



QUARTERLY LETTER | SEPTEMBER 30, 2025

Baron Durable Advantage Fund®

Retail Shares: BDAFX | Institutional Shares: BDAIX | R6 Shares: BDAUX

Dear Baron Durable Advantage Fund Shareholder,

Performance

Baron Durable Advantage Fund® (the Fund) gained 5.6% (Institutional Shares) during the third quarter, compared to the 8.1% increase for the S&P 500 Index (the Index), the Fund's benchmark.

Year to date, the Fund is up 13.6%, compared to the 14.8% gain for the Index.

Three quarters of the year are in the books, and U.S. large-cap equity investors continue to enjoy nice gains. The rally that commenced in the beginning of 2023 appears to still have fresh legs and in this most recent quarter, we struggled to keep up. Having said that, the Index is up 81% over that time, while the Morningstar Large Growth Category is up 101%*, and the Fund is up 110%. A positive outcome, indeed.

Ever since digesting the Liberation Day tantrum the market has continued to grind higher, driven by the anticipated interest rate cuts by the Federal Reserve (the Fed) and of course, the daily barrage of AI announcements and deals. On September 9, Oracle announced a massive backlog of AI bookings which soared to \$455 billion (measured by Remaining Performance Obligations), an increase of 359% year-over-year. The news overshadowed the company's miss of its quarterly revenues and earnings per share estimates, and its stock surged 36%, adding approximately \$245 billion to its market capitalization. Less than two weeks later, on September 22, **NVIDIA** announced a \$100 billion investment into OpenAI, which committed to purchase and deploy enough NVIDIA chips to power 10 gigawatts (GWs) of compute, worth approximately half a trillion dollars. While we have been anticipating this accelerating pace of AI investments, we along with the rest of the market participants



Alex Umansky
Portfolio Manager

Annualized performance (%) for period ended September 30, 2025

	Fund Retail Shares ^{1,2}	Fund Institutional Shares ^{1,2}	S&P 500 Index ¹
QTD ³	5.54	5.62	8.12
YTD ³	13.31	13.56	14.83
1 Year	16.84	17.12	17.60
3 Years	29.72	30.03	24.94
5 Years	17.28	17.58	16.47
Since Inception (12/29/2017)	16.32	16.60	14.44

were caught a bit off guard by this massive scale. Add to this that company earnings have generally been better than expected, with more positive earnings revisions, and you have pretty good ingredients for the markets continuing to move higher.

From a performance attribution perspective, Information Technology (IT) continues to be the main engine behind market returns, and ours, with IT now representing 34.8% of the Index after gaining 13.2% in the third quarter. The Fund enjoyed strong stock selection in IT, Real Estate, and Health Care and was helped by being underweight Consumer Staples, Health Care, and Industrials and by not having investments in Materials or Energy. Unfortunately, this relative strength was more than offset by poor stock selection in Financials, Consumer Discretionary, and Industrials, as well as overweights in Financials and Real Estate and an underweight to IT. Not owning shares of Tesla, which was up 40% during the quarter, and Apple, which gained over 24%, cost the Fund 149bps or 59% of the relative shortfall.

Performance listed in the table above is net of annual operating expenses. The gross annual expense ratio for the Retail and Institutional Shares as of January 28, 2025 was 1.04% and 0.77%, respectively, but the net annual expense ratio was 0.95% and 0.70% (net of the Adviser's fee waivers), 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 cost. The Adviser waives and/or reimburses certain Fund expenses pursuant to a contract expiring on August 29, 2036, 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 BaronCapitalGroup.com or call 1-800-99-BARON.

