Keeping an Eye on Long Term Fundamentals in a Post-Pandemic World

This is an edited version of a February 25, 2021 Q&A with Ron Baron, Michael Baron, and David Baron. Ron is CEO of Baron Capital and portfolio manager of Baron Partners Fund, Baron Focused Growth Fund, and Baron WealthBuilder Fund. Michael is portfolio manager of Baron Partners Fund and Baron WealthBuilder Fund. David is portfolio manager of Baron Focused Growth Fund.

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Introduction

Moderator: I'll kick things off just by simply noting that we're coming off of an extraordinarily challenging year by any measure. And I think we're all glad it's over.

But thankfully, from a performance perspective, 2020 ended up being a very successful year in generating returns for our shareholders. Baron WealthBuilder Fund, which is a fund of Baron Funds, returned over 62% last year. Baron Focused Growth Fund returned 122%. And Baron Partners Fund returned 149%, so absolutely incredible numbers.

To put these returns in context, Baron Partners Fund ranked in the top 1% of its Morningstar category and Baron Focused Growth Fund ranked in the top 2% in 2020. This isn't just a one-year phenomenon. As of 12/31/20, Baron Partners Fund is the second highest performing fund of all U.S. equity funds since April 2003 when it converted into an open-end mutual fund.* That's number two out of 2256 share classes and a 19.5% CAGR versus 10.54% for the S&P 500 Index. Through 12/31/20, Baron Focused Growth Fund ranked 76 out of 3595 mutual funds since its conversion from a partnership in 2008.** Baron WealthBuilder Fund is the number one fund in its Morningstar category since inception.***

* **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 12/31/2020.** There are **2,256** share classes in these nine Morningstar Categories for the period from 4/30/2003 to 12/31/2020.

** **This is a hypothetical ranking created by Baron Capital using Morningstar data and is as of 12/31/2020.** There are **3,595** share classes in these nine Morningstar Categories for the period from 6/30/2008 to 12/31/2020.

*** The **Morningstar Allocation – 85%+ Equity Category** consisted of 163 and 154 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked Baron WealthBuilder Fund Institutional

Shares in the 1st and 1st percentiles, respectively.

Note, the peer groups used for these analyses include all U.S. equity share classes in Morningstar Direct domiciled in the U.S., including obsolete funds, index funds, and ETFs. The individual Morningstar Categories used for these analyses are the Morningstar Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Small Blend, Small Growth, and Small Value Categories.

Moderator (cont.): These results were not the result of timing or the abandonment of our long-term approach to investing. It's precisely the opposite. Last year's performance was the result of good investment decisions made in prior years through the disciplined application of the Baron investment philosophy and approach, which we'll learn more about through the course of today's discussion.

Now I'm going to hand the mic over to the architect of that philosophy and approach, Ron Baron, who's going to provide us with an update on the Firm and talk about how we navigated this environment so well.

Overview

Ron Baron: Thank you very much. I feel like after that introduction I should, like Obama does, drop the mic and walk away. But I will stay for a little bit longer.

We've been working at home since March 13th of last year. It's worked out far better than I could ever have imagined – we had a banner year. We presently have $51.7 billion in assets under management. We have continued to have strong inflows so far in 2021.

When you're in the thick of it, it's hard to get a handle on what's going on. In fact, we believe that short-term macro events are virtually impossible to predict. The pandemic and performance of the stock market last year is the perfect example of that. So you have to have a strong sense of your investment philosophy and confidence that it'll work over the long term.

Historically, because of inflation, the value of money declines by half roughly every 17 years, while the stock market doubles every 10 to 13 years, or a rate of 6% to 7% annually. We don't invest in bitcoin. We don't invest in gold. We invest in businesses represented by stocks. And we seek to outperform the market by finding great companies that can grow a lot, are competitively advantaged, and have what we think are great people who run the businesses and investing for the long term in those businesses.

Baron Focused Growth Fund

Could you describe the Baron Focused Growth strategy and comment on performance drivers in 2020?

