

## A Mid-Cap Fund With Big Gains

BY NELLIE S. HUANG

The managers of **DF Dent Midcap Growth** (symbol **DFDMX**), a member of the **Kiplinger 25**, our favorite low-cost mutual funds, are back in the office after months of remote work. But the quarantine did not hold them back. Midcap Growth returned 13.2% over the past year—far better than the 1.6% loss in the Russell Mid Cap index. Some of the fund's best performers over the past year were software firms, including BlackLine (up 45%) and Ansys (up 37%). Shares in financial-services firm Moody's rose 41%.

A few holdings that lost ground were COVID casualties, in part. Insurance company Markel (down 12% over the past 12 months) suffered from its exposure to business-interruption claims filed because of the shutdown. The travel slowdown has hurt digital-commerce software provider Pros Holdings (**PRO**) (down 32%); the airline industry is a key customer. Despite the declines, comanager Bruce Kennedy says he has "strong confidence" in these businesses.

Kennedy and his comanagers, Matthew Dent, Gary Mitchell and Thomas O'Neil, work to find 30 to 40 growing midsize businesses that generate large

amounts of cash, dominate a niche in their industry, and have talented and ethical executives. They wait for a stock to trade at the right price relative to its expected risk-adjusted return before buying. "We're picky, and we do deep research," Kennedy says.

At the end of 2019, the fund's cash position rose to 5% of assets because there were "more names we wanted to sell than to buy," Kennedy says. When stock prices collapsed, the managers deployed that cash, as well as more cash raised by trimming stakes in a few top performers, into four new stocks: Heico (**HEI**), a seller of aftermarket aircraft parts; veterinary diagnostics company Idexx Laboratories (**IDXX**); and software firms Atlassian (**TEAM**) and Coupa Software (**COUP**). Cash is now just 1% of assets.

In recent years, the fund has expanded its research bench and hired five analysts. "They've been instrumental in reducing the number of mistakes we make," says Kennedy. The fund has been on a torrid run of late. Over the past three years, Midcap Growth has returned 19.0% annualized, beating the 5.3% average annual return of the Russell Mid Cap index.

### KEY DATA FOR OUR MUTUAL FUND PICKS

Kiplinger 25 funds are no-load; you can buy them without sales charges. For more about the funds, visit [kiplinger.com/links/kip25](https://kiplinger.com/links/kip25).

U.S. Stock Funds	Symbol	Annualized total return			Yield	Expense ratio
		1yr.	5yrs.	10yrs.		
<b>DF Dent Midcap Growth</b>	DFDMX	13.2%	13.9%	—	0.5%	0.98%
<b>Dodge &amp; Cox Stock</b>	DODGX	-4.3	5.6	11.0%	3.8	0.52
<b>Mairs &amp; Power Growth</b>	MPGFX	5.4	8.3	11.9	2.5	0.65
<b>Parnassus Mid-Cap</b>	PARMX	-4.6	7.1	11.2	1.7	0.99
<b>T. Rowe Price Blue Chip Growth</b>	TRBCX	17.6	15.0	17.0	0.6	0.69
<b>T. Rowe Price Dividend Growth</b>	PRDGX	3.2	9.8	12.7	2.5	0.62
<b>T. Rowe Price QM US Sm-Cp Gro</b>	PRDSX	1.6	7.6	13.7	0.9	0.79
<b>T. Rowe Price Small-Cap Value</b>	PRSVX	-10.3	4.6	9.0	2.3	0.83
<b>Primecap Odyssey Growth</b>	POGRX	3.7	9.3	13.2	1.7	0.65
<b>Vanguard Equity-Income</b>	VEIPX	-4.0	6.7	11.4	4.2	0.27
<b>Wasatch Small Cap Value</b>	WMCVX	-12.3	3.6	10.0	3.2	1.20

International Stock Funds	Symbol	Annualized total return			Yield	Expense ratio
		1yr.	5yrs.	10yrs.		
<b>AMG TimesSquare Intl Sm-Cap</b>	TCMPX	-0.3%	3.9%	—	2.6%	1.23%
<b>Baron Emerging Markets</b>	BEXFX	-1.3	2.2	—	2.1	1.35
<b>Fidelity International Growth</b>	FIGFX	8.5	6.0	9.2%	1.8	0.99
<b>Oakmark International</b>	OAKIX	-12.9	-2.0	4.7	6.0	0.98