From an absolute return and stock specific perspective, the quarter was a good illustration of why the slugging percentage is much more important than batting average in the investment business. We had 15 contributors against the same number of detractors; however, our winners were sized much larger than our losers, accounting for a 578bps gain and a win in absolute terms. Ten of our investments posted double-digit gains, while **Alphabet**, **Taiwan Semiconductor** (TSMC), **Monolithic Power Systems** (MPS), and **Amphenol** gained over 20% each (**Broadcom** just missed the cut with a 19.9% gain). Alphabet, NVIDIA, TSMC, and Broadcom contributed over 100bps each to absolute returns, while MPS chipped in with 88bps. On the other side of the ledger, even though we had 15 detractors, only **Intuit** (41bps), **LPL** (37bps), and **S&P Global** (28bps) cost us more than 20 ticks. During the quarter, share price declines ranged from 0.4% for **Arch** to 13.2% for Intuit, and we do not believe any of them are likely to result in permanent losses of capital.

“History doesn’t repeat itself, but it often rhymes.”
— Mark Twain

Is this the internet bubble all over again?

We don’t know. More often than not, it is only obvious with the benefit of hindsight. But if it is – it sure feels more like 1996 or 1997 than it does like March of 2000. Netscape released its first internet browser – the Mosaic, in October of 1994, ushering in the internet era. Alan Greenspan, the former chairman of the Fed delivered his famous “Irrational Exuberance” speech in December of 1996, highlighting high valuation multiples amidst rising markets that were recording new highs. The S&P 500 Index more than doubled and the NASDAQ Composite Index quadrupled from that point on until the peak in March of 2000, or three and a half years later!

In October of 2022, almost exactly 28 years later, OpenAI released its ChatGPT to the public. It reached over one million registered users in the first five days and over 100 million registered users in the first two months. It will likely be remembered as the event that ushered in the age of AI.

Less than three years later (and similarly to 1996-1997) we are bombarded with almost daily announcements of massive, landscape-changing, infrastructure deals, except that the numbers are naturally bigger. Oracle reported a \$455 billion order backlog, dwarfing the \$106 billion cloud computing backlog announced by Alphabet just days earlier. **Meta** signed a \$14 billion deal with CoreWeave, **Broadcom** announced a \$10 billion order from a single new customer, **Microsoft** inked a \$19.4 billion deal with Nebius, and of course, **NVIDIA** trumped them all with a 10 GW, OpenAI deal translating to approximately half a trillion dollars. Simultaneously, **NVIDIA** invested \$100 billion into OpenAI, making the dot-com boom eerily familiar and spurring a flurry of memes reminding us of that era’s infinite money machines: **NVIDIA**→**OpenAI**→**Oracle**→**NVIDIA**.

But... that’s where the similarities end.

Bubbles are marked by “bubble thinking,” where investors stop questioning valuations and believe that an asset must be owned regardless of price. Today, we observe the opposite. Whether it is Liberation Day a few months ago, or a Fed-induced sell-off in 2022 still fresh in investors’ minds, market participants are clearly nervous and complaints about AI-driven irrational exuberance and excessive valuations are front and center across every financial publication. Ironically, valuations are far more rational and reasonable in 2025. In March of 2000, the seven largest “internet beneficiaries” traded at approximately 104 times earnings estimates⁴. The Roundhill Magnificent Seven ETF trades at about 32 times today. That’s not cheap, but hardly bubbleliciously expensive either. Cisco, the mega-cap company that was the poster child for internet enthusiasm saw its multiple expand from around 30 times in 1996-1997 to 126 times in March 2000, while Oracle, 2025’s version of Cisco, went from a P/E of approximately 30 times to 106 times. Today’s valuations are not in the same zip code. **NVIDIA** is at 32 times (lower than its five-year average of 39 times), **Alphabet** at 23 times, **Meta** at 24 times, both around market multiples, **Microsoft** at 32 times, and even **Oracle** is at 40 times. Obviously, valuations today should be higher compared to the late 1990s as interest rates are expected to be structurally lower, and the leaders of the digital economy today driven by platform economics have proven to be massively more profitable with stronger competitive advantages, and sustainably higher profit margins.