David Baron: Baron Focused Growth Fund is a focused small-to-mid-cap fund with 15 to 20 stocks on average. We look for companies that have large addressable markets with competitive advantages that should allow them to take significant share over time.

While some may think this approach would increase risk, the portfolio is actually less volatile than the market. Since inception through 12/30/2020, the Fund's beta is just 0.82, so you're getting solid returns at lower risk.

The Fund had a strong fourth quarter and full year, increasing approximately 32% and 123%, respectively, versus the benchmark, which was up 26% and 40%, respectively.

2020 returns were led by electric vehicle company **Tesla, Inc. (TSLA)** as well as companies that benefited from a work from home environment, such as **CoStar Group, Inc. (CSGP),** which provides data and analytics to the commercial real estate industry, and **FactSet Research Systems, Inc. (FDS)**, which provides data and analytics to the financial industry. Shares of regional gaming company **Penn National Gaming, Inc. (PENN)** soared more than 300%, driven by its deal with sports betting app Barstool Sports and cost-cutting measures during the pandemic. These gains were offset slightly by companies whose businesses were impaired by the pandemic, including hotelier **Hyatt Hotels Corp. (H)**, regional casino company **Red Rock Resorts, Inc. (RRR),** and soccer team owner **Manchester United plc (MANU),** as well as specialty insurer **Arch Capital Group Ltd. (AGCL)** given worries about losses in its mortgage insurance business.

We think Hyatt, Red Rock, and Manchester United will rebound over the next two years given pent up demand to travel, attend sporting events, and engage in other leisure activities. However, these are not just recovery plays where earnings return to pre-COVID-19 levels. These companies have all found better, more efficient ways to operate their business, which we believe should drive earnings well beyond pre-pandemic levels.

For instance, Red Rock has 10 casinos in Las Vegas. It has reopened only six of them yet is still capturing 90%, if not more, of its pre-pandemic revenue. This transition to a more asset-light business is resulting in stronger margins, lower capital requirements and higher cash flow. Because Red Rock has seen that it can generate the same business inside a smaller footprint, we expect profitability will be 20% higher than it was before.

The acceleration of digitization during the pandemic has helped create efficiencies at a number of our companies. We are also seeing strong balance sheets, which provides companies with increased liquidity and financial flexibility. Digitization, together with capital raises, should improve long-term growth prospects.

Lastly, while I know many investors are concerned about rising rates, the Fund has actually done quite well during periods when rates are increasing. For instance, in 2013 when the 10-year treasury yield increased from 1.86% to 3.04%, the Fund returned 26%. In 2018 when the 10-year treasury yield increased from 2.46% to 3%, the Fund gained 4% while the market declined 4%. We believe these results reflect our focus on faster growing companies that continue to invest in growth regardless of the market environment.

Baron Partners Fund

Could you describe the Baron Partners strategy and how it differs from the Baron Focused Growth strategy? Could you also comment on performance drivers in 2020 and your expectations going forward?

Michael Baron: Baron Partners Fund is slightly more concentrated than Baron Focused Growth Fund, with more than 80% of net assets in our top 10 positions. It also uses some leverage, although we brought down that leverage over the course of the past year.

In the fourth quarter, the Fund returned 42.87%, and for the full year it returned 149.18%. Despite its concentrated nature, the Fund is diversified across four categories: disruptive businesses, core growth businesses, companies with irreplaceable assets, and financials. During the first phase of the recovery after the downturn from mid-February through late March, our core growth businesses outperformed as investors recognized they were well positioned to continue to grow in any environment, including a pandemic.