Specialized/Go-Anywhere Funds	Symbol	Annualized total return			Yield	Expense ratio
		1yr.	5yrs.	10yrs.		
<b>Fidelity Select Health Care</b>	FSPHX	25.6%	8.7%	18.4%	0.9%	0.70%
<b>Vanguard Wellington<sup>‡</sup></b>	VWELX	5.6	7.3	9.5	3.1	0.25

Bond Funds	Symbol	Annualized total return			Yield	Expense ratio
		1yr.	5yrs.	10yrs.		
<b>DoubleLine Total Return Bond</b>	DLTNX	3.8%	3.1%	5.0%	3.1%	0.73%
<b>Fidelity Strategic Income</b>	FADMX	3.1	—	—	3.7	0.68
<b>Fidelity Interm Muni Income</b>	FLTMX	3.4	3.2	3.4	1.6	0.35
<b>Fidelity New Markets Income</b>	FN MIX	-2.0	3.9	5.4	6.2	0.82
<b>Met West Total Return Bond</b>	MWTRX	9.6	4.1	4.7	1.6	0.67
<b>TIAA-CREF Core Impact Bond</b>	TSBRX	7.0	3.9	—	1.6	0.65
<b>Vanguard High-Yield Corporate</b>	VWEHX	2.8	4.6	6.6	5.1	0.23
<b>Vanguard Sht-Trm Inv-Grade</b>	VFSTX	4.9	2.9	2.7	1.6	0.20

Indexes	Annualized total return			Yield
	1yr.	5yrs.	10yrs.	
S&P 500 INDEX	7.8%	10.0%	13.1%	1.8%
RUSSELL 2000 INDEX*	-7.3	3.3	9.4	1.6
MSCI EAFE INDEX <sup>†</sup>	-4.0	1.4	5.5	2.9
MSCI EMERGING MARKETS INDEX	-1.4	2.6	3.2	2.8
BLOOMBERG BARCLAYS AGG BND IDX <sup>#</sup>	9.4	4.3	3.9	1.3

As of June 12. <sup>‡</sup>Open to new investors if purchased directly through the fund company. \*Small-company U.S. stocks. <sup>†</sup>Foreign stocks. <sup>#</sup>High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed are SEC yields for bond funds; weighted average portfolio yields for stock funds.

### **Important Information Concerning the Attached The Kiplinger 25 Funds' August 2020 Article Reprint**

DF Dent Midcap Growth Fund (DFDMX) Total Returns as of 3/31/2021 – Investor Shares (Periods Over 1 Year Are Annualized):

1 Year 29.33%

3 Year 21.44%

5 Year 21.04%

Since Inception (7/1/11) 16.12%

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Historically, some of the Fund's fees were waived or expenses reimbursed; otherwise returns would have been lower. The Investor Class Share's annual operating expense ratio (gross) is 1.01%. The Fund's adviser has contractually agreed to waive a portion of its fee and/or reimburse expenses to limit the net expense ratio of Investor Shares to 0.98% through October 31, 2021. Shares redeemed within 60 days of purchase will be charged a 2.00% redemption fee. For the most recent month-end performance, please call 866.233.3368.*

*Short-term performance, in particular, is not a good indication of the Fund's future performance, and an investment should not be made based solely on returns. Because of ongoing market volatility, Fund performance may be subject to substantial short-term changes.*

As of 6/30/2021 the Fund's Top 10 Holdings were:

SBA Communications Corp. 4.78%

Vulcan Materials Co. 4.38%

Black Knight, Inc. 4.32%

Illumina, Inc. 4.22%

Markel Corp. 4.15%

ANSYS, Inc. 4.03%

Bio-Techne Corp. 3.71%

Teleflex Inc. 3.68%

Brooks Automation, Inc. 3.55%

Moody's Corp. 3.54%

*Yield listed in the Statistics table reflects distribution yield of the underlying holdings, not of the Fund itself.*

Investing involves risks, including the possible loss of principal. The Fund invests in small and medium size companies, which carry greater risk than is customarily associated with larger, more established companies. With non-diversification risk, the Fund will typically invest in securities of fewer issuers, which exposes the Fund to greater market risk. Investing in ADRs (American Depositary Receipt) carries risks of political and financial instability, less liquidity and greater volatility, as well as risk associated with the lack of reliable accounting and financial information. The Fund is also subject to other risks, such as REIT risk with possible real estate market declines, which are detailed in the Fund's prospectus.

**Before investing you should carefully consider the Fund's investment objectives, risk, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling 866.233.3368. Please read the prospectus carefully before you invest.**

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