The dot-com bubble burst after a series of interest rate increases from the Fed which peaked at 6.5% in May of 2000, increasing the cost of capital and driving up borrowing costs for tech companies that had taken on heavy debt loads. In contrast, the Fed is likely to resume a rate-cutting cycle with the consensus expectations of 50bps of cuts in the December quarter. Stephen Miran, the odds-on favorite to ascend to the Fed chair post next year, is on record that interest rates in the mid-2% range are more appropriate today (compared to 4% to 4.25% currently), and so the path of interest rates in the foreseeable future is clearly pointing downward. With more than \$7 trillion sitting in money market funds facing lower yields due to lower interest rates, plenty of dollars could be heading into the stock market.

By the way, we would argue that **NVIDIA**’s financing the OpenAI deal by essentially taking a chunk of OpenAI’s equity in exchange for its chips is not being interpreted correctly by the critics. Sure, if OpenAI (valued at \$500 billion at its most recent funding) goes bankrupt and its equity becomes worthless, it would amount to \$100 billion discount in the price of the graphics processing units (GPUs). But what if OpenAI succeeds? What if it in fact becomes one of the winners in the chase for AGI, ASI, and the AI paradigm in general? In that scenario, it will have sold its GPUs at a significant premium. If forced to bet on OpenAI or against it today – we would most certainly bet ON it. This is not to be confused with Advanced Micro Devices’ (AMD) “Me too” deal with OpenAI where if successful, OpenAI will end up with 10% ownership of AMD, which of course, is entirely upside down.

Watching for tangible signs of AI demand and refreshing the lessons learned from the dot-com bubble is wise. But in our experience, bubbles do not get formed when everyone is anxious and valuation conscious. They certainly do not burst while the Fed is aggressively cutting interest rates, and the leading players are generating tens of billions of dollars in cash and are able to raise capital at will. In our experience the signs are more subtle, like your barber starting to give you stock tips, and your gardener handing in his notice because he is making more money day-trading the market.

The Fund is **laser focused on what is not going to change**. As disruptive change investors, we will continue to map out where the opportunities and land mines are likely to be. We will continue to seek out high-quality, competitively advantaged businesses that trade at reasonable prices, and avoid bad businesses – at any price. We will continue to invest in long-term compounders with compelling business models and durable growth characteristics that solve critical problems for their customers and face lower risk of disruption. We will continue to **minimize the real risk** for our shareholders – the probability of permanent losses of capital.

Since its inception on December 29, 2017, the Fund has generated an annualized return of 16.6% (net of all fees and expenses) – 216bps higher than the Index and 171bps above the Morningstar Large Growth Category. Past performance is obviously no guarantee of future results, but if we continue to execute our process well, it should enable our investors to sleep well at night.

Top contributors to performance for the quarter

	Quarter End Market Cap (\$B)	Contribution to Return (%)
Alphabet Inc.	2,942.7	1.48
NVIDIA Corporation	4,533.9	1.27
Taiwan Semiconductor Manufacturing Company Limited	1,448.6	1.16
Broadcom Inc.	1,558.0	1.09
Monolithic Power Systems, Inc.	44.1	0.88

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares rose 37.4% during the quarter on strength in the company's core businesses, as well as in Google Cloud and Other Bets. Despite rising usage of AI competitors such as ChatGPT, both Google Search and YouTube delivered double-digit revenue growth year-over-year. Additionally, Google Search paid clicks increased compared to the prior year, Google's AI assistant Gemini reached the top spot on Apple's App Store, Gemini Pro 2.5 has topped the AI eval ranking LMArena⁵, and new AI-powered features for Chrome were announced. Cloud revenue growth also accelerated 32% year-over-year, driven by demand for AI cloud services. Meanwhile, the resolution of the Department of Justice's antitrust case concerning Google Search was better than feared, lifting an overhang on the stock. Long term, even though we continue to monitor the potential impact of AI chatbots on search, we believe Alphabet would emerge as an AI winner, leveraging its extensive AI talent, expertise, full stack offering (from hardware to software) and vast ecosystem. Specifically, the company's DeepMind

research and AI talent, coupled with the development of custom tensor processing units, provide a full-stack advantage for cost efficiently scaling its AI products, such as the Gemini models. This technological edge is magnified by its massive user base, often called the "billion user club" (across 9 products: Search, YouTube, Maps, Gmail, Chrome, Android, Play store, Photos, and Drive), which dramatically lowers customer acquisition costs and creates a powerful flywheel effect for attracting developers. Furthermore, Alphabet is uniquely positioned to dominate the future of AI-powered commerce, where its scaled surfaces like YouTube can use real-time object recognition to make virtually any piece of content shoppable, while also making content creation easier, and ads more personalized.