In the second half of the year, our disruptive businesses took off as digitization accelerated due to the pandemic. These businesses included Tesla, real estate website company **Zillow Group, Inc. (Z)**, music streaming company **Spotify Technology S.A. (SPOT)**, privately held reusable rocket company **Space Explorations Technology Corp. (SpaceX),** and e-commerce platform **Shopify Inc. (SHOP).**

All these companies grew significantly during the pandemic. Tesla increased vehicle production by over 36%, despite factory shutdowns during the pandemic. In the fourth quarter, Zillow's core premier agent division grew 24%. It also gained traction in newer services such as mortgages, which were up 114%. At Spotify, the monthly average number of subscribers was up 27% in the fourth quarter. SpaceX had a record number of launches in 2020 and has increased its satellite fleet significantly, enabling the launch of its Starlink Network broadband system.

We purchased all of these names well before the pandemic. The last time we purchased Tesla was in 2016. We first invested in Zillow in 2014 and SpaceX in 2017. We bought Spotify and Shopify in 2019. These are companies that we feel will grow regardless of what happened with the pandemic and when it might end.

In the short term, we have high expectations for the irreplaceable assets and financial businesses that lagged in 2020. Names like Hyatt and ski resort company **Vail Resorts, Inc. (MTN)** should rebound on pent up demand. Real estate businesses like **Brookfield Asset Management, Inc. (BAM)** should benefit as offices reopen. An improved financial outlook should help boost companies like **The Charles Schwab Corp. (SCHW)** and Arch. In addition, none of these companies sat still during the pandemic. For instance, Hyatt significantly improved its cost structure, and Schwab completed its acquisition of TD Ameritrade.

Going forward, we think the pandemic has fundamentally changed the economy in certain ways. E-commerce is here to stay, with people shopping online for everything from apparel to groceries to real estate, which will continue to benefit companies like Shopify, Zillow, and online payment platform **Adyen N.V. (ADYEN NA).** The shift to online entertainment will benefit businesses like Spotify and online gaming company **Activision Blizzard, Inc. (ATVI)**. SpaceX and communications satellite company **Iridium Communications, Inc. (IRDM)** will benefit from the growing demand for internet and cellular-based communications. And we're still big believers in Tesla's multiple growth opportunities in electric vehicles, storage batteries, autonomous driving, solar panels, and now even insurance.

Baron WealthBuilder Fund

Baron WealthBuilder Fund is a Fund of Fund comprised exclusively of other Baron Funds. Could you talk about the concept behind that strategy?

Michael Baron: Baron WealthBuilder Fund turned three years old in December 2020. Its CAGR since inception is 27.7%. As you mentioned, it's the number one fund in its Morningstar category. But what gets me more excited is the statistics behind the growth. Its alpha is 9.4% with a beta of only 1.2. Its Sharpe Ratio of 1.1 is nearly double that of the S&P 500 Index. It has upside capture of 133% and downside capture of only 97%.

The Fund has about 435 underlying holdings, so it is highly diversified yet has produced outstanding returns, which is not something that people normally associate with high diversification. And I think it comes down to the overall investment philosophy and process that is consistent across all 17 of our Funds. It's just applied in different market caps, sectors, and geographies. For instance, when you look at WealthBuilder's international holdings, which comprise about 20% of assets, it looks very different than what you see in the indexes, which heavily favor developed economies such as Europe and Japan and megacaps. In this Fund, the international sleeve is much more weighted toward the emerging markets, particularly China and India.

So with Baron WealthBuilder Fund, you get the advantage of the Baron investment philosophy applied across a wide swath of the growth equity market. We allocate and apply tax efficient rebalancing, typically based on flows into and out of individual Funds, at no management fee. It turns out there is a lot of pent up demand for this product. Baron WealthBuilder is the fastest Fund in Firm history to reach nearly $350 million in assets.

Tesla

Tesla is the biggest holding in both Focused Growth and Partners. Could you talk a bit about your investment in that company?

Ron Baron: We first started researching Tesla in 2012 and invested $375 million from 2014 through 2016. At that time, I said I thought we would make 20 times our money in the next 10 years. And what do you know – we have made $5.5 billion on our $375 million investment so far, or 20 times our investment to date. I think we're going to make a triple over the next 10 years as Tesla grows from manufacturing 500,000 electric vehicles (EVs) a year to 20 million cars a year.

