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Alex Umansky has been one of the world's best stock pickers for years, and his fund is making 6 times more than the competition in 2020. He told us the 4 pillars to his investing approach.

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- Alex Umansky's Baron Global Advantage Fund has been at the top of its class for years and brought more than 60% to investors in 2020.
- Umansky told Business Insider about the core of his approach and how investors can keep themselves from being led off course.
- Kiplinger rates his fund as the best global stock fund of the last year, the last three years, and the last five years for periods ending September 30.

It might come as a surprise that one of the most successful tech stock pickers in the world tells people to unplug, but Alex Umansky says that's a critical element to his work. "Most of my time is spent reading. I turn off my screens for four or five hours every single day. I turn off TV, I turn off FactSet or Bloomberg," he said. "Exercise, go for a walk, go read a book, watch a show, whatever it is that will allow your mind to be fresh so that you can make good decisions. At the end of the day, this is all about decision-making."

The idea is to be well-informed but not overwhelmed and distracted by excess information, he told Business Insider in an exclusive interview. That's the way to stay focused on your plans and invest with conviction, something that's already challenging if investing isn't your full-time job.

"You just have to stay in balance all the time, not to be too high, not to be too low, not to be too fast, not to be too slow," he said. Tuning out the noise also makes it easier to examine your own decisions later and learn from them, all of which makes it easier to invest with conviction.

That's working very well for Umansky, who runs the Baron Global Advantage Fund. It's the best global stock fund in the world over the last year, as well as the past three years and five years, according to Kiplinger. (All for periods ending September 30.)

Over that five-year span, Umansky has roughly tripled the return of the typical fund in his class, bringing in 27.4% per year based on Morningstar data as of November 6. This year the disparity is even more extreme, as his fund is up 65.6% while his peers and his benchmark are up less than 10%.^{*}



BARON FUNDS

Alex Umansky's Baron Global Advantage Fund has consistently ranked as one of the best global stock funds around.

Umansky says the credit goes to patience, not good timing. "When this pandemic started unfolding, we were in the right companies at the right time," he said. "We are looking at disruptive change. And the biggest change that we think is happening is that economies are digitizing, and it's not just retail and it's not just advertising and it's not just banking, it's everything."

In the last 12 months Umansky has scored a 599% return on his investment in the freelancing platform Fiverr, while his shares of Chinese delivery company Meituan Dianping and cloud communications company Twilio have each roughly tripled in value. He's gained 169% from Latin American e-commerce company MercadoLibre.

All of those investments were made in 2018 or 2019, long before the world was worried about a coronavirus pandemic.

"This is really the result of the work and investments that have been made in the prior two, three, five years," he said of his recent returns.

If the world is changing that quickly, it might seem like Umansky is out chasing a lot of opportunities and betting on world-altering trends. But he says he's not. Instead he's selective and only chooses companies with unique characteristics and decisive advantages.

"We don't go trying to identify a theme and then trying to find a company that would benefit from that theme. It's more

^{*}This paragraph validates the claim "Alex Umansky has been one of the world's best stock pickers for years, and his fund is making six times more than the competition in 2020".

the other way around,” he said.

There were 51 companies in his portfolio at the end of the third quarter, and on average the portfolio turns over every five years. Umansky says that stable approach means companies often seek out his firm for investment before they go public.

“We get a long period of time to do our due diligence and to get to know the company, to follow the company, to understand the company, whereas your typical investor gets a two-week period during the company’s road show,” he said. “We probably end up investing in about 10% of the companies we meet with while they are private.”

Amid all the upheaval this year, he’s made only two major additions to the portfolio. One is Snowflake, among the hottest IPOs of 2020.

“We feel like this is a pure play on the migration to the cloud on the growth of cloud computing,” he said. “They have a cloud native architecture, and we think that’s a meaningful competitive advantage that enables them to offer lowest cost, highest scalability, highest ease of use.”

The other is ZoomInfo, not to be confused with Zoom.

“It enables their customers to identify and target very specific prospects, which shortens the sales cycle and basically increases the win rate. So think of them as a CRM on steroids,” Umansky said.

To that end, he’s following these industries and betting on the winners. As a believer in tuning out the noise, Umansky says he’s far more interested in what Big Tech is doing than he is in the headline risks it supposedly faces. He says the leaders in tech are too dominant and are relentlessly building on their leads with new acquisitions.

“You can’t regulate consumer preferences,” he said. “Once you do that, it’s very difficult, I think, for the regulators to come in and say, ‘consumer behavior or consumer preferences needs to be changed.’”

He notes that a second dynamic is emerging among FANG-type stocks: They’re at odds with each other more and more often.

“I think what the regulators are missing by the way is that these companies are the biggest checks and balances on each other,” he said. “They are increasingly colliding with each other.”

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Baron Global Advantage Fund’s annualized returns for the Retail Shares as of September 30, 2020: 1-year, 71.26%; 5-years, 29.06%; Since Inception (4/30/2012), 19.23%. Annual expense ratio for the Retail Shares as of December 31, 2019 was 1.25%, but the net annual expense ratio was 1.15% (net of the Adviser’s fee waivers). **Baron Global Advantage Fund’s** annualized returns for the Institutional Shares as of September 30, 2020: 1-year, 71.70%; 5-years, 29.35%; Since Inception (4/30/2012), 19.49%. Annual expense ratio for the Institutional Shares as of December 31, 2019 was 1.00%, but the net annual expense ratio was 0.90% (net of the Adviser’s fee waivers).

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 cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2031, 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.

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Morningstar calculates the Morningstar Fund World Large Stock Category average using its Fractional Weighting methodology. 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.

As of 9/30/2020, the Morningstar Fund World Large Stock Category consisted of 823, 725, 608, and 421 share classes for the 1-, 3-, 5-year and since inception (4/30/2012) periods. Morningstar ranked Baron Global Advantage Fund Institutional Share Class in the 1st percentile for the 3-year, 5-year, and since inception periods and in the 2nd percentile for the 1-year period.

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Portfolio holdings as a percentage of net assets as of September 30, 2020 for securities mentioned are as follows: **Meituan Dianping** (1.8%), **Twilio Inc.** (2.5%), and **Snowflake Inc.** (2.2%).

Top 10 holdings as of September 30, 2020	
Holding	% Asset
Alibaba Group Holding Limited	7.1
Amazon.com, Inc.	5.0
Facebook, Inc.	4.0
Accelaron Pharma Inc.	3.2
GDS Holdings Limited	3.0
Alphabet Inc.	3.0
Fiverr International Ltd.	2.5
Wix.com Ltd.	2.5
MercadoLibre, Inc.	2.5
ZoomInfo Technologies Inc.	2.4
Total	35.2

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

Kiplinger's rankings are based on total returns of the retail share class. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

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