ideas anywhere in the world,” he told Business Insider in an exclusive interview. “Competitive advantage is number one, how durable that competitive advantage is, and will it lead to sustainable growth, and then well-managed, and is it managed for the long term? Those are the most important criteria for us.”

With that in mind, Umansky says he's a big believer in these five companies in the present and over the decades ahead.

Amazon

Even though Amazon's stock price is up more than sixfold in the past five years, Umansky thinks the online giant is still on track for dramatic gains in the years to come. At one point Umansky had 10% of his investments in Amazon, and it's still the second largest holding in the Global Advantage Fund today.

“We do believe that Amazon is still going to at least triple, if not quadruple, over the next five to 10 years,” he said. “We



Baron Funds

can underwrite, let's say, a \$3 trillion market cap on Amazon relatively easy.”

That's based on his belief that the transition to online retail is still in its early stages, as far more shopping will eventually be done online. In the meantime, Amazon's combination of sales, Prime membership revenue, its profitable third-party retail business, its growing advertising business, and its growing cloud-computing business can justify a dramatically higher valuation.

Alibaba

Umansky makes a similar argument for Alibaba, which he invested in five years ago and has bumped up to the largest

position in the fund. That's based on China's shift toward a more consumer-focused economy and Alibaba's dominant position in online retail.

"China's retail grew 8% [in the latest quarter], but e-commerce actually grew 21%, and Alibaba is growing even faster than that because they're taking market share," he said. "The growth opportunity is so large that in many ways it feels like it's just easy money. It feels like where Amazon was some years back."

EPAM Systems

With those two giants out of the way, Umansky says the biggest contributor to his fund this year is EPAM Systems, a software engineering and IT consulting company whose stock has climbed more than 80% this year. It's nearly tripled in value since Umansky added it to the fund four years ago.

"The Nikes and Disneys and you know, all of these companies need to enter the 21st century and they need to reinvent the way they are communicating with their customers," he said.

He added that EPAM's success helped him find two other stocks that had enhanced the fund's performance: the Argentina-based Globant SA, which has jumped 89% in the past year, and Endava

PLC, which mostly operates in North America and Western Europe and has doubled in value in 2019.

Veeva Systems

Veeva develops cloud-computing programs for healthcare companies, and Umansky calls it one of the fund's biggest contributors over its three-year run of success. He sees it as another company that's taking advantage of an important industry-wide trend and staking out a strong competitive position.

"Veeva is the leader in the CRM space for the whole life-sciences industry. They have like 90% market share in the healthcare business," he said. "They're enabling the healthcare companies to access all of their information in one place. They are making them more efficient, they're making them more effective."

Fidelity National Information Services

One of the newest additions to the fund, Umansky invested in Fidelity after it bought the payments provider WorldPay in August.

"We're quite bullish on the payment space in general," Umansky said. "They've been a consolidator, and they're going to benefit from the migration of payments from paper and physical form to digital and online."

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Baron Global Advantage Fund's annualized returns for the Institutional Shares as of December 31, 2019: 1-year, 45.45%; 3-years, 28.05%; 5-years, 15.42%; Since Inception (9/30/2013), 15.03%. Annual expense ratio for the Institutional Shares as of December 31, 2018 was 1.18%, but the net annual expense ratio was 0.90% (net of the Adviser's fee waivers).

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The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

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As of 12/31/2019, the Morningstar U.S. Fund World Large Stock Category consisted of 873, 722, and 605 share classes for the 1-, 3-, and 5-year periods. Morningstar ranked Baron Global Advantage Fund in the 1st, 1st, and 2nd percentiles, respectively, in the category. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

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Baron Global Advantage Fund holdings as a percentage of net assets as of December 31, 2019 for securities mentioned are as follows: Amazon.com, Inc. - 5.9%; Alibaba Group Holding Limited - 6.7%; EPAM Systems, Inc. - 3.0%; Veeva Systems Inc. - 2.5%; Fidelity National Information Services, Inc. - 2.9%.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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Baron Global Advantage Fund Top 10 Holdings as of December 31, 2019

Holding	%Holding
Alibaba Group Holding Limited	6.7
Amazon.com, Inc.	5.9
Alphabet Inc.	4.5
Splunk, Inc.	3.8
Facebook, Inc.	3.7
Mellanox Technologies Ltd.	3.6
Illumina, Inc.	3.1
EPAM Systems, Inc.	3.0
MercadoLibre, Inc.	3.0
argenx SE	2.9