NVIDIA Corporation is a fabless semiconductor company specializing in compute and networking platforms for accelerated computing. Its dominant position in AI infrastructure with a comprehensive portfolio spanning GPUs, systems, software, and high-performance networking solutions, continues to drive strong performance. Shares rose 18.1% during the quarter as investor confidence in AI infrastructure expansion grew. NVIDIA reported mid-term visibility of tens of GWs in AI buildouts, with each GW representing an estimated \$35 billion total addressable market (TAM). During its last earnings call, the company announced that its long-term TAM expanded from \$1 trillion to between \$3 and \$4 trillion, while more recently announcing a 10 GW deal with OpenAI. As AI infrastructure investment accelerates, NVIDIA's leadership continues to strengthen through durable moats across compute silicon, networking, systems, software, and supply chain. We maintain a long-term constructive view, as leading AI labs show growing confidence in their ability to achieve human-level intelligence and deploy AI products in enterprise settings. All the industries bottlenecked by intelligence will leverage AI, unlocking trillions of dollars in value. Most of these AI workloads will be supported by large language models running in the datacenters. NVIDIA is uniquely positioned to power this transformation through its full-stack approach, spanning silicon, systems, software, and developer ecosystem, and hence its competitive moat continues to widen.

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Limited** (TSMC) contributed to performance during the quarter as shares rose 23.6%, driven by robust demand for AI chips. We retain conviction that TSMC's technological leadership, pricing power, and exposure to secular growth markets, including AI and high-performance computing, automotive, 5G, and Internet of Things—will allow the company to sustain strong double-digit earnings growth over the next several years. We believe that while near-term uncertainty is heightened due to the evolving China-U.S. geopolitical relations, TSMC's competitive positioning in leading-edge semiconductor manufacturing remains unmatched with 90% market share (and 65% overall). TSMC's unique positioning in the market is underlined by the company's ability to raise prices as demand for its next generation nodes continues to be robust – this should also enable TSMC to offset any margin pressures from cost inflation or the headwinds from opening fabs in the U.S. at an accelerated pace. We also believe that TSMC will benefit from a long duration of growth as the adoption of AI continues to accelerate. Note that TSMC will benefit regardless of the ultimate market share split between NVIDIA, AMD, OpenAI, or

Anthropic and whether application-specific integrated circuits would garner any significant market share. It's the ultimate picks and shovels supplier to AI.

Top detractors from performance for the quarter

	Quarter End Market Cap (\$B)	Contribution to Return (%)
Intuit Inc.	190.4	(0.41)
LPL Financial Holdings Inc.	26.6	(0.37)
S&P Global Inc.	152.1	(0.28)
Texas Roadhouse, Inc.	11.0	(0.19)
Apollo Global Management, Inc.	76.7	(0.16)

Intuit Inc. is the leading provider of accounting software for small businesses and tax preparation software for individuals and tax professionals. Shares fell 13.2% in the third quarter after the company provided softer-than-expected revenue guidance for its Global Business Solutions segment, which management attributed to less aggressive QuickBooks pricing and slower growth from the Mailchimp marketing business. In addition, OpenAI announced a more advanced large language model, which the market perceived as a threat to application software broadly. Nevertheless, Intuit’s quarterly financial results exceeded Street expectations due to expansion of QuickBooks into larger and more complex mid-market customers, faster adoption of TurboTax Live, and cyclical strength from Credit Karma. Management expects 12% to 13% revenue growth and 14% to 15% EPS growth in the next fiscal year. We continue to own the stock due to Intuit’s strong competitive position and numerous growth opportunities as the company increasingly takes advantage of its unmatched data to infuse AI into its offerings.