Tesla has multiple other growth opportunities, including batteries, autonomous driving, solar panels, and insurance. Elon Musk has stated that he thinks the autonomous driving business alone could generate $40 billion a year in subscription-based revenue, with an 80% profit margin in 10 years.

What are Tesla's competitive advantages against other manufacturers entering the EV market such as new entrants like Rivian and incumbents like Toyota or Volkswagen?

Ron Baron: Tesla's advantage is that it has had a 10-year head start on everyone else. We expect lots of other companies to compete in this market. But the growth opportunity is enormous as the world shifts from internal combustion engines (ICE) to EV. Currently, about 90 million cars are manufactured annually, and EVs are only about 2% penetrated. We think that number will shrink to about 70 million at some point. But we think Tesla will have 20% to 30% of the market.

Legacy manufacturers have hundreds of billions of dollars invested in plants that make ICEs. They will all eventually become obsolete. But given the amount of money invested, these companies have decided to continue to make motors and outsource the rest to companies like Bosch. The problem with this approach is that the different parts of the vehicle are not integrated. In addition, these outsourced products and services are the most profitable part of the business. The dealerships also rake off a big percentage of profits, and the franchise agreements make it impossible for the manufacturers to speak to the customers who buy their cars.

In contrast, Tesla is vertically integrated. Because it makes every part of the vehicle, everything communicates with each other. The software is also cloud-based, so upgrades happen seamlessly across the entire fleet. Tesla keeps the most profitable parts of the business. It doesn't use dealerships but deals directly with the consumer.

Another major competitive advantage Tesla has is innovation and speed. It is constantly improving and innovating. The way it builds a Model 3, for example, could be 100% different in a year's time. An engineer will tell Elon I have this idea. We could use 3D parts. And Elon will say okay, show me. Tesla also has the best engineers on the planet. Tesla and SpaceX are top choices at all the best engineering schools.

Legacy companies used to spend six or seven years deciding how to make a car. They are incentivized to move slowly because they have hundreds of billions of dollars invested in ICE factories and want to get as much use out of them as they can. They need to negotiate union contracts that will allow them to be competitive.

General Motors has said it will go all electric by 2035, or 15 years from now. Who knows what Tesla is going to look like in 15 years? In technology, 15 years is a lifetime.

How are you managing risk given Tesla's large position in Focused Growth and Partners?

Ron Baron: While we don't have fixed rules, we are conscious of our obligation as fiduciaries to manage our portfolios by balancing risk with the kind of returns we're trying to achieve.

We discuss the risks Tesla faces all the time. So far, we believe the risks don't justify selling the stock. When we first invested seven years ago, Tesla had $2.8 billion in sales. Last year it had $31.5 billion in revenue despite the pandemic. This year, we think revenue will increase to $50 billion, or 18 times its revenue when we first invested, which is not far off from the 20 times appreciation in the stock price that we've seen.

While I don't think reducing the position is justified by the fundamentals, I do feel it is justified by the position size. I felt uncomfortable having so much tied up in one stock for our clients. Since last August, we have been selling stock in Tesla. In total we've sold 1.77 million shares of the seven million shares our clients owned, or roughly 25%. We realized $1.13 billion from those sales compared to our initial $375 million investment for the entire position. It's still a very large position, but we're okay with that. If it doubles again in the next five or six years, then we'll reduce further. .

When we first invested in Tesla, although I felt the company would ultimately be successful, the stock price was very volatile. At that time, I said to Elon, I don't know if you're going to be successful. I think you will. I hope you will. And I'm sure you think you will. But I think the planet owes you a thanks whether you're successful or not because without you there would be no electric vehicles, which is going to have an important impact on our planet and the welfare of everyone on it.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Baron Partners Fund's annualized returns for the Institutional Shares as of December 31, 2020: 1-year, 149.18%; 5-years, 37.40%; 10-years, 24.04%; Since Inception (1/31/1992), 16.52%. Annual expense ratio for the Institutional Shares as of December 31, 2019 was 1.96% (comprised of operating expenses of 1.06% and interest expense of 0.90%). The **Russell Midcap Growth Index**'s annualized returns as of December 31, 2020: 1-year, 35.59%; 5-years, 18.66%; 10-years, 15.04%; Since Fund Inception (1/31/1992), 10.85%.