Shares of **LPL Financial Holdings Inc.**, the largest independent broker-dealer in the U.S., fell 11.2% during the quarter amid several near-term headwinds. Expectations for accelerated interest rate cuts weighed on sentiment, as LPL earns income from floating rate client cash balances. However, the market’s long-term outlook on rates remains unchanged, leaving the firm’s cash earnings largely unaffected. LPL is also digesting its sizable acquisition of Commonwealth Financial Network, another independent broker-dealer. Although the deal could drive stronger growth over time, it currently offers limited near-term earnings upside and requires significant management attention to ensure successful integration. While investor sentiment has cooled given the lack of immediate catalysts and expectations for lower rates, we believe LPL’s long-term fundamentals and earnings power remain intact with a long runway for growth in the independent broker-dealer market.

Shares of rating agency and data provider, **S&P Global Inc.**, declined 7.5% in the quarter due to cautious commentary from a competitor about market demand and margins, leading to a broader pullback across information services stocks after industry bellwether FactSet mentioned “tight client budgets” and a “challenging environment” on its quarterly earnings call. However, these headwinds were previously discussed by the company, and management later clarified that these trends remain stable. FactSet also noted margin headwinds from a step-up in growth investments, which investors viewed as an indication of an AI spending cycle that could pressure margins across the broader information services sector. We view these concerns as overblown and expect S&P Global to report good results, driven by elevated debt issuance and tailwinds from the capital market recovery. We continue to own the stock due to the company’s long runway for growth and significant competitive advantages.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level, rather than benchmark composition and weights, determining the size of each individual investment. Sector weights tend to be an outcome of the stock selection process and are not meant to indicate a positive or a negative view.

As of September 30, 2025, our top 10 positions represented 58.2% of the Fund, the top 20 represented 85.8%, and we exited the quarter with 30 investments.

IT and Financials represented 65.2% of the Fund, while Communication Services, Consumer Discretionary, Industrials, Real Estate, and Health Care represented another 33.6%, with the remaining 1.3% held in Consumer Staples (**Costco**) and cash.

Top 10 holdings

	Quarter End Market Cap (\$B)	Quarter End Investment Value (\$M)	Percent of Net Assets (%)
NVIDIA Corporation	4,533.9	42.6	8.1
Meta Platforms, Inc.	1,844.9	41.9	8.0
Amazon.com, Inc.	2,341.7	35.6	6.8
Broadcom Inc.	1,558.0	34.0	6.5
Taiwan Semiconductor Manufacturing Company Limited	1,448.6	31.8	6.1
Microsoft Corporation	3,850.0	28.6	5.5
Alphabet Inc.	2,942.7	28.3	5.4
Monolithic Power Systems, Inc.	44.1	22.6	4.3
Visa Inc.	672.4	21.3	4.1
S&P Global Inc.	152.1	18.9	3.6

Recent Activity

During the third quarter, we reduced four existing positions: the life sciences tools companies **Thermo Fisher Scientific Inc.** and **Danaher Corporation**, the restaurant chain **Texas Roadhouse, Inc.**, and the aerospace and defense aftermarket parts supplier **TransDigm Group Incorporated**.

Top net sales for the quarter

	Quarter End Market Cap (\$B)	Net Amount Sold (\$M)
Thermo Fisher Scientific Inc.	183.1	4.0
Danaher Corporation	142.0	3.6
Texas Roadhouse, Inc.	11.0	2.3
TransDigm Group Incorporated	74.3	0.9

Outlook

We believe we are still early in the days of AI!

We own really high-quality businesses at reasonable valuations. Today, investors are focused on the TAM and are not differentiating very much. Furthermore, the Fed is likely to continue to cut interest rates for the foreseeable future, and the pace and the volume of AI deals and announcements is likely to accelerate. Some of our largest holdings are directly levered to AI and are well positioned to benefit from this. **NVIDIA**, **Broadcom**, and **TSMC** are the key infrastructure players that are driving the AI build-out at scale. **Amazon's AWS**, **Microsoft's Azure**, and **Alphabet's GCP** are the largest cloud hyperscalers that provide infrastructure services, while **MPS** and **Amphenol** are the system and component providers that we expect will be significant beneficiaries of this boom. **Meta** is both an early adapter with its AI-driven recommendation engine improving user engagement and advertiser returns, and a potential disruptor with its AI Labs stacked and loaded with the greatest AI talent money could buy. Still... if we are right that this is more akin to 1996-1997, we may have trouble keeping up with our growthier peers or growth benchmarks.

Because of our disciplined approach to risk management and general reluctance to take on investments even with comparably small probabilities of permanent loss of capital we may struggle to outperform when the fear of missing out far exceeds the fear of losing money. In that environment, it becomes difficult to buy or even to hold great businesses at reasonable prices. But we are not there yet.

As we do every quarter, we analyzed the change in the weighted average multiple of the Fund and the weighted average change in consensus expectations for 2025, for revenues, operating income and operating margins. In the third quarter, the weighted average multiple for the Fund declined by 0.7%. Since the Fund was up 5.6%, company fundamentals continued moving in the right direction. In terms of Street expectations for our holdings for 2025, revenue expectations increased 2.2% (weighted average), driven by a 7 point increase for our electrical systems and components supplier, Amphenol, a 5 point increase for Meta, and 3-4 point increase in expectations for each of NVIDIA, Broadcom, MPS, and LPL. Only two of our holdings saw their revenue expectations decline in the third quarter – **CME** and **TransDigm**. Operating income expectations also rose by 3.1% during the quarter, driven by strong upward revisions for Amphenol (+14.1%), Meta (+10.4%), **Welltower** (+6%), NVIDIA (+4.4%), and many others. Operating margin expectations similarly expanded by 35bps for the portfolio as a whole.

Every day, we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes, ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Our goal is to invest in large-cap companies with, in our view, strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free-cash-flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We are optimistic about the prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.



Alex Umansky
Portfolio Manager

- ¹ The **S&P 500 Index** measures the performance of 500 widely held large cap U.S. companies. The Fund includes reinvestment of dividends, net of withholding taxes, while the S&P 500 Index includes reinvestment of dividends before taxes. Reinvestment of dividends positively impacts the performance results. The index is unmanaged. Index performance is not Fund performance. Investors cannot invest directly in 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 Not annualized.
- ⁴ Microsoft, Cisco, IBM, Intel, Lucent, Oracle and GE – average P/E on street estimates for next 12m of eps.
- ⁵ <https://lmarena.ai/leaderboard>.
- * As of 9/30/2025, the annualized returns of the Morningstar Large Growth Category average were 21.73%, 28.11%, 13.71%, and 14.89% for the 1-, 3-, 5-year, and since inception (12/29/2017) periods, respectively.

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

Risks: The Fund invests primarily in equity securities, which are subject to price fluctuations in the stock market. In addition, because the Fund invests primarily in large-cap company securities, it may underperform other funds during periods when the Fund's securities are out of favor.

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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EPS Growth Rate (3-5-year forecast) indicates the long term forecasted EPS growth of the companies in the portfolio, calculated using the weighted average of the available 3-to-5 year forecasted growth rates for each of the stocks in the portfolio provided by FactSet Estimates. The EPS Growth rate does not forecast the Fund's performance. **Free Cash Flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **Operating Margin** is a company's profit for every dollar of sales after deducting production costs like wages and raw materials but before accounting for interest and taxes. **Price/Earnings Ratio or P/E** (next 12-months): is a valuation ratio of a company's current share price compared to its mean forecasted 4 quarter sum earnings per share over the next twelve months. If a company's EPS estimate is negative, it is excluded from the portfolio-level calculation.

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