Baron Focused Growth Fund's annualized returns for the Institutional Shares as of December 31, 2020: 1-year, 122.75%; 5-years, 31.03%; 10-years, 18.83%; Since Inception (5/31/1996), 14.68%. Annual expense ratio for the Institutional Shares as of December 31, 2019 was 1.10%. The **Russell 2500 Growth Index**'s annualized returns as of December 31, 2020: 1-year, 40.47%; 5-years, 18.68%; 10-years, 15.00%; Since Fund Inception (5/31/1996), 9.42%.

Baron WealthBuilder Fund's annualized returns for the Institutional Shares as of December 31, 2020: 1-year, 62.85%; Since Inception (12/29/2017), 27.67%. Annual expense ratio for the Institutional Shares as of

December 31, 2019 was 1.33%, but the net annual expense ratio was 1.23% (includes acquired fund fees, net of the Adviser's fee waivers). The **S&P 500 Index**'s annualized returns as of December 31, 2020: 1-year, 18.40%; Since Fund Inception (12/29/2017), 14.18%.

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.

Performance for **Baron Partners Fund** reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. Performance for **Baron Focused Growth Fund** reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During these periods, the predecessor partnerships were not registered under the Investment Company Act of 1940 and were not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected their performance. If the annual returns for the Funds did not reflect the performance fees the returns would be higher. The Funds' shareholders will not be charged a performance fee.

Performance for the Institutional Shares prior to 5/29/2009 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 5/29/2009 did not reflect this fee, the returns would be higher.

Risks: **Baron Focused Growth Fund** is non-diversified, which means it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 40% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. **Baron Partners Fund** is non-diversified, which means it will likely have a greater percentage of its assets in a single issuer or a small number of issuers, including in a particular industry than a diversified fund. Single issuer risk is the possibility that factors specific to an issuer to which the Fund is exposed will affect the market prices of the issuer's securities and therefore the net asset value of the Fund. As of the date of the latest prospectus supplement, about 40% of the Fund's assets are invested in Tesla stock. Therefore, the Fund is exposed to the risk that were Tesla stock to lose significant value, which could happen rapidly, the Fund's performance would be adversely affected. Specific risks associated with leverage include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. **Baron WealthBuilder Fund** invests in other Baron funds and the selection of the underlying funds and the allocation of the Fund's assets among the various market sectors could cause the Fund to underperform in comparison to other funds with a similar investment objective. In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation.

Ranking information provided is calculated for the Retail Share Class and is as of 12/31/2020. The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct. **Morningstar calculates its category average performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include**

sales charges. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The Morningstar Mid-Cap Growth Category consisted of 604, 504, and 383 share classes for the 1-, 5-, and 10-year periods. Morningstar ranked ***Baron Partners Fund*** in the 1st, 1st, 1st, and 1st percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 4/30/2003, and the category consisted of 227 share classes. Morningstar ranked ***Baron Focused Growth Fund*** in the 3rd, 2nd, 5th, and 5th percentiles for the 1-, 5-, 10-year, and since conversion periods, respectively. The Fund converted into a mutual Fund 6/30/2008, and the category consisted of 326 share classes. The Morningstar Allocation—85%+ Equity Category consisted of 163 and 154 share classes for the 1-year and since inception (12/29/2017) periods. Morningstar ranked ***Baron WealthBuilder Fund*** in the 2nd and 2nd percentiles, respectively.

The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this document reflect those of the respective writer. Some of our comments are based on management expectations and are considered “forward-looking statements.” Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

Diversification does not guarantee a profit or protect against a loss.

Portfolio holdings as a percentage of net assets as of December 31, 2020 for securities mentioned are as follows: **Tesla, Inc.** - Baron Partners Fund (44.6%*), Baron Focused Growth Fund (38.4%); **CoStar Group, Inc.** - Baron Partners Fund (9.4%*), Baron Focused Growth Fund (8.6%); **FactSet Research Systems, Inc.** - Baron Partners Fund (3.2%*), Baron Focused Growth Fund (3.8%); **Penn National Gaming, Inc.** - Baron Focused Growth Fund (7.8%); **Hyatt Hotels Corp.** - Baron Partners Fund (3.0%*), Baron Focused Growth Fund (3.8%); **Red Rock Resorts, Inc.** - Baron Partners Fund (0.2%*), Baron Focused Growth Fund (0.8%); **Manchester United plc** - Baron Partners Fund (1.2%*), Baron Focused Growth Fund (1.4%); **Arch Capital Group Ltd.** - Baron Partners Fund (3.3%*), Baron Focused Growth Fund (1.6%); **Zillow Group, Inc.** - Baron Partners Fund (5.2%*); **Spotify Technology S.A.** - Baron Partners Fund (0.9%*), Baron Focused Growth Fund (2.4%); **Space Exploration Technologies Corp.** - Baron Partners Fund (3.0%*), Baron Focused Growth Fund (2.7%); **Shopify Inc.** - Baron Partners Fund (1.1%*); **Vail Resorts, Inc.** - Baron Partners Fund (3.6%*), Baron Focused Growth Fund (5.6%); **Brookfield Asset Management, Inc.** - Baron Partners Fund (0.6%*); **The Charles Schwab Corp.** - Baron Partners Fund (2.9%*); **Adyen N.V.** - Baron Partners Fund (1.9%*), Baron Focused Growth Fund (2.0%); **Activision Blizzard, Inc.** - Baron Partners Fund (1.0%*); **Iridium Communications Inc.** - Baron Partners Fund (0.8%*), Baron Focused Growth Fund (2.4%).

*% of Long Positions.

Top 10 holdings as of December 31, 2020

Baron Partners Fund

Holding	% Assets
Tesla, Inc.	44.6
CoStar Group, Inc.	9.4
IDEXX Laboratories, Inc.	5.5
Zillow Group, Inc.	5.2
Vail Resorts, Inc.	3.6
Arch Capital Group Ltd.	3.3
FactSet Research Systems, Inc.	3.2

Space Exploration Technologies Corp.	3.0
Hyatt Hotels Corp.	3.0
The Charles Schwab Corp.	2.9
Total	83.7
Long Equity Exposure	105.3
Cash & Equivalents	(5.3)

Baron Focused Growth Fund

Holding	% Assets
Tesla, Inc.	38.4
CoStar Group, Inc.	8.6
Penn National Gaming, Inc.	7.8
Vail Resorts, Inc.	5.6
Hyatt Hotels Corp.	3.8
FactSet Research Systems, Inc.	3.8
Space Exploration Technologies Corp.	2.6
Choice Hotels International, Inc.	2.5
Iridium Communications Inc.	2.4
Spotify Technology S.A.	2.4
Total	77.9

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

The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The **Russell 2500® Growth Index** measures the performance of small to medium-sized U.S. companies that are classified as growth. The indexes and the Funds are with dividends, which positively impact the performance results. 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 are unmanaged. The index performance is not Fund performance; one cannot invest directly into an index.

Non-mutual fund products are available to institutional investors only.

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. **Upside Capture** explains how well a fund performs in time periods where the benchmark's returns are greater than zero. **Downside Capture** measures how well a fund performs in time periods where the benchmark's returns are less than zero. **Sharpe Ratio** is a risk-adjusted performance statistic that measures reward per unit of risk. The higher the Sharpe ratio, the better a fund's risk adjusted performance.